

Hardwick Electric Commission

Special Meeting

Minutes –May 26, 2026

Attendees: Commissioners: Michael Ambrosino, Chair, Renaud Demers, Roger Prevot, Jake Lester, Myles Kamisher-Koch; Staff: Scott Johnstone and Renae DiGregorio; Public: Ken Nolan, VPPSA General Manager and Heather D’Arcy, VPPSA Manager of Power Resources.

Chair Ambrosino called a Regular Meeting of the Hardwick Electric Commission to order at 6:01 pm at 20 Church Street, 3rd floor meeting room, in Hardwick having declared a quorum present.

There were no changes to the agenda offered.

There were no public comments.

Quickly jumping into dialog with the VPPSA members present regarding power supply. General Manager Johnstone offered some history regarding how Hardwicks budgeting process has been different than other VPPSA members and wanted to open the dialog between the board and VPPSA to understand why and if VPPSA should be altering the metrics used to budget for Hardwick specifically. Mr. Johnstone expressed that VPPSAs power supply team has the expertise and knowledge to offer great accuracy for Hardwicks projections with the one caveat that there are always factors influencing power supply that could throw the actuals off as things unravel throughout the year, usually in a constant state of change. Mr. Johnstone recommended that Hardwick use VPPSA as a resource when planning for power supply and retail sales as they are the experts. Commissioner Prevot offered insight into the different budgeting analysis used in the past for Hardwick. Hardwick would look at all types of customers, tiered down to individual major customers and analyze major changes. Commissioner Prevot emphasized that the worst thing to do was to overbudget sales of KWH based and the board’s goal was to try and forecast more accurate use by KWH history. Commissioner Kamisher-Koch added that one major element

of concern for the board was over budgeting future sales by growth trends around the state that we do not see here in this region. Ken Nolan from VPPSA shared that VPPSA's goal is to always start preparing the power supply budget in October/November time frame so that management has it ready for delivery to boards by December for individual budgets and for a more granular review. Mr. Nolan referenced that the review and adjustment piece of the process had been missing from Hardwick's process in the past and the budgets and load forecasts seem to have been completed without major insight into Hardwick's customer region with adjustment factors. Mr. Nolan stated that this is an ongoing focus for VPPSA and reminds the board that it's important to be consistent with load forecasting and revenue projections, which is a separate element to power supply. Heather D'Arcy jumped into a presentation regarding the power supply process. Major elements include, reducing risk, supply diversity, contract expirations, and REC management. Ms. D'Arcy mentioned that a good example of reducing risk for Hardwick is the membership share of the P10 facility, which is a peaking facility that was completed in 2010 that has two diesel turbines which can be fully operating within 10 minutes. The P10 facility is also used to gain credits to offset other power costs throughout the year. Ms. D'Arcy also mentioned that with these facilities, there are massive fines if they are not reliable and running when ISO calls on them and it's extremely important to have them functioning and maintained. Ms. D'Arcy mentioned that for the first 3 months of 2026, P10 credit alone offset costs to load by 96% for its members. Other utilities that do not have resources like P10 credits are seeing astronomically high-power supply costs that cannot be offset. Another way that VPPSA reduces risk for power supply costs is to make sure there are existing resources that cover 95-105% of the load forecast. Ms. D'Arcy stated that for Hardwick this year an additional contract was completed to make sure coverage ratios are steady at the 95-100% hedging factor due to the hydro being down for another winter. Commissioner Prevot asked if all members are hedged the same or at different ratios. Ms. D'Arcy said that generally all members are hedged the same with some cases that members want to be over hedged. Ms. D'Arcy and Mr. Nolan mentioned that the VPPSA membership policy is to be hedged around 95-100% but members can choose to be lower or higher if they provided something

