Minutes
Vineyard Power Board Meeting
VP/VEP Offices
March 28, 2014

Present:	Ted Bayne, Dan Seidman, Janet Orosz, Paul Pimentel (late) and Rex Jarrell
Calling in:	Paul Pimentel, Mike Jacobs, Rosalie Kerr, and Bill Lake
Non-Board:	Richard Andre and Erik Peckar
Absent:	Ron Dagostino

The meeting opened at 10:30 am.

1. The Minutes of the 3/7/14 Board Meeting were accepted.

2. Erik informed us that our D&O insurance was up to $12k/year and had to be renewed within a month. He was asked to notify the Board in time to get a better deal in subsequent years. The Board voted to allocate the cost of the insurance proportionately to the LLC's; the logic is that the source of the increase is due to the amount of cash flowing through those entities.

The VP board meeting was adjourned and LLC board meetings convened; each voted in favor of the above D&O funding motion and then adjourned. The VP meeting was then re-convened and continued. VP's share of the D&O premium will be borne by the Board members themselves.

3. Richard reported on wind development status and the Cape Light Compact (CLC)-Sen. Dan Wolf meeting. The addendum appended to these minutes details the meeting and the options around our relationship with CLC and the opportunities. CLC was open to Wolf's proposal.

The Board appointed a sub-committee to work on the collaboration with CLC and Pilot project development – Richard, Paul, Mike and Ron. Richard will be the single point of contact with Maggie Downey, the CLC Administrator.

4. We will pursue grant money from CLC at least in part to underwrite the Pilot development. We need to meet with the Vineyard CLC representatives in advance of the grant request. We also need to update the Wind Model for delivery to Maggie and Stefan. Dan Wolf is coming April 7th – we should meet with him [did]. Wolf wants help on how to incorporate offshore wind into the Hydro bill. Mike Jacobs will work on this. The action items in the structure document were reviewed and acknowledged (included as an Addendum below).

5. The meeting was adjourned at 12:12pm. Next board meeting is scheduled for Friday April 25th at 10:30am.

Respectfully submitted,

Ted Bayne, Secretary

Addendum

Summary of Vineyard Power's proposed structure and introduction to a Pilot Program with CLC that enables us to finance an offshore wind project and supply our members/vineyard with power from a community owned project.

Vineyard Power Cooperative Inc. will form an operating company, called Vineyard Power Wind LLC, that will own and manage the offshore wind farm assets. Vineyard Power Wind Inc., a Massachusetts taxable entity, will also be formed and will invest 1% equity in the operating company, Vineyard Power Wind LLC.

This is the same business model, the Minnesota Flip, that we have been using to develop the Cooperative's solar projects. Vineyard Power Wind Inc., the taxable entity, will be required to invest approximately $2 million.

Our capital cost estimate for the Cooperative's initial 40 MW project is $220 million ($5.50 per Watt). We need to update the Wind Model (see related Action below).

Our plan calls for the capital cost to be funded 50% by a USDA Rural Utility Service loan and 50% through tax based equity investor(s). The equity investment could be potentially reduced if we pursue forward selling of the project's projected Class I, or a newly created offshore, REC production.

Currently, Vineyard Power has a Memorandum of Understanding (MOU) with Offshore MW, an offshore wind developer funded by Blackstone private equity firm, to jointly develop a project in the MA Wind Energy Area (WEA) scheduled for BOEM auction this year.

A commercial developers' pathway to raising debt is through executing long term Power Purchase Agreement(s) that can be used as collateral. The current industry view is that this could only be realistically achieved through legislation that specifically creates an offshore wind carve out in the Commonwealth's Renewable Portfolio Standards. This is similar to the solar carve out program known as S-REC and S-REC II. CLC posed that Section 83 of the Green Communities Act was a better vehicle.

The Cooperative's ability to raise debt would be bolstered from an offshore carve out program however, our plan is to "execute" a Power Purchase Agreement with over 8,000 households and businesses on the island, through our cooperative's membership model, giving us both the project's required economies of scale and the minimum requirements of the USDA RUS loan.

Specifically, the USDA requires that the intended beneficiaries be consumers in "rural areas" and that Vineyard Power represents a majority of those electrical consumers (see attached). We have achieved the first requirement that our members are in “rural areas”

The Cooperative has been aware for some time that executing a PPA with all our members is impractical based on administrative complexity.

