

JOHNSON VILLAGE TRUSTEE BOARD MEETING MINUTES  
JOHNSON MUNICIPAL BUILDING  
MONDAY, FEBRUARY 13, 2017

**Present:**

Trustees: Gordon Smith, Walter Pomroy, Scott Meyer, David Goddette, Bob Sweetser (by phone)

Others: Meredith Birkett, Rosemary Audibert, Troy Dolan, Tom Elwood, Ken Nolan, Crystal Currier, Doug Molde, Graham Govoni, Leslie Black

**Note: All votes taken are unanimous unless otherwise noted.**

**1. Call to Order**

Gordy called the meeting to order at 6:00.

**2. Changes, Additions to Proposed Agenda**

Meredith added an item about the service quality report, which was included in the board packet. Gordy asked to add an item about the Main Street paving schedule.

**3. Review and Approve Minutes of Trustee Meetings**

**Walter moved to approve the minutes of January 9, January 23, and February 6, 2017, Bob seconded and the motion was passed.** (Scott Meyer and Crystal Currier arrived at 6:03. Dave Goddette arrived at 6:04.)

**4. Treasurer's Report & Review and Approve Bills and Warrants**

The board reviewed the budget status report. Walter asked why interest expense was so low for the water department. Rosemary said because the loan was refunded this year.

**Walter moved to place a water and sewer lien on 54 Route 100C owned by Urban Financial for \$122.57 and the motion was seconded and passed.**

**5. Water/Sewer Allocation Applications**

Meredith said Doug Molde is requesting a change in water and sewer allocation for his School Street property. It is a change on paper, converting from commercial to single family residential. He has submitted the applications and fees. The total allocation is 540 gallons per day for water and 210 gallons per day for wastewater.

**Walter moved to give preliminary approval to the change in water and sewer allocation requested by Doug Molde for 92 School Street and to give final approval conditional on getting state water and wastewater permits, Dave seconded and the motion was passed.**

**6. Discussion of the Potential Highgate Converter Sale**

Meredith introduced Ken Nolan and Crystal Currier from VPPSA. Ken said he is the one responsible for raising the issue of selling the Highgate converter. When he got to VPPSA in September and started looking at the financial statements, it looked like Highgate was losing money for VPPSA. It turned out that was a timing issue, but it raised the question of why VPPSA would want to keep owning this asset. He talked to VELCO, which manages it on behalf of the owners. VELCO ran numbers and concluded that including the asset in their books would allow them to bill more of the transmission cost to other customers around New England, bringing more money into Vermont. VPPSA has spent the last few months looking at financial information to figure out if it makes sense to sell the Highgate converter. He believes it makes sense for VPPSA and for Johnson to sell. Johnson is in a different spot from most VPPSA members, because most own part of the Highgate converter through VPPSA. VPPSA has been trying to figure out any

downsides to selling. They haven't come across any risks except that the owners bought it in the 80's so if we ever needed a contract again and there are rules changes we might have a grandfathering argument if we still owned it. It used to be that we needed the Highgate converter in order to buy from Hydro-Quebec. But when ISO New England was created the rules for how power is moved around changed completely. We no longer need a physical path. Given that, owning it becomes a financial decision. Johnson is making \$5K a year from owning the asset. That is based on the depreciated value. Over time the income drops as the depreciated value drops. VELCO proposes that, instead of buying for cash, they give sellers an equity position in Vermont Transco. Right now Vermont Transco dividends are paying about 12.5%. Johnson would see a drop in the short term from \$5K to about \$3K. But the equity position would not depreciate, so the income would stay the same over time and over the 20-year life of the asset Johnson would end up with more income.