in writing from their boards. Commissioner Prevot offered that this hedging number has come up in the past as it relates to cash flow circumstances and maybe the need to be over-hedged to reduce the risk of higher costs throughout the year. General Manager Johnstone mentioned that this is why he and Ms. D’Arcy went ahead and signed an additional coverage contract to reduce the risk of astronomically high summer and winter costs. Ms. D’Arcy stated that the hedging ratio always comes in at a different percentage due to so many variables with load forecasting and usage. Commissioner Lester asked if VPPSA is taking into consideration data from peak loads and as it relates to transmissions costs and power purchases. Ms. D’Arcy stated that the transmission costs are based on the load that is reported to ISO and If there are other sources like Hydro (behind the meter sources), it reduces what is reported to ISO as it relates to transmission costs. The energy purchases that get entered into do not impact what the peak load is which is what determines the capacity amount and what transmission costs are. Ms. D’Arcy mentioned that Mr. Johnstone has been working on obtaining a battery on site to reduce peak and capacity. Commissioner Lester verified with Ms. D’Arcy that the purchasing contracts we enter into to fill our coverage ratio do not impact the transmission cost and that they are separate issues. Mr. Johnstone said that this highlights that fact that we have little resources at our disposal right now to alleviate high peak times (like battery, etc.) that are increasing our transmission costs. Ms. D’Arcy then went into supply diversity and expressed that Hardwick does have several resources, solar, hydro and it’s important to diversify because of natural elements that occur. Further discussion occurred regarding resiliency and the importance of P10 being ready to supply at peak times. Commissioner Kamisher-Koch asked how other utilities like WEC arrive at hedging at a lower rate than 95-105%. Ms. D’Arcy stated that it really depends on the appetite for risk and how your utility wants to be covered throughout higher consumption periods. General Manager Johnstone expressed that he believes our job as a Muni utility is to take low risks. Commissioner Lester and Commissioner Prevot expressed that with the timeframe it takes to get rate relief it’s a safer plan to have lower risk for financial impacts. Mr. Nolan also added that with the ups and downs of the market and costs, you have to have massive cash reserves in order to

ride out the ups and downs which is really difficult to do with the current regulation. Ms. D'Arcy then began more dialog around budget development. VPPSAs approach to power supply budgeting is to start with total load including losses. This is not the load that was bought from ISO or previous year retail sales. Total load including losses refers to the total load utilized by customers and then adding on all losses throughout our system. Ms. D'Arcy expressed that in previous years (5+ years back) management for Hardwick would request a different budgeted load forecast and for the last 2 years Hardwick has forecasted their own projection of retail sales and provided them to VPPSA for load including losses budgeting. Ms. D'Arcy suggested that when developing power supply budgets, its very important to stay grounded in reality and not reduce load forecasts just to simply reduce budgeting costs for power supply. Commissioner Prevot addressed that the controller at Hardwick Electric needs to stay involved when determining these factors for budgeting purposes and have an understanding of what is being budgeted. Mr. Nolan expressed that the factors budgeting power supply are rapidly changing and it may not be adequate to expect others outside of the power supply team to stay up to date on the revolving changes. Commissioner Prevot clarified that his expectation is that the controller stays involved and work collaboratively with the power supply team to come up with the best work and projections they can together. Mr. Johnstone expressed that this is especially important while we see continued growth in other areas for bigger services. Commissioner Kamisher-Koch suggested that there should be several touch points to review for growth and budget impacts for retail and load projecting. For example, zoning administrator review, current applications, natural events, etc. Controller DiGregorio mentioned that her and Heather have already had several conversations on how the budgeting process will work more collaboratively together in future budgets and not one-sided projections going forward. Commissioner Kamisher-Koch suggested that early in the budget season we should expect to have a board meeting including the discussion around load and retail sale projections for the next fiscal year. Commissioner Lester requested more detail regarding budgeting for load loss and how VPPSA would analyze that information for Hardwick. Ms. D'Arcy stated that VELCO manages a lot of that data and other sources within VPPSA, she would need to

