

**MINUTES OF REGULAR MEETING  
BURLINGTON ELECTRIC COMMISSION**

**Wednesday, July 13, 2016 – 5:30 p.m.**

The regular meeting of the Burlington Electric Commission was convened at 5:30 p.m. on Wednesday, July 13, 2016 at the Burlington Electric Department at 585 Pine Street, Burlington, Vermont.

Commissioners Scott Moody, Bob Herendeen, Gabrielle Stebbins, and Sabina Haskell were present.

Staff members present included Neale Lunderville, Mike Flora, Mike Kanarick, Ken Nolan, Jim Reardon, and Destenie Vital.

Other staff members present included Laurie Lemieux, Board Clerk.

Channel 17 was present to tape this meeting.

**1. Election of Officers**

Board Clerk Laurie Lemieux called the meeting to order at 5:32 p.m. The first meeting of the new fiscal year is the Burlington Electric Commission's organizational meeting. The first order of business is to elect officers. The Board Clerk opened the floor for nominations for Chair of the Commission.

Commissioner Moody made a motion to nominate Commissioner Stebbins as Chair of the Burlington Electric Commission. The nomination was seconded by Commissioner Herendeen. The Board Clerk asked if there were any other nomination, hearing none, the Board Clerk asked the Commission to indicate support for Gabrielle Stebbins by a show of hands. Of the 4 members present, 3 votes were cast in support of Gabrielle Stebbins, with Commissioner Stebbins abstaining, and Commissioner Stebbins was elected Chair of the Commission. At this time Ms. Lemieux turned the meeting over to the Chair.

Commissioner Stebbins opened the floor for nominations for Vice Chair of the Burlington Electric Commission. Commissioner Herendeen made a motion to nominate Commissioner Moody; the nomination was seconded by Commissioner Haskell and approved by all Commissioners present.

Commissioner Moody nominated Laurie Lemieux as the Board Clerk for the Burlington Electric Commission; the nomination was seconded by Commissioner Herendeen and approved by all Commissioners present.

**2. Agenda**

Mr. Lunderville requested that the Agenda be amended to move Item 11 to Item 8.5 and moved out of Executive Session, and asked that the Docket number be corrected to PSB Docket 8550. Mr. Lunderville also requested to add Item 8.6, PSB Docket 8708 MOU with Great Bay Hydro Corporation.

Commissioner Herendeen made a motion to accept the Agenda as amended; the motion was seconded by Commissioner Moody and approved by all Commissioners present.

**3. Minutes of the June 8, 2016 meeting**

Commissioner Herendeen asked that minutes of June 8, 2016 be amended on page 64, last paragraph concerning Customer Service calls. Commissioner Herendeen would like the sentence to read "*Mr. Lunderville informed the Commission that this is the busiest time of the year for Customer Service and last week the Department had 1200 calls per day come in when the norm is approximately 200 calls per day.*" The minutes, as written did not clearly state that the 1200 calls were received in one day.

Commissioner Moody made a motion to approve the minutes of the June 8, 2016 meeting as amended; the motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

#### **4. Public Forum**

No one from the public spoke at this time.

#### **5. Commissioner's Corner**

Commissioner Moody welcomed Sabina Haskell as a member of the Burlington Electric Commission and looks forward to working with her.

#### **6. General Manager's Update (Oral Update)**

Mr. Lunderville welcomed Commissioner Haskell and is happy to have Commissioner Stebbins and Commissioner Moody in the Chair and Vice Chair roles.

Mr. Lunderville stated that the Department has had an extremely busy year. BED has gone through a massive reorganization; the Department has implemented many of the John M. Floyd and Associates recommendations, and for the first time in many years put together a Strategic Plan that's extremely forward looking. Mr. Lunderville wanted to take this time to thank the Commission for all their support and leadership throughout the past year.

Mr. Lunderville stated that approximately a month ago a request for information was put out on District Heating and the Department received five (5) proposals. BED has narrowed that down to two (2) proposals and in August the Department will be meeting with these two (2) groups. BED has worked closely with BURDES (the local citizen's group) and BED's partners (UVMCM, UVM, and McNeil Joint Owners). BED has also added new partners: Vermont Gas Systems, the Downtown Redevelopment Group and Devonwood Investments headed by Don Sinex. Mr. Lunderville stated that the Commission would be updated at the September meeting.