Dave asked what Vermont Transco is. Ken said it was created strictly for tax purposes. VELCO realized about 15 years ago that they were paying income taxes on parts of the company that were owned by non-profit entities, so they created an LLC. They moved all assets into the LLC and set VELCO up just to be the management company. They manage the assets but the assets are owned by Vermont Transco. That means that municipal utilities and coops don't have to pay taxes on their dividends. Transco pays 12.5% dividends on all their assets. That value has been stable for years. Recently there have been challenges. A couple of attorney generals have said that is probably too high. That may mean that in the future there will be a change in the dividend. But the relationship between the income from owning the Highgate converter and the dividend income will remain the same. Both will increase or decrease together.

Ken provided a handout showing estimated revenue Johnson would receive from owning or selling its share of the Highgate converter. One thing VPPSA would not recommend is selling the asset for cash. That is the worst scenario. It would be better to either keep owning it or sell it in return for Transco equity. There are some risks to continuing to own the asset. All the converter's control systems had to be redone a few years ago. There is starting to be talk about having to replace a couple of large transformers. That would require more capital. Walter said if VELCO owned the converter, we would get a capital call from them. Ken said there could be equity calls from VELCO for work on the converter, but the expense would be diluted among more utilities.

Walter asked about the difference between ownership in Highgate and in VELCO. Ken said with VELCO ownership there is less likelihood they will call for money from us. VPPSA has to submit costs for the Highgate converter every year to the Federal Energy Regulatory Commission. VPPSA is in the middle of a federal case over the challenges he mentioned previously. One settlement resolution is to create a detailed spreadsheet that everyone who owns transmission has to fill out that will require documented approval of depreciation rates, etc. The hurdle for cost recovery is going up. They may require a depreciation study, which could cost \$50K. That is a risk of owning transmission. He thinks it makes sense to own transmission if you have a reason for it. If it is an asset a utility is hanging onto or looking to make money from, that is going to become more risky, especially for smaller entities. The return is similar but the risk from owning equity rather than the asset is quite different.

Gordy asked about other owners. Ken said a number of entities own part of the converter through VPPSA, including Stowe and Washington Electric Coop. GMP is the only investor-owned utility.

Vermont Electric Coop owns a small piece and Burlington Electric owns about 7%. Most utilities in Vermont are owners. All are looking at possible sale. Right now the only owner he is aware of that is not interested in selling is Stowe. That is causing a bit of a wrinkle because they own the asset through VPPSA. Walter asked why they do not want to sell. Ken said he doesn't know. Ellen Burt indicated she doesn't know if they will need it sometime in the future.

Walter asked if Highgate might become more valuable with the current interest in bringing hydro power down from Canada. Ken said Highgate has to follow a specific formula for cost recovery. We can only get a certain amount of return. The only way to make it more valuable would be to make it a merchant plant instead of a rate-based plant. We would have to pay back money to ISO New England to do that. Of the projects proposed, one will get a deal and the others will stop bidding because there is only so much power available. He doesn't see a situation where Highgate could become more valuable. And even then, we would have to figure out how to get it out of being a rate-based plant in order to sell to someone else. He doesn't think the finances would work.

Gordy said probably our biggest exposure with Highgate is the potential expense if something fails. Ken said it is not so much the amount of capital that is a concern as not knowing when the expense might come. Walter said if we sold to VELCO the cost of any work would be spread over all of ISO New England, a bigger pool. Ken said that is correct. Right now if a transformer blew up they would buy a new one and tell the owners they each owed their share of the cost. The expense is eligible to be included in the cost of service and utilities can collect money to recoup the cost. If all went well we would get our money back plus a little rate of return. If VELCO owns the converter Johnson would get the 12.5%. If a transformer blew up VELCO would raise capital. They would include the expenses in their submittal to ISO New England and collect the money over the year. The only effect on Johnson would be the slight amount bills might go up.

Gordy asked about how it would work if Johnson decided to keep its share of the converter for 2 or 3 more years. Ken said Johnson would be eligible to get the depreciated value of the facility at that time. He suspects VELCO would be interested, but Johnson would get less for it and the equity offer might not still be available. Johnson could theoretically sell to another entity but he doesn't know anyone who would be interested in owning 1% of something VELCO owned the rest of.

