

## **MINUTES OF REGULAR MEETING BURLINGTON ELECTRIC COMMISSION**

**Wednesday, May 13, 2015 – 5:30 p.m.**

The regular meeting of the Burlington Electric Commission was convened at 5:33 p.m. on Wednesday, May 13, 2015 at the Burlington Electric Department at 585 Pine Street, Burlington, Vermont.

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

Staff members present included Neale Lunderville, Daryl Santerre, John Irving, James Gibbons Jennifer Theriault-Lee, Paul Alexander, Tom Buckley, Charlie Willette and Munir Kasti.

Other staff members present included Laurie Lemieux, Board Clerk.

Channel 17 was present to tape this meeting.

Commissioner Newman called the meeting to order at 5:35 p.m.

### **1. Agenda**

There were no revisions to the agenda.

### **2. Minutes of the April 8, 2015 meeting**

Commissioner Herendeen asked that revisions be made on Page 98 under Street Lighting Standards, first paragraph. The Illuminating Engineering Standards (IES) Standard should read Illuminating Engineering Society (IES) recommendation. Also the next sentence should read, the presentation looked at the differences between lighting using LED, HPS and metal halide fixtures while looking at the effects of the interaction of spectrum intensity and in determining light levels.

Commissioner Moody moved to accept the minutes for the April 8, 2015 meeting as amended. The motion was seconded by Commissioner Herendeen.

### **3. Public Forum**

Ted Kelly and Geron Blackwell, Representatives from Burns & McDonnell were present from the public.

### **4. Commissioner's Corner.**

Commissioner Herendeen stated that in the monthly highlights there is a reference to

Illuminating Engineering Standards (IES) and asked that this be changed to Illuminating Engineering Society (IES) recommendations.

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

Mr. Lunderville stated that the Voluntary Buyout (VBO) open enrollment began on Monday and there has been significant interest and the Department has received several sign-ups and anticipates several more.

John M. Floyd and Associates (JMFA) will be on site beginning Monday, May 18, 2015. That week will be spent meeting with groups of employees without managers present. Eight groups of employees have been built and these groups will meet Monday thru Wednesday. The final meeting will be Thursday with the Managers at which time JMFA will present what was learned from the employee group meetings. At the next Commission meeting Mr. Lunderville will share the preliminary findings from JMFA.

Mr. Lunderville informed the Commission that the Airport Solar Project Press Conference was postponed due to weather. The Commission will be notified when the Press Conference has been rescheduled. Mr. Lunderville stated that as of this day the Airport Solar has produced 193,000 KWH of energy since commissioning.

The Department is very close to hiring an IT Director, an offer has been made and the Department hopes to know by tomorrow, May 14, 2015.

Since the last meeting the Department did have a security issue with regards to passwords for the online bill pay system. The Department chose to shut the system down since it was not an easy issue to fix, but expects to bring this system back up around or before June 8, 2015. The Department has waived the credit card fee effective back to when this security issue occurred. Customers have been appreciative that the Department was clear in communicating the information and that the Department offered customers an alternative payment vehicle free of charge.

Commission Newman asked if BED has every conducted a cyber-security audit. Mr. Lunderville stated that this audit will be done on the system before the Department brings the bill pay system back on line. The Department has conducted cyber-security audits in the past as part of Department compliance but it's time to do another system wide audit. Mr. Lunderville informed the Commission that there was absolutely no evidence of any breach.

Beginning on Monday, May 18, 2015 the Department will start a system wide survey on BED utility poles to include what equipment is on the poles, what condition these poles are in and what's attached to them. The Department has upgraded the GIS system to allow this tracking in the field which will eliminate the paper process. Also, the Department has hired a company, Davey Group, to do the pole survey starting on Monday, May 18, 2015. Mr. Lunderville stated that part of this survey will tell the Department what attachments are on BED poles which will

assist the Department in billing other utilities along with a comprehensive system check on the condition of BED assets.

At a previous Commission meeting a resident, Mr. Tiki Archambeau addressed the Commission regarding lighting concerns in the Crombie Street and Decater Street area. Mr. Lunderville read a note from Mr. Archambeau recognizing the hard work of Charlie Willette during this lighting issue.

### **McNeil Outage**

John Irving informed the Commission that the plant is running at full capacity after a 4 week outage. During this outage the boiler super heater was replaced, all the tubing material was purchased in Germany and transported to Delaware. This tubing was then fabricated into a 135 pendants which was then shipped to the plant. A window needed to be cut in the top of the boiler to cut the old ones loose and lower them down one by one and remove the grates on one side and then down through the ash hopper. Mr. Irving stated that it is now all back together, a hydrostatic test was performed which resulted in no leaks and it is running great. Also, the east boiler grate was rebuilt along with the work done on the wells. During this outage 3 ash conveyors were rebuilt, work was done on the cooling tower fan, 1500 HP west boiler and all preventative maintenance was completed.