Mr. Lunderville informed the Commission that starting July 1, 2016 Jen Green, the City Sustainability Coordinator, has moved into the role of Sustainability Coordinator at Burlington Electric with the responsibility for the City Sustainability efforts. Mr. Lunderville stated that toward the end of the calendar year Ms. Green will do a briefing to the Commission in December on all of the Department sustainability efforts.

Mr. Lunderville stated that as mentioned in past meetings the Department is working on a whole home efficiency program partnering with Vermont Gas Systems. Instead of having 2 auditors going into a resident's home to do one thermal and one electric audit, it was decided to join forces and do both audits at the same time to give customers a comprehensive review of their home. This project is coming along and there will be a presentation to the Commission at the September meeting and should be ready to launch in the fall.

Mr. Lunderville stated that Mr. Nolan is leading the initiative to meet with BED's top 50 customers. Mr. Lunderville is very proud of the BED team when the overall responses from the customers uniformly say thank you, BED is helping us to do good work. The customers are also expressing a desire to have more help from BED, such as solar or thermal. These meetings are supporting the Department's theory that customers are looking for more than BED's current offering, which is the narrow band of electric efficiency.

Mr. Lunderville stated that as reported at the last meeting one of the Department's initiatives was to finish a lot of work in the field before the end of the fiscal year. This has been a very productive month and the weather has been cooperative and the teams have worked very quickly and safely to get a lot of work done.

There was concern about spending down the Department's capital money and every opportunity was used to do a strong capital spend for FY16 and whatever was not there will be expended in FY17.

On July 28<sup>th</sup> BED will be hosting the Lake Monsters Game, which is the BED Employee appreciation night and the last night of BED's e-Billing efforts. This promotion asks customers to switch to e-Billing for 2 free tickets to the Lake Monsters game. Approximately 383 customers have switched over and this number should be well over 400 by the end of the promotion. In the next couple months the Department will be making some changes to the e-Billing system to add more functions to the online system and to add some of the functions that customers are accustomed to seeing with typical online e-Billing sites.

Mr. Lunderville stated that McNeil has had a great run. In June there was 100% uptime with 98% capacity.

Commissioner Herendeen asked for an update on the South Forty. Mr. Lunderville stated that the technical hearings have been completed and it's in the hands of the hearing officer. BED is waiting for the decision but overall feels that it will come to a positive resolution.

Commissioner Herendeen asked how the 585 Pine Street roof-top solar is producing. Mr. Nolan stated that approximately 6 weeks ago they were doing what a typical array would do. The Airport runs at approximately 15% and these panels were about the same. Mr. Nolan stated that 15% in Vermont is pretty good.

## **7. Contract Amendment with Sugarbush Resort**

Mr. Nolan stated that when BED purchased Winooski One it inherited a contract between Winooski One and Summit Ventures, dba Sugarbush Resort. This contract stated that Sugarbush Resort would compensate Winooski One for the water removed from the Winooski River to be used for their snowmaking. A formula was developed and a contract put into place for how the compensation would occur. The Department has been through one year of this contract and has found that administratively it is burdensome. Sugarbush sends BED a check in the fall, then Sugarbush goes through the winter keeping track of the water taken out of the river and calculates in the spring how much they should have paid. Winooski One verifies the calculation and then the Department has to send back a check for the difference. The parties have agreed that since it is a relatively small amount of money, it would be more efficient to have Sugarbush calculate the amount owed each spring and send the calculation along with the payment at that time. This revision is now reflected in the new agreement.

Commissioner Herendeen made a motion to approve the contract amendment with Summit Ventures; this motion was seconded by Commissioner Moody and approved by all Commissioners present.

## **8. Reactors at Queen City Substation and East Avenue Substation**

Mr. Nolan explained that BED has been working with VELCO to address high fault current conditions related to BED's interconnection points with VELCO. These high fault currents have been traced to the choice of transformers made when the East Avenue project was completed nearly 10-years ago, and improvements that have since been made on VELCO's system. These fault current levels can be a safety issue to BED repair crews during outage conditions.