Our work-around calls for collaboration with Cape Light Compact, the island’s default aggregator. We need to define that collaboration between CLC/Vineyard under a Vineyard Pilot Project.

Finally, if Vineyard Power Wind LLC is awarded a WEA lease, we will need to pay for a **Site Assessment & Characterization** which includes a **Site Assessment Plan (SAP) --** Environmental Impact Statement, Wind Resource Assessment, Geology Study, etc. and a **Construction and Operating Plan (COP)** which covers turbines, cabling, logistics, etc.

We envision our project will be 10% of a first phase commercial scale development. Therefore, our development cost contribution could be about $1 million although it could be partially funded by a Community Benefits lease discount. The Deepwater non-monetary credit was worth $800,000 and we are currently predicting that the WEA discount will be less than that.

Highlights from meeting between Senator Wolf, Representative Madden, Cape Light Compact and staff and directors of Vineyard Power Cooperative.

Senator Dan Wolf supports the "ambitious" goal of creating a regional public/cooperative utility, that creates a new ownership and production paradigm that will make the South Shore become a net producer of electricity. He is very critical of Investor-Owned Utilities (IOUs) and does not see them as the way forward in the 21st century renewable energy future. He definitely recognizes the benefit of collaboration between VP and CLC.

He wants us to articulate a 20-year plan, not a 2-year plan, and we should start with what our ambitious long-term outcome will look like. It needs to be exciting, probably to include collaboration that recognizes land based wind development in the western part of the Commonwealth, i.e. Senator Downing’s constituents.
In parallel, we need to get working on detailing a legislative action that has substance and that people could get behind; a pro forma showing what the desired legislative outcome could enable, for example -- real details.

He proposed we develop the outline of a Pilot Project that enables Vineyard residents to default to Vineyard Power as their opt-out energy producer, and this would be facilitated by CLC in exchange for "some value".

CLC believes their default supplier status is insufficient collateral for a PPA; they seem stopped over issue of credit worthiness. This may have been aimed at lobbying for legislated credit support to get them moving again but Wolf did not respond.

Vineyard Power-CLC Pilot Program

CLC appears to be open to a pilot relationship under which CLC's economic power would be concentrated behind a nominal 10% VP experiment. We are invited to pitch something.

CLC has 150,000 customers out of a possible 207,000 -- more than 70% customer share. The customers who tend to opt out are the bigger C&I (Commercial & Industrial) customers whose highest priority is often to save money and optimize their spend as opposed to a residential customer who has other stuff to worry about and tends to not act unless something glaring jumps out at them. Given this, CLC's market share of load is less than their 70% customer share.

CLC informed us that the Vineyard makes up 10% of CLC's customer/demand base, or 15,000 customers – a larger majority of the Vineyard's 19,000 meters.

We use Vineyard Power as the default for our 1,400 members or ideally all Vineyard residents. We need to find a mechanism to enable our membership or customer base to grow to the new number.

For discussion, Ron presented this scenario:

Vineyard Power simply fits into CLC's current model as just another electricity supplier. Customers would opt into VP, or not opt out if they were automatically enrolled by membership into VP, or presumably because they had a Vineyard address. They would pay whatever the price was, and that was it.

Contrast this "fit VP into CLC's model" idea with how VP is envisioned to work: you pay for your electricity from VP and then at the end of the year you get a cash distribution because you are a member of the cooperative. You own the wind farm, and you have membership privileges (like voting rights).

CLC thinks a bankable PPA comes only from full obligation-to-buy and that VP must become/act like an IOU or Muni to succeed

I prefer (and I expect Dan Wolfe would too) that CLC adjust to VP's new paradigm of ownership and production. What would that look like? Here's an idea.

If you are a paid-up member then you get your electricity from VP and at the end of the year you get your cash distribution. CLC does the administrative work to allow you to default into VP, send you your bill, etc. -- exactly what they do today. VP takes care of sending you the distribution.