### **GT Outage**

Charlie Willette informed the Commission that the GT was completely overhauled. A new fuel control system to the engine was installed, all old wiring and gear was replaced along with new pressure and temperature gauges along with new a fiber optic network from Pine Street to the GT allowing the dispatchers to bring the unit up. The AC motor control system is in but not connected, waiting for the DC unit to come in, which will be shipped on Monday. Next week employees from Rockwell and Schweitzer, the companies that manufacture the relays as well as the motor control centers, will be on site to connect the motor control centers and testing the relays to make sure everything is running correctly. BED is on target to be back on line by May 30, 2015. Commissioner Moody asked Mr. Willette to inform the Commission when the GT will be fired up so that Commissioner Moody could be on hand when this is accomplished.

### **H.40 Update**

Mr. Buckley explained that this is a bill that is moving through the Legislature that requires utility companies to provide renewable electricity to their customers and to devise programs to help customers use less fossil fuel. Mr. Buckley stated that the amendments were adopted without much debate and there may be further assignments but this bill is very close. When the Senate adopts this bill it will then need to go back to the house for either agreement or counter amendments. Mr. Buckley is hoping that this will be concurred and done by the end of the week.

On Monday Mr. Buckley will travel to Sacramento, CA to receive the APPA DEED Award for Continued Excellence. Mr. Lunderville stated that a press release was sent out last week but

BED will do another release with the actual award and will notify the press and will make sure our customers know that BED has received this award.

## **6. March 2015 Financial Update**

Mr. Santerre presented a brief review of March 2015 year-to-date financial results.

This included a brief discussion of the \$390,000 Net Loss for the month and \$1,079,000 Net Income year-to-date. It also included discussion of the Debt Coverage of 4.19 for the twelve months ended March 2015, and Cash and Construction Fund balances as of April 30, 2015. Mr. Santerre then provided a more detailed review.

Sales to Customers were up \$429,000 from a \$36,182,000 budget (1.1%) for the year and up \$79,000 (2%) for the month. Other Revenues were below budget by \$15,000 on a year-to-date budget of \$2,696,000 for the year. Any variance in this revenue is driven by the timing of billings and customer requested work. Power Supply revenue was down \$3,134,000 year-to-date. The variance was essentially with the McNeil RECs as the wind production RECs were right in line with budget. The McNeil REC revenue will be in line or better than budget by year end as the fourth quarter will see some large sales.

On the Expense side, power supply costs were down \$71,000 for the month and \$347,000 year-to-date. This is a 1.4% variance on the \$24,871,000 budget. Operating Expense was down \$421,000 (3.3%), Taxes were down \$185,000 and Depreciation \$429,000 year-to-date as the budget assumed Winooski One starting in July rather than September 1st.

Other Income was down \$345,000 for the year due to assumed contributions for the City's Waterfront North Access Project of \$660,000 while interest expense for the year was down \$231,000 as a result of timing of the Winooski One Revenue Bond.

Mr. Santerre then discussed Capital Spending. In total, through April, capital spending was 62% (\$6,351,000) of the \$10,262,000 budgeted for fiscal year 2015. McNeil/GT Production capital was less than budget (\$880,000 of \$1,709,000) as the Gas Turbine control upgrade (\$1,372,000) was early in process. Solar power production was right in line with budget at \$1,628,000 of a \$1,591,000 budget. Distribution spending was under budget (\$1,939,000 as compared to the budget of \$3,467,000) and General Plant was below budget (\$173,000 of \$1,247,000 budget) due to the timing of various capital projects.

On the Cash side, BED closed the month of April with \$6,067,000 in the Operating Fund (budget was \$7,506,000). The difference was essentially due to the variance in the amount of REC revenue. The Construction Fund 2009 balance of \$714,500 will be used for the solar project at Pine Street and other capital. The Operating Fund Reserve was reduced to \$908,000, and the GOB 2015 Fund (\$3 million) closed at a balance of \$500,000. In addition, BED has established an internally restricted reserve fund of \$2.5 million for the employee Voluntary Buyout Plan. This was the amount that was modeled in the "base plan" that was approved at the April, 2015 Commission Meeting.

Mr. Santerre then presented the three Moody bond rating indicators. The Adjusted Debt Service Coverage Ratio was 1.34 for the month (just below the 1.50 required for an “A” bond rating) and the three year average was 1.39. The Days Cash On Hand showed a 91 day position. This is the second month that we have been above the 90 day requirement for a single (“A”) Moody’s bond rating. The three year average was 68 days. (These numbers do include the \$5 million line of credit as available cash). The Debt Ratio showed us at a 48% and the three year historical average at 48%, both considered an “A” rating, which is below 75%.