look further into that to get more detail. In regards to power supply budgeting, VPPSA will look at what the calculated value is. Commissioner Lester mentioned that getting this data would be important to understand where and how much load losses are continuing to grow in our system. Mr. Johnstone explained that there have been several internal conversations regarding new equipment to help the department identify more efficiency and accuracy within our system sizing. Mr. Nolan stated that with the upcoming AMI project we will begin to collect more data on voltage and power factors for each individual meter, which will also help identify the power quality across the system. Ms. D'Arcy continued conversation regarding the next steps in the budget development process, stating that after load data they will look at historical data to project for generation. Ms. D'Arcy stated that for energy market costs they will look at forward broker marks, which could be extremely volatile throughout the year but with higher hedged percentages that will reduce variation from the market costs. Ms. D'Arcy then presented on Hardwicks RES (Renewable Energy Standards) and that by 2035 the obligation is to be 100% renewable and 20% of that will be Tier II resources. Tier II resources are smaller resources like the billings road project. By 2035, 10% will also need to be tier 4 resources. Commissioner Kamisher-Koch asked how these obligations may change politically over the upcoming years. Mr. Nolan stated that with the affordability conversations happening and with any political shift things could change based on priorities. Mr. Nolan stated that VPPSA will always work toward finding the cheapest path forward for utilities to meet the regulation objectives but face several hurdles to balance risk and other alternatives without having the utility pay the alternative compliance payment. Commissioner Lester wanted to verify what qualified Hardwick projects for tier II obligations and Mr. Nolan explained that tier II resources qualify if the resource is less than 5 megawatts and can get connected to the VT distribution system. Commissioner Kamisher-Koch asked how different the current REC schedule is now with recent changes. Ms. D'Arcy stated that it's very different with new requirements and coverage requirements. Mr. Nolan added that with the previous changes, thresholds for the renewable energy requirement changed from 70% in 2032 to 100% in 2035. Mr. Nolan and Mr. Johnstone added that Vermont makes it harder to meet these standards with the

different tiered requirements built into the renewable goals. Ms. D'Arcy concluded the power supply presentation with REC surplus/deficient review for Hardwick. Hardwick has been eating into the REC surplus bank to meet these standards but will be covered for the next couple of years. Mr. Johnstone stated that VPPSA has begun looking into future contracts to get into to meet these obligations. Mr. Johnstone mentioned that he is exploring a battery option to shed peak times because of the data showing the shift is working and wants to continue to get ahead of the game on this resource.

Next in conversation was the Return on Equity discussion item while Mr. Nolan was still present. Mr. Johnstone explained that FERC issued a decision on a very old case where parties challenged the level of return on equity (ROE) that is allowed for transmission projects in New England. Historically this ROE has been set at 11.14%. In their decision FERC concurred with the plaintiffs and set a new rate of 9.57% and applied refunds of proceeds retroactively for 1.5 years and then applied interest for the entire time period. This impacts all utilities in New England who are transmission owners. As owners of Vermont Transco, like all Vermont Utilities, this means Hardwick. The refund amount HED is to pay is calculated to be \$585,080 gross. However, since Hardwick is also a user of the transmission system there are some offsetting revenues (we get some of the proceeds and interest) such that our net economic impact will be \$380,302 of additional cost. This is based on an estimate we received in late April. It is important to note these numbers have been constantly changing over the subsequent weeks and will continue to update the board on the figure. Mr. Nolan added that discussions are continuing to happen surrounding this issue and VELCO number is in the range of \$121 million. Because we are purchasers, the refund to Vermont is expected to be roughly \$40 million therefore the net impact to Vermont is estimated to be an \$80 million. FERCs original intention was that the refund would need to be completed over a six-month window starting in August 2026. VELCO is proposing to FERC to create a regulatory asset, which allows VELCO to borrow money to make the refund payment but take the amortization over a period of 10 years. This would allow owners to spread the cost of this impact over a 10 year period and Hardwick would see this added to their transmission bills. This is still pending with FERC to see if its

allowable. Mr. Nolan added that they have reviewed impacts for a few utilities through recent rate case reviews and have seen a slight benefit and reduction in transmission costs in the first 6 months for utilities that have resources like Hydro facilities.

The approval of minutes was next on the agenda. Commissioner Prevot moved to approve the minutes of the regular meeting on April 21st. Commissioner Ambrosino seconded the motion, and all voted favorably.