What if you are not a paid-up member? What if you live in the CLC territory and you want to select Vineyard Power? I think you should be able to, and I don't think you should have to pay extra money every month to join -- nobody would select VP, even if you live on the Vineyard, if your electricity bill was going to go up $25 a month. What could happen instead is you become a "provisional" member of the cooperative -- whether you live on the

Vineyard or not. Every month you see a $25 charge go into your "membership balance due" account, but you never have to actually pay it. What happens is at the end of the year we calculate what your distribution would have been if you had been a paid-up member and we add that to a "membership credit" account. You don't become a full member until your "membership balance due" account has reached the full membership fee (approximately $900, or after 3 years), and your "membership credit" account has also reached that number (which could take longer than 3 years, I don't know, but at least you have the option of paying your balance due if you want to become a member immediately, and it won't be $900, and in the meantime you can still get power from VP). Also, if you opt out, you lose any membership credit account, so if you leave and come back you have to start over again. Once you become a full member we could require a literal power purchase agreement with you. All of this makes you much "stickier" than a typical CLC customer and would help make us more bankable.

If the Vineyard, through the Vineyard Power model, is the Pilot for the south shore, eventually it could lead to power everyone (when the wind is blowing, otherwise you get your power from whatever backstop the cooperative has arranged). A majority of customers in CLC's territory would opt into a new cooperative for different geographies so that VP is just for the Vineyard; the CLCC (CLC Cooperative) is for non-Vineyard, whatever.

We have to come to consensus on the particular vision with CLC. This means engaging them in some kind of meaningful work short-term that would help forge a positive relationship.

OREC Program versus Section 83 of the Green Communities Act

Section 83 of the Green Communities Act allows Industrial Owned Utilities (IOUs) to sign fixed-price, long-term contracts to buy renewable power and the generated RECs all at once. The typical term is 15 years.

There seem to be many procedural requirements but NSTAR has executed long term PPA's with at least 6 wind projects. CLC mentioned that this system of bundling purchases for electricity and REC's appears to be working well in Rhode Island (where it is called something else).

The term bandied about was "socialize the price", for example across the entire commonwealth, meaning the cost is borne by all customers. I think how it works is the IOUs are allowed to charge whatever price they need to cover costs, and these fixed-price long-term PPAs roll into the rate base as long as they follow the rules. It is supposedly a competitive bid process to assure that the IOUs are getting the cheapest possible renewable energy. So, if your project gets selected then the cost of your renewable energy gets spread out across all NSTAR customers.

Action: Convene a meeting with CLC Board Members from Martha's Vineyard: Michael Hebert (Aquinnah), Tim Carroll (Chilmark), Sue Hruby (West Tisbury), Richard Toole (Oak Bluffs), William "Bill" Straw (Tisbury), Paul Pimentel (Edgartown) and Peter Cabana

(Dukes County) to propose funding Vineyard Power Offshore Wind Pilot project.

Conclusions:

Action: Confirm CLC's Administrative Cost Adder. We believe it is about 2.5 cents per kWh, and the sole funding source for development funds such as the grant we seek.

Action: Send draft legislation to Senator Wolf and Representative Madden building upon industry wish list and Maryland's OREC program. This may be included as an amendment to a Quebec Hydro bill. However, we think that the Senator's support is dependent on how it fits into a broader, long-term "ambitious" vision.

Action: Re-establish contact with USDA representative, James Rhein, in particular to determine if a relationship with CLC would enable Vineyard Power to meet the loan security requirements of the RUS program stated in 7CFR Part 1710, General & Pre-loan Policies and Procedures Common to Electric Loans and Guarantees.

Action: Confirm CLC's share of MW demand and customer share. Is RUS qualification 50% of MW demand or number of customers?

Action: Define what Vineyard Power's 20 year long term goals, including our relationship with CLC and always challenge its consistency with the by-laws of our cooperative.

Action: Send the Wind Model to Stefan. Consider executing a confidentiality/non-disclosure agreement

Action: Paul and Ron to re-visit the assumptions in the Wind Model. Also to include latest tax knowledge that made it into the most recent solar models.

Action: Draft an MOU between CLC and VP that defines the Pilot Project

Action: Fully understand the CLC procurement process. We have been informed it is not bankable because customers can opt out (even though most tend not to) and nobody will loan CLC money based on a sticky (as opposed to captive) customer base. CLC/CVEC mentioned that they could not get member towns to finance capacity beyond municipal loads (no bonding).

Action: Challenge the concept posed by CLC, that the only way to gain credit worthiness is by forming a Muni. Rep. Madden reports new legislative rumblings to allow Lexington to form a Muni.