

**MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION**

Wednesday, November 18, 2015 – 5:30 p.m.

The regular meeting of the Burlington Electric Commission was convened at 5:30 p.m. on Wednesday, November 18, 2015 at the Burlington Electric Department at 585 Pine Street, Burlington, Vermont.

Commissioners Spencer Newman, Scott Moody, Gabrielle Stebbins, Bob Herendeen and Tim Perrin were present.

Staff members present included Neale Lunderville, Paul Alexander, Mike Flora, Munir Kasti, David MacDonnell, and Ken Nolan

Other staff members present included Laurie Lemieux, Board Clerk.

Members from the public present included Ms. Gioia Thompson, Mr. Aaron Witham, Ms. Jiayi Li and Ms. Hayley Milligan

Channel 17 was present to tape this meeting.

1. Agenda

Commissioner Herendeen requested that the Agenda be revised to add Item 5.5 Commissioner's Statement regarding consideration of Renewable Energy Certificates (RECs) in the upcoming Integrated Resource Plan (IRP).

Mr. Lunderville requested that Agenda item 6 be removed from the Agenda. This item will be placed on the January Agenda.

Commissioner Newman made the requested changes without objection.

2. Minutes of the October 14, 2015 meeting

Commissioner Moody made a motion to approve the minutes of the October 14, 2015 meeting; the motion was seconded by Commissioner Stebbins and approved by all Commissioners present.

3. Public Forum

No members of the public spoke during public forum.

4. Commissioner's Corner

Commissioner Herendeen asked if Mr. Nolan had a cost per KWH for the solar array on Burlington Electric Department's roof and for the Airport. Mr. Nolan stated the Airport was \$1.5 million for 500 KW and the Burlington Electric Department project was \$340K for 122 KW.

Commissioner Perrin stated that residential balances over \$500 seem to double in the winter and some of this is due to electric heat and wondered if there were any services available through the department that might be of interest to the residents of Burlington. Mr. Lunderville stated that any time one of our customers is having trouble paying their bill the Department will make accommodations to put the customer on a payment plan. The Department will also refer customers to the Warmth Program. Because of the motion by the Commission to increase the support, BED donated \$20,000 to Warmth program this year. This program is administered by the Chittenden County Office of Economic Opportunity and the staff was very thankful for BED's donation. If there are opportunities for BED to help customers with weatherization or upgrading their heating system, the Department would be happy to assist by working with our partners either at Vermont Gas or Chittenden County Office of Economic Opportunity. As winter begins the Department steps up the communication with customers by adding the Warmth insert in the monthly bills along with a notation on the bills addressing the insert.

Commissioner Perrin stated that there have been questions from customers regarding community solar arrays or if there is a clearing house that may be available within the Burlington Electric territory. Mr. Nolan stated that there are no community solar installations within Burlington. Developers have talked to BED about this, but nothing has moved forward yet. Mr. Lunderville stated that BED is taking steps to facilitate the process of solar permitting in the City. Long-term the Department is looking to work with the City to streamline the process and to hire a solar ombudsman here at BED to help individual customers walk through the process with the City. Mr. Nolan stated that the City is about to put an RFP out for the permit reform discussion. BED received \$25K from the Department of Public Service to specifically look at solar permitting and that is being included in a broader city RFP for a consultant to review the overall city permitting process. There will be a meeting of involved city departments on Monday to finalize the RFP language. The first step the consultant will look at is how to streamline the solar permitting process. Mr. Nolan further stated that while there are no community solar projects in Burlington there are a number of group net metering systems where customers can buy into the group and get a share of the net metering credit from BED.

Commission Stebbins stated that there appears to be some concerns about LED lighting in the new first year dorm and wondered what the price differential is that UVM is struggling with. Mr. Lunderville stated that he would look into this and get back to Commission Stebbins.

5. General Manager/Commission Information Items (Oral Update)

Mr. Lunderville informed the Commission that the reorganization was officially approved and the Department was really pleased to get unanimous strong support from both the Board of Finance and the City Council. BED is now starting to hire for some of the vacancies that were

awaiting approvals. The Department continues to do well during this transition and BED staff continues to amaze and impress and pull together to work on positions and tasks that these employees have never done before. Mr. Lunderville stated that now that the reorganization is complete, it allows the Department to go back and take up the strategic plan and Utility 2.0.