Scott asked if VELCO is pushing the sale. How did the conversation get started? Ken said it started with him. He looked at the books and asked why we would want to own it when it looked like we were spending \$40K more per year than we were getting in revenue from it. VELCO would very much like to own the whole asset.

Scott asked if VELCO stands alone or is owned by a larger entity. Ken said it is owned by all the utilities. Scott asked, if someone like Suez Energy wanted VELCO in their portfolio, what would happen to the \$3K we would be getting from VELCO? Does that disappear if someone else buys it or does it carry on regardless of ownership? Ken said Johnson already owns membership units in Vermont Transco. This sale would mean Johnson would own a little more. Transco has agreed to include a clause in the operation agreement that they won't buy back those shares for 20 years. If a larger company bought VELCO they would have to compensate us for the value of our shares. So the worst case scenario would be that we would get the value of Highgate back at that time. But a transaction like that is highly unlikely. The entity buying VELCO would have to convince all the

municipal utilities and coops and the Vermont Low Income Trust to go along with the action. He thinks that makes it very unlikely.

Scott asked if it is correct that this has no impact on the renewable energy requirements. Ken said that is correct.

Gordy asked what the timeframe is. Ken said ideally VELCO would like to do the transaction by June 30. Walter asked when this board should vote by. Ken said early to mid April would be good. A public vote is not needed. VPPSA needs to notify the Public Service Board. From the time the board votes to the time the transaction can be done is 45 to 60 days.

Scott asked if it impacts us if other owners don't want to sell. Ken said that won't affect the transaction for us. Other owners have a right of first refusal to match the terms. In theory another owner could decide to buy Johnson's shares. Scott asked, if Stowe bought our share, would that impact the money coming back to us? Ken said if Stowe bought the entire converter, that would affect the amount Johnson would get. If they wanted to buy a portion of it he would insist that that portion come out of GMP's portion. They can cover the purchase and not have it even show up on their financials.

Scott asked if we will have more clarity by the time the board votes on this. Ken said he can't guarantee that if the vote is in March, but he hope we will have more. Walter asked if the numbers are fairly fixed. Ken said yes. Walter asked if the number of shares we would get is fixed. Ken said it is based completely on the book value of the plant on day of the transaction. David asked what the value of the plant is right now. Ken said about \$37 million. Johnson owns 0.46% of it.

Walter said since we own our share of it outright, we have the ability to sell to someone else. Ken agreed. Walter said if Stowe or GMP wanted it we could sell to them and get cash in pocket rather than waiting for dividends. Scott asked if we would we have to go through PSB on our own. Ken said yes; Johnson would have to go through the same steps. GMP is looking to sell to VELCO so selling to them is not an option. Stowe might be worth a conversation.

Gordy asked Meredith if she has any previous contacts from Burlington Electric she could talk to about this. Ken suggested a person at BED who would probably be good to talk to. Gordy said he likes to get information from two different sources.

Crystal said one reason they want the sale done before June 30 is that that is when the revenue requirement is due. If we don't sell we will have to file that. Now Johnson gets 100% of its costs back. But there are a few issues with the numbers Johnson submits. Some of them can be easily fixed if Rosemary creates a couple of separate accounts. Most of the utilities are required to base numbers off a FERC form municipal utilities don't file. Municipal utilities can use audited financial statements but 2016 financials would have to be audited by May. We would have to do a little restructuring so we could clearly point to the numbers we have to put in the revenue requirement. The cost might not be fully recovered if we can't point to where the numbers come from. That is a risk of not selling.

Walter said the risk of selling is that the Transco dividend might go down. The risk of keeping it is if Highgate has to do something major and there is a major call. We will eventually get the money

back but it is tough to raise money as a little municipality and the taxpayers could be on the hook. Ken agreed that is a good summation. The dollar risk and the administrative risk are the two risks avoided by doing the sale.