It has been decided that the best solution is to install reactors on the low side of the transformers at both substations. This equipment would be owned and operated by VELCO, and the costs would be processed through VELCO's transmission tariff.

Since the cost allocation under VELCO's tariff was not clear, BED and VELCO staff raised the cost allocation with the VELCO Operating Committee. The Operating Committee determined that the proper treatment was to consider the reactors to be "Specific Facilities" under the tariff. As Specific Facilities BED would be obligated to pay the carrying cost of the equipment for 10-years, after which the equipment would become "Common Facilities" under the tariff and be allocated among all utilities.

The project cost is estimated to be \$2.1 million. At VELCO's carrying cost of roughly 12% this would equate to charges to BED of approximately \$252,000 per year. BED is presently paying approximately \$300,000 per year for the upgrades previously made to the East Avenue Substation. This project will be timed such that when the East Avenue related payments end BED will begin paying the reactor costs so there should be no rate impact from this investment.

Commissioner Moody made a motion to recommend approval to the City Council of BED's commitment to pay the Specific Facility costs under the Vermont Transmission Agreement associated with VELCO's installation of reactors at the Queen City and East Avenue Substations; the motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

### **8.5 PSB Docket 8550**

Mr. Lunderville stated that PSB Docket 8550 is setting up the Tier 3 requirements. This docket raises questions on biomass power renewability which seemed to contravene the existing board orders and statute. BED is making a motion that was filed today, for the board to reconsider parts of the order to clarify how they treat biomass. The Department believes that both Board order and State statute clearly states that biomass is renewable. The Department of Public Service had filed comments in the docket that all biomass, as long as you are in NE and included in any other States GIS criteria, should qualify in Vermont as renewable. BED's argument is that SPEED Legislation was passed prior to the Renewable Energy Standard (RES) and uses the same language which included biomass in the definition as renewable energy. BED had to file with the PSB specifically to get McNeil qualified as a SPEED resource when the Department put a regenerative catalytic converter on and started selling REC's in 2008. In that order, the PSB had a finding that states that McNeil uses fuel at a rate less than the regeneration rate so McNeil meets the standard in the RES regardless of what it says about other biomass. BED's filing states that all biomass should be included because the legislation included it in the definition, but if this can't be done then McNeil should be exempt from this secondary docket since McNeil already meets the standard.

Mr. Nolan stated that another issue is the treatment of the Tier 2 small scale solar projects and whether you can carry that generation from those projects over to meet your Tier 3 requirements. PSB stated in the order that they don't believe you can carry over Tier 2 to Tier 3 if you're one of the utilities that meet the 100% renewable energy threshold. BED is asking for clarification on that since BED meets the 100% requirement without including BED's solar projects. Mr. Nolan stated that BED believes that the Legislative intent was if the Department can meet 100% renewable without counting those solar resources then BED should be able to use those resources toward Tier 3.

### **8.6 PSB Docket 8708 MOU with Great Bay Hydro Corporation**

Mr. Nolan informed the Commission that on February 16, 2016, Great Bay Hydro Corporation filed for a 5-year power contract with the State of Vermont. Great Bay requested to be paid at rates previously approved by the Public Service Board in February 2015. Since that time there has been substantial litigation before the PSB in a number of Dockets on the topic of rates for this type of contract, with those Dockets remaining unresolved at this time. As a result of this uncertainty, Great Bay has offered to accept rates below those which it believes it is entitled as a settlement allowing it to proceed with its project.

Under Vermont statute, BED will be obligated to pay about 6.2% of the contract cost based on the final PSB decision in the Great Bay's case. BED's market projections indicate the Spot Market prices to be below the originally requested contract rates during the 5-year period in question, leading to projected cost savings to BED customers.

Per legal counsel advice, BED is treating this MOU as if it were a five year power contract from a city approval standpoint; even though all that is being executed at this time is the MOU. Since this would be considered a power contract with a duration of 5 years or less, the Commission has the authority to authorize its execution without additional City Council action.

Commissioner Moody made a motion to approve the MOU between Great Bay Hydro Corporation and BED in Docket 8708, and authorize the General Manager, or his designee to execute the necessary documents; this motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

## **9. May 2016 Financial Update**

Jim Reardon, Interim Director of Finance, presented a brief review of May year-to-date financial results.