Next on the agenda was an action request to authorize execution of the Union Bank Current Expense Note continuation effective June 2026 in the amount of \$1,174,000 as a non-revolving Current Expense Note. Hardwick Electric currently maintains two separate Current Expense Notes with Union Bank. Current Expense Note #1 matures on June 5, 2026, and has a current outstanding balance of \$475,000. Current Expense Note #2 was opened in November 2025 and currently has an outstanding balance of \$300,000. This note matures on November 24, 2026. The combined borrowing capacity of the two notes is currently \$1,275,000, with approximately \$500,000 available. As Current Expense Note #1 matures June 5, 2026, Hardwick Electric has been engaging with Union Bank on the best method forward managing both short-term expense notes for the same purpose. Union Bank has prepared consolidating both existing notes into a single non-revolving Current Expense Note in the amount of \$1,174,000 at an interest rate of 4.99%, effective June 2026. The proposed terms include the following conditions: Both existing Current Expense Notes must be paid in full interest due on June 5, 2026. The proposed borrowing amount of \$1,174,000 is supported by HED's prepared cash flow certificate and reflects the approved short-term borrowing capacity. Under the proposed structure, total borrowing capacity would decrease from \$1,275,000 to \$1,174,000, a reduction of \$101,000 in available borrowing authority. Following payoff of the existing notes, approximately \$399,000 will remain available for future short-term cash flow needs pending receipt of operating revenues. Commissioner Prevot moved to approve and authorize execution of the Union Bank Current Expense Note continuation effective June 2026 in the amount of \$1,174,000 as a non-revolving Current Expense Note. Commissioner Ambrosino seconded the motion, and all voted favorably.

Next on the agenda was a request to approve and authorize the Hardwick Electric Controller to execute and acknowledge the award documentation administered through VPPSA related to Hardwick Electric's subaward. The VPPSA team has been awarded congressionally directed spending through a Sanders Grant intended to cover costs associated with Smart Meter Deployment. Hardwick Electric has been designated as a subrecipient in the amount of \$132,746.64. This award will reimburse labor costs related to the installation, testing, commissioning, and documentation of smart meters. The grant period covers services provided between 05/01/2026 and 12/31/2026. Hardwick Electric will track and submit labor records and installation logs to support reimbursement requests for eligible labor expenses. Commissioner Kamisher-Koch asked how much office experience we have in regard to federal grant reporting and tracking. Controller DiGregorio responded that experience with federal grant reporting is limited right now but she has already engaged the auditors for support for recommended tracking mechanisms. Commissioner Kamisher-Koch mentioned that he recommends that from a time allocation standpoint it's important to address this conservatively and mentioned it may be worth VPPSA looking into a grant software program to manage the requirements of these grant programs for many members. General Manager Johnstone replied that he will continue mentioning this to other members and at the board meetings going forward. Commissioner Kamisher-Koch made a motion to approve and authorize the Hardwick Electric Controller to execute and acknowledge the award documentation administered through VPPSA related to Hardwick Electric's subaward. Commissioner Lester seconded the motion and all concurred.

Next on the agenda was further discussion and action regarding the penstock engineering and property survey for the Hydro rebuild. General Manager Johnstone stated two parts to the next phases of the Hydro repair, the first is to work with D&K for the design phase of the penstock repair which is \$217,000 and the second is to get clarity on property lines for the Wolcott property where the Hydro is located which is \$34,000. Mr. Johnstone stated that FEMA is looking for elements of engagement that we are continuing this project. To continue to demonstrate progress, Mr. Johnstone is seeking the authorization to enter a

contract for engineering once we have a final agreement in place with FEMA on funding. Mr. Johnstone stated that we've been assured this agreement is forthcoming but with the current uncertainty surrounding FEMA I believe we should wait to sign a contract until we get this assurance from FEMA. Commissioner Ambrosino had several questions in regard to the D&K penstock design contract. Commissioner Ambrosino asked General Manager Johnstone to review the following items in the contract, why the contract requirement referenced two penstocks and why we haven't explored only putting one back in there, a possible generator connection, driver costs, construction administration, the fact that the contract stated they can periodically raise their rates, 12% reimbursement rate, service for bidders, and the required insurance coverage minimums. In addition, Commissioner Ambrosino wanted to clarify if we received other bids for this contract. General Manager Johnstone stated that we only received the contract from D&K due to the history that D&K has within our Hydro work specifically. Commissioner Ambrosino requested if the general manager could explore a possible discount for bundling more services with D&K. It was determined that no motion would be made from the commissioners to authorize the contract to move forward pending further discussion on the items Commissioner Ambrosino mentioned. Further discussion continued regarding the property survey contract. Commissioner Prevot recommended that it may be a good idea to make a motion to move forward with the property survey portion because that should be completed no matter the outcome with the penstock design. Commissioner Prevot suggested we think about going out to bid for the survey because there is a broader industry to serve those needs. General Manager Johnstone stated that he has seen most lead times be several months out and significantly more costly. Commissioner Lester asked if there has been any indication that this would be an expense Hardwick Electric would need to execute or if this is something that should be a shared cost to finalize with the other property owner in question. General Manager Johnstone stated that there has been no determination on how that would be settled yet, but that it is clear based on previous research done by Hardwick Electric the property has a longstanding history of complex documentation in regard to the boundaries. Commissioner Lester stated that if this survey is going to require that level of