Since the last Commission Meeting Mr. Lunderville, Mr. Santerre and Mr. Nolan met with Moody's in NYC regarding BED's bond rating with the Mayor participating in first part of the meeting via telephone. The great news is that the Department's rating was upgraded to Baa1 from Baa2. The Moody report noted several things that speak to the work that has been going on at BED over the last several years. The report stated that Moody's was impressed with the diversification of the Department's supply portfolio and the move to renewables. Moody's also stated that the attention to BED's financial matrix, which is reviewed every month and the fact that the Department is looking to get the cash on hand up and striving to keep the debt service coverage ratios at the appropriate amounts was also positive. This report also stated that the work that BED is doing to position the Department for the future contributed to the 1 step increase.

Mr. Lunderville introduced a couple guests at the Commission Meeting, Ms. Gioia Thompson, the UVM Director of Sustainability and Mr. Aaron Witham, Education and Outreach Coordinator for the Sustainability Office. A District Heating Meeting was held last week at BED that Commissioner Stebbins attended. The big question on district heating was, is it financially feasible to continue? Working with the Burdes Committee a financial model was to put together using all the known variables. As a group there is not the collective appetite for the capital or the risk and this group may need to get creative and bring in other partners. The next step in the process is to find out what additional information is required to develop a request for information to have 3rd parties come in and help develop a district heating system. There was a sense that the group would like to see the district heating move forward but no one is prepared to risk the financial health of the collective organizations to move forward by providing capital funding. The next step is to put together a draft Request for Information (RFI), review the draft with the partners and send out for an RFI in January. Once the group collects the feedback from the proposals, then it may be easier to make a decision.

Mr. Lunderville stated that BED has hosted a Passive House workshop for individuals to get certified as Passive House designers. The first workshop was held two weeks ago and the second part of the workshop is being held this week. One of BED Energy Services Engineers is in the workshop to be certified and Mr. Lunderville will continue to update the Commission.

Last Friday BED held the annual Employee Recognition Lunch. This lunch is held to celebrate employee years of service. This year we had many employees that celebrated 5, 10, 15, 20 and 25 years, but there were two employees that celebrated 35 years at Burlington Electric, Roger Donegan and Bill Parizo. Mr. Lunderville stated that when an employee spends 35 years of their life at a company it's more than a job to them, it's a love and a passion and Mr. Lunderville thanked them for their years of committed service to Burlington Electric Department.

5.5 Commissioner's Statement regarding RECs in the upcoming Integrated Resource Plan (IRP)

Commissioner Herendeen stated that an IRP Committee is formed once every three years to carry out the study of where Burlington is going to get their energy. In the past, the Commission has had discussion on RECs which deal both in selling and purchasing and that balance is important in claiming 100% renewability. It also is important economically because significant revenues come from selling Class 1 RECs and that may not be possible in the future. At a previous meeting the Commission asked Commissioner Herendeen to come up with a statement. Commissioner Herendeen read the following statement:

The Commission is concerned about two aspects of our selling Renewable Energy Credits (RECs). Both aspects potentially affect rates.

One is the continuing merit of BED selling high-valued Class 1 RECs and buying low-valued Class 2 RECs in the context of how these transactions affect BED's renewability claims. (The functional difference between the two classes is mostly age. In Massachusetts, for example, Class 1 facilities began operation after 1997; Class 2, before). While this practice is allowed in both Vermont and the states that purchase our RECs, some Burlington ratepayers want a renewable portfolio that reflects the biomass, solar, and wind that BED owns rather than the out-of-state hydro for which we purchase Class 2 RECs.

The second is that our revenues are susceptible to potentially declining REC prices in the future.

For these reasons the Commission requests explicit consideration of RECs in the upcoming Integrated Resource Plan.

Commissioner Perrin made a motion to approve the IRP statement as shared by Commissioner Herendeen; this motion was seconded by Commissioner Stebbins and approved by all Commissioners present.

Commissioner Newman updated the Commission on the IRP Committee. This Committee consists of Commissioner Perrin, Commissioner Stebbins and two (2) members of the public. The first public slot is filled by Doug Goldsmith; Mr. Goldsmith is the former CFO of All Earth Renewables and prior to that position Mr. Goldsmith was the CFO of the Rock of Ages in Barre. The second individual joining the Committee is Rob Backus; Mr. Backus is an attorney in Burlington and is a former member of the Burlington City Council.