**7. Discussion of the Proposed New England Hydro Power Purchase Agreement**

Ken said VPPSA has been negotiating this for about a year now. The VPPSA board recently approved VPPSA signing the contract. Now VPPSA needs to talk to each member to find out if they are interested in signing up for a piece. The agreement is with 5 separate holding companies that own 14 different hydro plants in New England. VPPSA thinks the agreement makes sense for Johnson. After 2018 Johnson's power supply is getting shorter. This fills a slice of that need. Hydro facilities operate year-round but produce more in winter. He thinks that is a good fit from a production standpoint. Contract prices are below the power supply costs included in the last rate case Johnson filed.

Walter asked what the spot market is right now. Ken said about 3 cents. Walter asked what we are paying now for contracts. Ken said about 8.6 cents. He noted that the 3 cents is the energy market. This contract also brings capacity. That is very variable. It has been 11 cents and most recently has been 7 cents.

Gordy asked, this power purchase agreement doesn't help us with renewable energy credits? Ken said no. When he got here VPPSA was in the middle of negotiating this and had decided not to buy the renewable energy credits. There are low value and high value credits. Because this portfolio includes both low and high value credits VPPSA couldn't come to agreement with the seller on the value of the credits. Now VPPSA is going back to them and saying we don't want the high value RECs but asking if we can add an amendment to the contract to buy the low value ones. They are open to that so there is potential to add that on. That would meet Tier 1 requirements.

Walter asked, this agreement would supply 11.6% of our power needs? Ken said the initial offer is 11.6% of Johnson's energy needs. Whenever a new contract is offered it has to be offered to members based on their pro rate share. But VPPSA will recommend to at least 2 members that they not buy this. It doesn't fit in their portfolios. There is also one member that historically has not bought into contracts like this. If 3 members say no, then the power they were offered gets reallocated to others. VPPSA would recommend up to 1.5 megawatts for Johnson. There is a regulatory burden to going over that.

Gordy asked if there is any guarantee that if we sign this agreement we won't end up in a mess like the mess Morrisville is in with the state. Ken said he can't guarantee that. But the way the contract is structured, we only pay per megawatt-hour delivered. We don't pay if they can't produce. They guarantee that whatever they produce we get at the specified price but they can't guarantee how much they will produce. Walter said if there is a major drought we will have to go to the spot market. Ken said that is a possibility. Walter asked if any of the plants have had trouble producing with the recent droughts. Ken said no. And they are spread over several watersheds, reducing the risk of low production. Historical data shows that when production at one is down another is likely to be up. Walter asked if the different plants in the contract backfill for each other. Ken said we get a percentage of their total portfolio production.

Scott asked if TransCanada is owner to any of these plants. Are they owned by their own utility or by a bigger corporation? TransCanada recently wanted to sell a dam. Is that a trend? Is it anything

we need to worry about? Ken said TransCanada wanted to get out of some hydro power dams because they wanted to raise cash to invest in something else. He can't divulge the name of the company. It is a firm that is not a utility. They own these dams because they are ancillary to another business they are in. There is no indication they are looking to sell though it is possible. They run the dams in conjunction with facilities that are already there for another purpose. There does seem to be a trend of facilities changing hands, especially in the hydro world. Most end up in Canadian pension funds.

Walter said Johnson has had too much capacity the last couple of years. That will happen again in 2018, then hopefully in 2019 we will right ourselves. He asked if the chart Ken provided reflects the decreasing purchase commitment the board talked about with Meredith. Meredith said she assumes TJ Poor built it off the most recent data he has. She can ask specifically. Ken said he wouldn't necessarily assume Johnson will lose money in 2018. The 3 cents is for energy only. Johnson will get some market revenue for the capacity. He typically takes the position that it is not bad to be long in capacity. The price tends to move around a lot. There is not a high value for capacity for renewables.

Walter asked how this compares with what we were paying in our last round of purchased power. Ken said he is not sure. He can get that information. Most contracts we are seeing are in the 5-6 cent range.