This presentation included a brief discussion of the \$1,803,000 Operating Income year-to-date and the \$3,277,000 Net Income year-to-date. Mr. Reardon pointed out that Other Income for the eleven months ending in May was below budget due to billings/contributions for a significant University of Vermont Medical Center project being less than budgeted (\$1,767,400 versus actual \$1,056,200). Interest expense is in line with budget.

Other Revenue for the month and year-to-date was below budget due to Energy Efficiency Program cost reimbursements less than planned. May Power Supply Revenues are up \$2,187,000 above budget due to the timing of Renewable Energy Certificates (REC) for McNeil, Wind and Hydro delivered in May but budgeted in April. Standard Offer RECs budgeted in April will be delivered in June. Sales to Customers year-to-date are relatively on target.

On the expense side, Power Supply Expenses are down \$453,000 year-to-date. Purchased Power Supply is relatively on target year-to-date (\$14,190 vs. \$14,200) even though excess energy sales are at lower prices and lower volume (lower McNeil Production relative to Budget and Hancock delay) than estimated in the budget. Year-to-date fuel costs are lower than budget by \$624,000. McNeil production was 2% below budget and woodchip costs (per ton) were 7% under budget. The \$282,000 variance in May Operating Expenses is due to timing of expenses budgeted in April and paid in May for the McNeil shutdown (\$96,000), a reclassification of Materials and Supplies from Capital to Expense (\$31,000) and various other items. Taxes were up \$176,000 year-to-date as the budget was a preliminary estimate provided by the City and did not reflect final asset values from BED. May Depreciation Expense is up over budget \$255,000 primarily due to retirement of old structures at Pine Street as a result of building improvements. Depreciation was up \$655,000 year-to-date due to retirement of old Pine Street structures, actual loss on retirement of meters which was higher than estimated in the budget and the depreciation on Winooski One higher than projected.

Mr. Reardon then discussed Capital Spending. In total, year-to-date ending June 30, capital spending was 61% (\$5,158,000) of the \$8,458,000 budget. McNeil/GT Production Capital was above budget in June due to the GT (gas turbine) control upgrade, which was a prior year project. A portion of the Solar (\$528,000) has been reallocated to the SCADA (supervisory control and data acquisition) project. The remaining funds (\$993,000) will not be spent as efforts have focused on the airport microgrid and UVM solar RFP. The underspending in Distribution capital spending is primarily due to timing. A portion of the General Plant capital budget (\$248,000) has been reallocated to the SCADA project. Most of the remaining funds, pending a review of projects and priorities, will be carried forward and expended in FY 2017. The remaining funds in Other Production capital spending is due to timing and will be fully expended in FY 2017.

On Cash and Investments, BED closed June 30 with \$11.1 million of unrestricted and reserved operating funds. The projected June 30 balance for the FY 2017 budget was \$10,890.000.

Mr. Reardon pointed out that the Rating Factors are in line to meet Moody's "A" bond rating. The Adjusted Debt Service Coverage ratio is 1.25, light of the 1.50 for an "A" Rating Factor.

#### **10. Executive Session - Hydroelectric Contract**

Mr. Lunderville stated that discussion of the Hydroelectric Contract is sensitive in nature and premature public knowledge would put the Department at a substantial disadvantage in negotiations and asked the Commission for a finding that would allow the Commission to move into Executive Session.

Commissioner Moody moved to find that premature general public knowledge of the upcoming Hydroelectric Contract would clearly place the Burlington Electric Department at a substantial disadvantage per Title 1, Section 313 (a)(1) of the Vermont Statutes; this motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

Commissioner Moody moved that the Commission enter into Executive Session with BED Staff present to discuss the Hydroelectric Contract under the provisions of Title 1, Section 313(a) (1)(A) of the Vermont Statutes; this motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

The Commission entered into Executive Session at 7:05 p.m.

Commissioner Moody moved to exit Executive Session at 7:20 p.m.; this motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

Commissioner Moody moved to adjourn the meeting at 7:20 p.m.; the motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

Attest:

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Laurie Lemieux, Board Clerk