record research, the contract price seems like a fair value. Commissioner Prevot made a motion to allow the General Manager to engage a surveyor to survey the Wolcott property and for the cost not to exceed the budgeted \$34,000 for the purpose to reconciling the uncertainty in Hardwick Electrics land ownership. Commissioner Ambrosino seconded the motion. Commissioner Lester wanted to verify the contract requirement to send D&K all the historic documentation we have in regard to the property and that it specifically stated they will use online land records to do the research. General Manager Johnstone stated that he will require D&K to change that, so the research is not just limited to online research. Commissioner Kamisher-Koch wanted to clarify that the information is also going to be available from VTRANS and General Manager Johnstone verified that information should be easily available from VTRANS. Back to the motion, all other Commissioners concurred assuming all provisions are made.

The Commission next took up a review of the financial report. Controller DiGregorio reported that March net income at month end was \$314,858.23. This was highly contributable to receiving a FEMA payment of \$223,914.92 that was received on March 26th as reimbursement for expenses incurred to repair the turbine and generator, as well as other minor powerhouse costs. Of this total, \$54,045.42 represents reimbursement for future powerhouse expenses, including painting, doors, windows, and the completion of turbine and generator commissioning. This amount is now reflected on the balance sheet under account 253.01 (Deferred Revenue). Additionally, this reimbursement fully satisfied the remaining balance owed on the VT Bond Band note, which is reflected in account 224.10. As a result, this liability will net to zero in the April financial reports. Power costs for March totaled \$441,887.24, coming in below budget projections. As of May 21, 2026, the remaining amount payable to VPPSA for power costs is \$474,988.51, all of which is current and not past due. Controller DiGregorio discussed the budgeted retail sales are coming in well below the actual revenue receipts for each class so far for 2026 because of the pending rate case. Budgeted retail sales for the operating budgeted were slated in with a projected rate approval of nearly 7% while revenue is being collected at the rate case amount of over 13%. The anticipated final rate recommendation will (hopefully) soon be

determined and a true up will occur once it's finalized. There is anticipation of another rate review scheduled to begin this fall with VPPSA for Hardwick Electric. General Manager Johnstone noted that this is not unique to Hardwick Electric and every utility is going through a similar volume of rate reviews.

The General Managers report was the next item of business. Commissioner Kamisher-Koch mentioned the vulnerability of the SCADA solution for AI powered attacks is a concern that everyone should be aware of. General Manager Johnstone stated that VPPSA is actively working on this protection plan and is aware of the risk. General Manager Johnstone and the Commissioners had no other questions on the GM report memo. In the interest of time, GM report was very brief.

At 8:12 pm a motion was made by Commissioner Lester to move that the discussion remain confidential because its public disclosure would place the organization at a clear and substantial disadvantage. Commissioner Ambrosino seconded and all voted in the affirmative.

At 8:14 pm a motion was made by Commissioner Ambrosino to go into executive session under VSA 313 (a)(1) (E) and (F) and to include the general manager and controller in the executive session. Commissioner Kamisher-Koch seconded and all voted in the affirmative.

At 8:27 pm the Commission returned to open session.

At 8:28 pm a motion was made to adjourn the regular meeting by Commissioner Kamisher-Koch.

Seconded by Commissioner Lester and passed unanimously.

Recorded by: Renae DiGregorio, Controller

Date

Commissioner:

Date

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