Ken said this contract would not be to try to beat the market. It is below the last rate case and locks in the price for 20 years.

Gordy asked if we are buying any power on the spot market now. Ken said a little. Gordy said a there was a company that was buying 20% of its power on the spot market and that was considered very risky. This would keep us below that, right? Ken said yes; it buys us another year or two to look at the long term future.

Gordy asked about the time frame. Ken said VPPSA will send out a draft power purchase agreement by the end of February. The hope is to get something signed by early May so delivery could start by January 1, 2018. Municipal approval is not needed but some members want to do a vote anyway. Walter said we could have a vote at the annual meeting at the beginning of April. We could still get it into the warning.

Walter said the only thing he would be tempted to change would be to bring it down to 100% of our need for 2018 and not spike above 100%. He wants to know what that percentage would be. Ken said he will find out. Ken and Crystal left at 7:18.

Walter said he wants to add an executive session on the topics just discussed.

#### 8. ***Foreman Report and Action Items***

Gordy said it looks like Troy's crew is taking good care of their equipment.

Troy said on January 12 there was an outage due to a broken pole at the intersection of School St. and 100C. It affected 456 customers for about 7 hours. The restoration process was lengthy. They had to wait for a vehicle to be moved. There were 2 different sized conductors on the pole that couldn't easily be spliced. The way the pole was damaged was dangerous. It was a pretty bad

situation. He thanked the fire department for staying there while the work was being done. Gordy asked about insurance from those at fault. He heard there may not be any. Troy and Meredith said according to the accident report there isn't. Meredith said she will file with VLCT.

Troy said there was an outage February 8 on Gould Hill. A cutout broke and caught fire and burned the top of a pole off. He will try to have a replacement pole set when the contractor doing pole setting for the Green Lantern solar array is here.

There has been more sanding and salting activity than last year. Gordy noted that by 8:00 am today all sidewalks were cleared. He thinks the crew is doing a good job.

On February 8 employees had the NEPPA CPR/first aid training that is required annually for linemen.

The sewer and water inventory count has been completed.

Scott asked about opiate overdose training. Troy said that was an addition to what is normally taught in the first aid course. They were showed how to administer Narcan. He doesn't believe employees have a lot of interest in administering Narcan. Walter said the sheriff's department and EMT's will know how to administer it.

Troy is making arrangements to send out failed transformers for recycling.

Troy met with a customer on Prospect Rock Road who will be putting in an extension in spring. He is working on an estimate for a solar array for Johnson Farm and Garden. The contractor who was supposed to start setting poles today will start tomorrow due to today's weather. Troy worked with the Green Lantern site coordinator to come up with a location for the new transformer. We came to agreement with them on a location that will provide us the year-round access we need.

Meredith said we were under the impression that if we put lines underground during the Route 100C twin bridges project VTrans would pay to put the lines back overhead after the project if an easement was granted. But they will not pay. They say our agreement to put the lines underground is make or break for the project. If we don't agree to that they don't have a solution to reroute the lines because they can't get an easement on the foreclosed property there. Troy said he had a handshake agreement with the engineer that they would pay for the lines to go back overhead. They never came back and said they were not going to do that after all. They may not work well with us in the future if we don't cooperate with this. It won't be a great expense to go back overhead. He can see us having money in the budget for it.

Walter asked if we can wait and see if the foreclosed property issue is resolved. Troy and Meredith said VTrans wants to put the project out to bid this summer. They would like to know by early March.

Walter asked if otherwise Meredith and Troy are happy with the agreement. Meredith said yes. She said we made it clear that the cost figure we gave is an estimate. They agreed they will pay our actual cost. Because of Buy America requirements we have to make sure we don't have more than a certain amount of iron or steel expenses from non-American sources. Gordy asked, what if

we hit ledge? Troy said the estimate he gave doesn't include the extra cost for that. He thinks there is ledge. He thinks we need in writing that they will pay for that. We will hire the contractor to do the work. Bob said he thinks we should move forward but should make sure everything is in writing. Meredith read from the agreement, which calls for reimbursement of actual costs. She said she thinks it is very clear that if we hit ledge they will have to pay more. She doesn't feel they can argue about that.