This concluded the presentation and discussion.

## **7. Rate Design Research and Recommendation**

Ted Kelly (Senior Project Manager) and Gerron Blackwell (Economic Analyst) from Burns & McDonnell presented information on the current status of the rate design project that Burns & McDonnell is performing for BED. This project is intended to examine BED’s current rates for appropriateness, and to recommend new rate structures that could assist BED’s customers in taking advantage of BED’s new AMI metering to improve efficiency and save money. Burns & McDonnell presented a number of general recommendations for improvements and modifications to BED’s current rates, and recommended that BED explore adding two major new rate structures, Critical Peak Pricing and Peak Time Rebates, as well as develop improved rates for electric vehicle charging. Specific rate changes will be presented to the Commission at a future meeting as this project progresses. Some discussion was held on the appropriate level of customer charge, and staff was requested to explore options for more innovative customer charge structures.

## **8. Fiscal Year 2016 Budget**

After some opening remarks by General Manager Lunderville, Daryl Santerre, Chief Financial Officer, presented the “Fiscal Year 2016 Budget”,

Mr. Santerre began by discussing the “Key Assumptions”, by function, used in the budget development (Revenues, Expenses, Interest, Taxes, Capital and Cash).

For Sales to Customers the Department continues to assume normal weather and the continued positive impacts of demand side management. In fact, BED assumed essentially the same MWHs sold this year as compared to last year’s budget and less than the actual MWHs sold ten plus years ago (FY 2005). As for rates, similar to the past few years, BED did not model a rate adjustment. (It was noted that the last rate filing was June of 2009.) The Department also did not model any impact from future rate design work. The assumption is that any rate design changes would be revenue “neutral”.

For Other Operating Revenues, the Department assumed \$5.8 million of renewable energy credits (RECs) at the McNeil Station (the same level as FY 2015) and \$3.2 million of wind energy credits (similar to the last two fiscal years). Also, with the Winooski One Hydro

production BED assumed \$469,000 of RECs. For REC pricing BED assumed somewhat lower than last year's budget, however offset that with higher production capacity at the McNeil Plant (70% versus 61% last year).

For Other Income BED assumed stable VELCO dividends as there is no planned equity investment for December 2015 and contribution income of \$1.8 million for the UVM Medical Center Project.

On the Expense side, total expenses were down \$1,300,000. One of the primary reasons for the decrease was assumed savings of \$865,000 from the employee Voluntary Buyout Plan. In addition BED assumed \$775,000 of costs and savings from the Floyd Associates contract. For labor, benefits, insurance and other costs BED assumed increases based upon the IBEW contract (if applicable), City Hall projections and other sources. Since fiscal year 2012, the Department averaging about 2% per year of nominal growth in controllable operating costs. This has been accomplished during a period of major increases in healthcare and pension costs and major increases in capital improvements to the distribution system and smart meter deployment.

For power supply BED assumed a budget of \$33.3 million, up slightly from last year's budget. Net power supply cost (after REC revenues of \$23.2 million) was up slightly as well. Transmission fees, at \$6.5 million, was up a bit from last year however has been stable for the past few years (after years of major increases).

\$400,000 of property taxes to the City of Winooski, depreciation of \$640,000 (based on purchase price over 25 years of remaining useful life assumed), and \$936,000 of operating and maintenance costs (One full time employee is assumed.)

Depreciation and amortization was up about \$350,000 over last year's budget. This is the result of seeing some of the major capital investment in BED's distribution, metering and technology systems and the addition of the Winooski One Hydro Facility. Taxes remained steady with last year's budget level. (It was noted that the \$400,000 of property taxes payable to the City Of Winooski for the Winooski One Hydro facility was based on an assessed value of \$16 million. (BED is currently appealing that assessment). Interest expense dropped about \$200,000 from last year's budget as a result of principal pay downs on the Department's outstanding debt combined with minimizing new debt. For this fiscal year BED is assuming no new debt beyond \$3 million annual General Obligation Bond. (Outstanding long term debt is projected to be \$72,500,000, down from the \$76,600,000 assumed for last year's budget.)

On the Capital side BED assumed a total capital budget of \$10.7 million. This includes: (1) UVM Medical Center of \$1.8 million, (2) McNeil Plant of \$1.2 million, (3) Information Technology of \$1.2 million, (4) Community Solar and Storage of \$1.8 million and \$735,000 in Capital Projects to Provide Operational Efficiency improvements. The UVM Medical Center project will be funded by UVM and therefore will not come out of BED funds. For the remaining \$8 million plus of capital costs BED will use the \$3 million of annual general obligation bond and cash reserves.