Mr. Nolan stated that the first meeting of the IRP Committee is Monday, November 23, 2015 from 6:00-8:00pm. The first meeting is an introduction meeting, introducing the Committee members and establishing a timeline along with reviewing the IRP requirements and setting up the meeting schedule for the next six months. This is a public meeting and anyone who is interested is welcome to attend.

6. McNeil Station Calendar Budget

Mr. MacDonnell informed the Commission that there was an error on the memo that was sent out with the budget. On the last page the capacity factor for 2015 should read 64.9%.

Mr. MacDonnell presented the draft McNeil calendar year budget. Mr. MacDonnell explained that the McNeil plant actually produces two budgets, a Calendar Year Budget because the Joint Owners operate on the calendar year and a Fiscal Year Budget because BED operates on a fiscal year. Mr. MacDonnell is presenting the draft budget to the Commissioners for review and asked that a vote to accept the budget be put on the agenda for the December Commission Meeting. If the Commissioners accept the budget at the next meeting it would then be presented to the Joint Owners.

Mr. Lunderville stated that the December Commission Meeting may be cancelled. In the event that it is cancelled, a special single item agenda conference call meeting will be scheduled for December 9, 2015 to vote on the McNeil Budget. This meeting will be open to the public and the Commission can call into the meeting but there will be representatives from Burlington Electric present if anyone from the public would like to attend.

7. September FY16 Financial Update

Mr. Nolan presented a brief review of September 2016 year-to-date financial results.

This included a brief discussion of the \$262,000 Net Loss for the month and \$2,068,000 Net Income year-to-date. He also discussed the Debt Coverage of 5.08 for the twelve months ended September 2016, and Cash and Construction Fund balances as of October 31, 2015. Mr. Nolan then provided a more detailed review of these results.

Sales to Customers were up \$119,000 (2.9%) for the month and \$286,900 (2.2%) for the year. The year-to-date variance of 2.2% was on sales of \$13,150,500. Other Revenue was below budget by \$116,000 on a year-to-date budget of \$843,000. Any variance in this revenue is driven by the timing of billings and customer requested work. Power supply revenue of \$2,433,000 was slightly (\$108,000) below budget as there was \$117,000 of Winooski One hydro and standard offer RECs which were not sold as budgeted but “banked” for future value and revenue recognition.

On the Expense side, power supply costs were down \$37,000 year-to-date. This is a 0.5% positive variance on the \$7,755,000 power supply expense budget. Operating Expense was up \$58,000 for the month and \$500,000 year-to-date. This was driven by a number of factors including: position vacancies in the process of being filled, IBEW negotiations in process for cost-of-living adjustments, outside service costs lower than projected, and the Winooski One overhaul outage being deferred. Taxes were up \$57,000 for the year as the budget was a preliminary estimate provided by the City and did not reflect final capital asset values from BED. Similarly, Depreciation was up \$162,000 year-to-date as the budget would not have reflected final fiscal year 2015 capital additions.

Other Income was down \$1,234,000 for the three months ended September largely due to the timing of billings/ contributions for a significant University of Vermont Medical Center project. This is a project of which they are contributing the majority of the costs, which we recognize as income. Interest expense for the month and year was in line with budget.

Mr. Nolan then discussed Capital Spending. In total, year to date ended October 31, capital spending was 11% (\$954,000) of the \$8,458,000 budget. McNeil/GT Production capital was below budget by \$280,000, as the front end loader (\$165,000) and boiler roof replacement (\$72,000) were both delayed to later in the year. Solar power production capital of \$168,000 was a carryover from the fiscal year 2015 budget for the 585 Pine St solar project. Distribution spending was under budget (\$643,000 as compared to the budget of \$1,479,000) due to the timing of various capital projects. General Plant was only charged \$31,000 of a \$654,000 budget as IT capital spending is being deferred pending an overall infrastructure “needs assessment”. Lastly, the Other Production budget of \$10,000 was for the Apprentice Line Worker Training Yard and that project has been deferred to the spring of 2016.

On the Cash side, we closed the month of October with \$9.4 million of unrestricted, unreserved operating funds. This balance includes a \$1,000,000 CD with Key Bank and the operating fund reserve of \$908,000. In addition to the Operating Fund we have established an (internally) restricted reserve fund of \$2.5 million for the employee Voluntary Buyout Plan. With more payments made in October this balance is now at \$1,777,800.

Commissioner Herendeen moved to adjourn the meeting at 6:38pm. The motion was seconded by Commissioner Moody and approved by all Commissioners present.

Attest:

Laurie Lemieux, Board Clerk