**Walter moved to authorize Meredith to sign the Johnson Utility Relocation Agreement with the State of Vermont Right of Way Utilities and Survey Unit, Scott seconded and the motion was passed.**

Meredith said Troy had found some relatively good priced digger trucks. Do we have to wait until after the village meeting to buy one or can we move faster if we find a good deal? Walter asked if Troy is looking at a cost lower than what is in the budget. Troy said yes. The budget has \$60K and if we bought a truck from out of state we would have to transport it, which would probably cost another \$2K.

Troy said he doesn't want to put more money into our current truck. The 3<sup>rd</sup> stage won't go out. That is not needed for setting poles, but some of the testing needs to be done again at the end of March and the 3<sup>rd</sup> stage will be a problem. He found 2 trucks. One is located close to where Jeff is going to school so he looked at it. It appeared to be in nice shape. The only problem is that it has joystick controls. None of the employees have used them. That one costs \$35K. Another truck is in Maine. It is a 2004 from the south. It costs \$43K. It has the same controls as our current truck. It is very clean. Troy spoke to the contractor who owns it. All testing has been done on it.

Walter asked if it is possible to hire someone in the area to do independent verification of the truck's condition. Troy said the one in Maine has documented records of independent testing. David asked what the lifespan of one of these trucks is. Troy said both of the ones he is looking at are southern and have not been exposed to road salt. The one we have now is a 1981. We use it more than we used to.

Bob said having familiar controls is a safety issue. Troy said the one in Maine also has a winch on front of it. It is set up very well. He has been looking at trucks since fall and for the pricing this is the best he has seen. Gordy said winter is a good time to buy these trucks. Troy said another potential buyer has the first chance to buy the Maine truck so we are not guaranteed to get it. Bob said he would be willing to pay the difference in price for the Maine truck. Gordy agreed. Troy said this will be under the budgeted amount. He is not sure if he can negotiate the price lower. The seller can make arrangements to deliver it. He thinks he would go up and look at it and have them deliver it. It has all new tires. Gordy said we will need to put some money into it for decals, radio, etc.

Meredith said she wanted to see if the board would be open to moving forward with purchase of a digger truck before we went through the budgeting process completely. Scott said yes. Gordy said he didn't think we would get one for much less than \$60K. Troy said the height of the truck allows it to fit through our door.



**Bob moved to authorize Troy to purchase a digger truck at a cost not to exceed \$60,000, Scott seconded and the motion was passed.** (Troy left 7:43.)

**9. WWTF Chief Operator Report and Action Items**

Tom said he is waiting for a couple of parts needed for repairs. He recently got called out for siphon alarm due to a plugging wad of rags. All samples have been good. Steve was called out for a frozen water meter in Katy Win, but it was the line past the meter that was frozen. We charged them.

Scott asked if Tom is still finding needles. Tom said no, he hasn't seen any in a while.

**10. Village Manager's Report and Action Items**

The board reviewed the revised plans submitted by Richard and Nicole Whitemore to bring water and sewer service to a barn they are renovating into an apartment behind the house at 66 Lower Main St. The new plan includes separate water and sewer service lines for the barn (not shared with other buildings.) They are requesting preliminary approval of a sewer allocation of 210 gallons per day and a water allocation of 135 GPD. Tom said he is requiring that while they are doing the work they let us supply a new rod to a curb stop that has a broken rod.