On the Cash side of the budget BED assumed a beginning balance of \$7 million and would maintain that \$7 million level through the budget year. With BED's new \$5 million Line Of Credit, this level will allow us to meet or exceed the Moody's single "A" rating of 90 for Days Cash On Hand. In addition, BED is assuming the \$2.5 million projected for the Voluntary Buyout Plan to be covered by a reserve of \$2.5 million, with no impact on the Operating Fund.

Mr. Santerre then walked through the detailed schedules of the budget, followed by the summary schedules of Net Income, Revenue Bond Debt Coverage and Cash Flows. Mr. Santerre also reviewed two of the three Moody's Bond Rating indicators (Adjusted (or Total) Debt Service Coverage and Days Cash On Hand).

For the Income Statement, BED is projecting Net Income of \$5.5 million. This is largely due to the \$10 million of REC revenue and power supply costs and transmission fees remaining steady.

For Revenue Bond Debt Coverage, BED is projecting 5.40 for fiscal year 2015, well above the 1.25 required. The Moody's Adjusted Debt Service Coverage Ratio would come in at 1.81 based on BED's budget assumptions. This is well above the 1.50 required for our target single "A" rating. It looks at the Department's ability to meet cash obligations, including general obligation bonds and payments-in-lieu-of-taxes to the City, both of which are excluded from the revenue bond debt coverage (1.25) calculation.

For BED's Cash Balances, based on all of the above assumptions, BED's end of year position would be a balance of \$7.1 million. The monthly balances would be above \$7 million the entire year, with peaks in each quarter from REC revenue payments.

The second Moody's bond indicator that was reviewed was "Days Cash On Hand". With BED's monthly cash balances expected to be \$7 million and above and the Department's \$5 million line of credit viewed by Moody as available cash, BED would come in at 91 days cash on hand. This would meet the requirement for "A" rating by Moody.

After completing the budget review, Commission Chair Newman asked if the Department would consider increasing the WARMTH program donation (currently budgeted at \$13,500). General Manager Lunderville agreed to increase the amount of the donation but wanted time to review this prior to a recommendation. A new amount will be included in the budget prior to approval at the June meeting.

This Fiscal Year 2016 Budget will be up for vote by the Electric Commission at a scheduled June meeting. It will also be reviewed and approved by the Board of Finance at a later date.

## **8a. Recommendation for FY 16 General Obligation Bond**

In March 2012 Burlington voters approved a City Charter change to allow \$3,000,000 of General Obligation Bonds to be issued by the City annually for capital improvements on behalf of the Burlington Electric Department.

As part of the Department budget review and approval each year, the Department includes a line item for this \$3,000,000 General Obligation Bond. Bond Counsel of the City requires a formal approval by the Burlington Electric Commission before forwarding to the City. Mr. Lunderville asked the Board of Electric Commissioners to recommend to the Board of Finance and the City Council the authorization for and to direct the Chief Administrative Officer to pledge the credit of the City by issuing bonds in the amount of \$3,000,000 for the 2016 FY for electric capital improvements.

Commissioner Herendeen moved that the Board recommend to the Board of Finance and the City Council the authorization for and to direct the Chief Administrative Officer to pledge the credit of the City by issuing bonds in the amount of \$3,000,000 for the 2016 FY for electric capital improvements. The motion was seconded by Commissioner Stebbins and approved by all Commissioners present.

## **9. Voluntary Buyout (VBO) and Personnel Updates**

Mr. Lunderville stated that the reason to enter Executive Session is to discuss VBO contracts between BED and employees and is covered under Labor Management Contracts.

Commissioner Herendeen moved to find that premature general public knowledge of the Voluntary Buyout and Personnel Updates 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 Moody and approved by all Commissioners present.

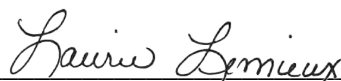
Commissioner Herendeen moved that the Commission enter into Executive Session to discuss the Voluntary Buyout under the provisions of Title 1, Section 313(a)(1)(A) and (B) of the Vermont Statutes. This motion was seconded by Commissioner Moody and approved by all Commissioners present.

The Commission moved into Executive Session at 7:45 p.m.

Commissioner Herendeen moved to exit Executive Session at 8:50 p.m. The motion was seconded by Commissioner Moody and approved by all Commissioners present.

Commissioner Herendeen moved to adjourn the meeting at 8:51 p.m. The motion was seconded by Commissioner Moody and approved by all Commissioners present.

Attest:



Laurie Lemieux, Board Clerk