Gordy asked if they know they can't add another line to this new one. Meredith said it was made clear that it has to be a single service. She floated the idea of them putting in a bigger line that could become a main but they didn't feel it was necessary for what they wanted to do with the property. Bob said he thinks he would like to know what it would cost us to drop in a bigger main line. Tom said we would have to place a manhole on their property because we want to own manhole to manhole. Bob said he doesn't want another issue like the one Roger Demars recently brought to the board. Walter said we won't have that with this new line because it will be a separate line. That issue already exists with the existing property but the owners didn't want to fix it.

**Walter moved to give preliminary approval of the sewer and water allocation application from Murray Rental, LLC, Dave seconded and the motion was passed.**

The Public Service Board requested several changes to the VPPSA member net-metering tariffs that were initially filed on December 1 and Johnson's tariff has been updated accordingly. Changes included in the most recent version were addition of a production meter installation charge, references to the siting and REC adjustors and greater clarification about the treatment of group systems. **Walter moved to approve for submission to the Public Service Board the latest version of the net-metering tariff, Scott seconded and the motion was passed.**

Meredith said LCPC recently said FEMA has finally offered comments on the version of Johnson's Local Hazard Mitigation Plan that was submitted about 5 months ago. We will have to respond to the comments and adjust the plan. One piece of feedback was that because Johnson's plan is for two jurisdictions (town and village) some parts of the plan need to better distinguish the differences between the two and better explain how different hazards might impact each jurisdiction. Walter said our sewer, water and electric extend into the town. Any problem will affect both. Meredith said she thinks an issue is who is responsible for mitigating the hazards. She said it sounds like they offered a lot of comments and she still needs to review them. This plan is about putting projects in place to prevent disasters from happening. It is a prerequisite to getting FEMA funds.

LRSWMD sent a draft “Host Town Agreement” last week, a first attempt to address all the concerns that have been discussed. Susan Alexander and Meredith met with ANR about permitting of the facility. She thinks we need to make sure the state is okay with permitting before we get too far in. They discussed with ANR a permit that includes both uses of the site – our use for sludge and LRSWMD’s use – so if we need to use it we will have a permit that allows it immediately. They were going to talk to their legal department about that.

Walter asked about the equipment that is on the site. Tom said there is only a windrow turner. Meredith said LRSWMD will not be using it. Tom said it is probably scrap by now.

Tom said our solid waste permit is up for renewal. This will take the burden off him to renew it. The last time they said they wouldn’t renew our permit again.

Dave asked if our legal counsel has gone through the Host Town Agreement. Meredith said not yet.

Meredith said she thinks we need to add that we can get access to the facility not only if composting biosolids is mandated but if we decide it is financially advantageous. The board agreed.

The board discussed possible dedications for the village report.

Meredith showed the board an updated general department budget. She said she took the board’s guidance and tried to get to a zero tax rate increase. That means an amount to be raised from taxes of \$112,656. She talked to VTrans. It sounds like they will come up with a compromise on the Desroches appeal where we split the difference. We may owe an additional \$8K. It sounds like grant funds are still available and they will pay 80% of the additional cost with grant funds. She put the anticipated cost to us in the budget. Walter said we have money left over, too. Rosemary said we still have \$20K.

Meredith said Belvidere, Waterville and the Town of Johnson have all approved their fire department contract amounts.

Meredith said there was a question last time about why mowing actuals were higher than budget. Rosemary told her it looked like we added locations. So she budgeted a higher amount for next year.

Meredith said Troy had estimated a cost of \$150K for replacement of all sidewalks on Pearl Street. The base has to be built up, so we would not just be paying for new concrete. He was using a price per square foot based on 2014 VTrans figures. Gordy and Scott said they think that estimate seems high. Meredith said that estimate covers sidewalks on both sides of the street from the bridge to Clay Hill, as well as some crosswalks. Scott asked why we are doing both side. Meredith said she thinks to get them both done at the same time. Tom said both sides are in pretty bad shape. Walter said he was hoping to get a grant to redo the whole intersection. Meredith said she thought we might want to start putting money aside each year for sidewalk work. Scott said he would like to see a fix on one side in the next fiscal year. Meredith said she put in \$11K for a temporary fix while pursuing grant funds to do a bigger project. She proposes putting \$15K of School Street

money aside into a fund for a match for a future project, along with about \$1600 from cash on hand. Walter said he agrees with putting money into that fund, but possibly spread out over more years.

Meredith showed the board a first draft of the water department budget. She increased the amount budgeted for meter reading based on actuals from 2016. She had been expecting an increase in our retirement contribution but we got a notice that there will be no rate changes so she kept that at the 2016 level. (*Bob left at 8:33.*) She budgeted for potentially hiring an engineer for the 100C issue. She increased the amount budgeted for meters to replace some large customers' meters. Based on the repayment schedule we have, she reduced the amount budgeted to pay interest.

The bottom line is currently a deficit of \$6,105. Meredith thinks we might be able to increase the amount budgeted for water sales revenue a little. Tom said the estimate for painting the buildings is a very high estimate. He noted that in the past we have budgeted for water department deficits and come in under budget.

Dave asked about cash on hand. Rosemary said there is over \$50K. Dave said we could use some of that to balance the budget and put the rest in reserve. Walter suggested increasing revenue a little and fine tuning the numbers to get us to a zero increase. The board discussed taking out the \$6K contribution to the reserve but Walter said he thinks we need to commit to putting something in reserve every year.

Meredith said she will try to decrease the budget. She plans to come back on February 27 with complete drafts of each department's budget. Walter asked her to send him copies before the meeting.

Meredith said the Power Bill Summary shows that we finished 2016 0.7% over budget for cost per kWh. Our load was lower than projected. The net effect was that we were 2.6% under budget for power supply expenses.

The Master and JSC Water Comparison shows sales for sewer and water increased over the previous year in the last quarter. Tom said sometime in January JSC fixed a big leak.

Meredith said there was a question at the last meeting about the threshold for leaks. Tom told her that because of calibration errors in the meters we shouldn't pay attention until loss is about 25%. Scott asked if that is the industry norm. Tom said no, it depends how you look at loss. He oversimplifies loss. Tracking leaks down can be hard. Some months the loss percentage is negative, indicate we were gaining water, which can't happen. Obviously there is an error percentage. He has been trying to look for leaks but until water comes to the surface they are hard to find. Harvey's trailer park is always off by around 14%. He thinks that is the meter. We had a similar instance in Cabin Cove and we were able to change the meter. We know we have a leaking curb stop at Cabin Cove. Meredith said she got a call from Tatro today saying a real estate agent reached out to them about fixing that leak. They have a potential buyer and the bank is dragging its feet on fixing the leak.

Meredith said the Act 250 commission is asking VTrans for their opinion about the need for a left turn lane into RL Vallee's Maplefields. There was a lot of concern at the Act 250 public hearing.

People were saying that is already a difficult place to get out of. The town asked if Vallee could purchase the burned building on 100C and make another exit from the Maplefields. That was brought up at the hearing.

**11. Paving Schedule**

Gordy said we should find out from AOT when they will grind and pave Main St. Meredith said she emailed them today and hasn't yet heard back.

**12. Service Quality and Reliability Report**

Meredith said the service quality and reliability report is in the board packet. Because of 2 accidents and 2 outages related to Morrisville we were above the thresholds. She included reasoning for why those should not be included. We had no control over them.

Meredith has reached out to GMP about a backup services agreement. She hasn't heard back from them. It looks like it was never finalized before. *(Tom left at 9:04.)*

**13. Executive Session – Contract Issues**

**Walter moved to enter executive session to discuss contract issues as premature public discussion would place the village at a substantial disadvantage, Dave seconded and the motion was passed at 9:05. Walter moved to exit executive session at 9:37, Dave seconded and the motion was passed.**

**14. Adjourn**

**Walter moved and Scott seconded to adjourn at 9:38 and the motion was passed.**

*Minutes submitted by Donna Griffiths*