

**MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION**

Wednesday, April 11, 2018 – 5:30 p.m.

The regular meeting of the Burlington Electric Commission was convened at 5:33 p.m. on Wednesday, April 11, 2018 at the Burlington Electric Department, 585 Pine Street, Burlington, Vermont.

Commissioners present included Sabina Haskell, Bob Herendeen, Scott Moody, and Gabrielle Stebbins. Commissioner Tim Perrin was absent.

Staff members present included Neale Lunderville, Paul Alexander, Mike Flora, James Gibbons, Freddie Hall, Mike Kanarick, Munir Kasti, Laurie Lemieux (Board Clerk), Dave MacDonnell, Jim Reardon, Darren Springer, and Destenie Vital.

Channel 17 was present to record this meeting.

1. Agenda

There were no changes to the Agenda.

2. February 14, 2018 Meeting Minutes

Commissioner Moody made a motion to approve the minutes of the February 14, 2018 Commission meeting; the motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

3. Public Forum

Mr. Marty Gillies, Environmental Studies student at the University of Vermont, stated that part of his class curriculum is to speak at a public meeting in Burlington. Mr. Gillies has been attending the Burlington Electric Commission for a few months and is very interested in the outcome of the vote on BED's electric vehicle (EV) Rate Design. Mr. Gillies stated that programs like BED's EV Rate Design provide a great example for other communities and utilities across the state. Mr. Gillies is asking the Commission to help reduce Burlington's petroleum consumption by voting in favor of the EV Rate Design proposal and continue to support efforts to develop EV infrastructure, including the expansion of the EV financing program.

4. Commissioners' Corner

Prior to this meeting Commissioner Herendeen submitted the following statement:

I want to reinforce my concern about having any sizeable natural gas commitment built into a district heating plan centered on the McNeil biomass plant. I strongly hope that a zero-fossil fuel option is developed by our consultants.

Commissioner Herendeen stated that the BED Performance Measures Report is great and speaks to the Department's values and progress.

Commissioner Stebbins drafted a paper regarding Burlington Electric as an example of one type of utility of the future and thanked Mr. Lunderville, Mr. Gibbons, Mr. Lamont, Mr. Hall, and Mr. Burns for their time and assistance given on the paper.

5. General Manager's Update

Mr. Lunderville attended Mayor Miro Weinberger's State of the City Address and was pleased that the Mayor mentioned the net zero energy city vision and the District Energy proposal as one of the initiatives the City will be working on in the next year. Mr. Lunderville stated that the Mayor made these initiatives an issue in the campaign and followed through by making them priorities in the State of the City address.

BED will be conducting a work session in front of the Burlington City Council on District Energy. This work session is scheduled for Monday, April 16 from 6:00-6:40 p.m. Part of the work session will address the structure of the district energy system and the ability to retain local control and regulation. At the April 30 City Council meeting, BED will be asking for support in seeking declaratory judgements from the Public Utility Commission (PUC) in two (2) areas: BED will locally control and regulate the district energy utility as the Department believes that only City regulation is required; and BED will ask for a judgement on the Certificate of Public Good Permit Section 248 for McNeil. Mr. Lunderville stated that there will be changes done at the McNeil Plant, but none will change the fundamental operations of McNeil and, therefore, those changes should not require filing for a new or amended permit. The Department would like the PUC's agreement before proceeding on any future phases.

Mr. Lunderville stated that our district energy partner, Corix Utilities, will be at BED on Monday and, if any Commission members would like to meet with Corix to discuss any issues, then time can be scheduled to meet.

On March 17, BED in partnership with the Department of Public Works hosted a Solar Permitting Workshop. This workshop was attended by 20-25 area solar installers currently doing business in Burlington or that would like to do business in Burlington in the future. This workshop walked through what it takes to install solar in Burlington and to navigate this process smoothly.

One of the Department's Strategic Initiatives is to expand training efforts, and the Department completed a company-wide Harassment Training. Also, the Department will be conducting Diversity, Equity and Inclusion in the Workplace training later in the year.

Last week, the Department held the first annual Innovation Cup Challenge. A couple months ago, employees were asked to come up with original ideas to advance BED's net zero energy city vision and to present their ideas before a panel of judges. In total, there were 16 participants, comprising 10 teams with two hours of presentations. The winning team presented a concept on how to drive green modes of transportation. The next step is the implementation plan and Mr. Lunderville will ask the team to present the winning concept at the next Commission Meeting. The winning team members consisted of Patrick Campbell, Valerie DeBrita, Jen Green, and Jessica Walker.

Mr. Lunderville stated that it is the time of year for the Department to update the Strategic Plan and that he has sought feedback from employees. In the next couple months, the Strategic Plan will be presented to the Commission with proposals for updates.

Mr. Lunderville reminded the Commission that, when the Department presented the FY18 budget last year, there had been discussion with the Commission regarding the possibility of a future rate adjustment. Mr. Lunderville stated that the Department continues to experience revenue erosion in the renewable energy credit market and challenges in the Department's base revenues. For example, BED has large industrial customers, such as Burlington City Place and Blodgett Oven that are or will be temporarily off-line, directly impacting BED's revenue. The Department has worked hard to trim both operational and power supply costs over the past few years, which has helped hold off rate adjustments. The last rate increase for BED customers was in 2009.

Mr. Lunderville stated that the upcoming budget year, Fiscal Year 2019, will be a challenging year. At this point in the budget development process, the Department believes that there will not be a rate increase for FY19. However, the Department is certain that, given market forces out of its direct control, BED will require a rate adjustment by FY20. BED is extremely proud that there has not been an increase in nearly 10 years, but it's important that the Department files for an adjustment when it is financially prudent to do so. Mr. Lunderville stated that the FY19 budget will be presented next month and did not want the Commission to be surprised by the tightness of the proposal. Mr. Lunderville will keep the Commission updated.

Finance

Jim Reardon, Director of Finance and Administration, presented a brief review of February year-to-date financial results.

February Operating Income year-to-date is \$2,242,000 and Net Income year-to-date is \$2,712,000. Year-to-date Operating Income is \$1,488,000 higher than budgeted and year-to-date Net Income is \$767,000 higher than budgeted. The favorable variance of \$1,488,000 in Operating Income largely relates to less expended in Power Supply Expense, offset by less than expected through February in Operating Revenues. Fuel Expense is \$583,000 under budget due to McNeil Production year-to-date being 4% under budget and woodchip costs per ton 2% under budget. Purchased Power Expense year-to-date is \$1,236,000 under budget. BED's position for the month of February was long (produced more power than customers consumed) and the excess power was sold at wholesale prices above budget. Mr. Reardon noted that there was additional production due to the new Great River Hydro contract.

Sales to Customers year-to-date continue to be under budget. Most of \$427,000 favorable variance in Power Supply Revenues is attributable to higher than expected Wind RECs (Renewable Energy Certificates) revenue. Mr. Reardon noted that April RECs Revenues will be significantly less than the amount budgeted, so this favorable variance is only temporary. Other Income year-to-date is under budget \$581,000 due to assumed contributions for Capital Projects that have not been completed. The higher than expected amount for Interest Expense in February was due to the Revenue Bonds that were refinanced in December, 2017. If it were not for the refinancing, Interest Expense February year-to-date would be relatively on target.

Mr. Reardon then discussed Capital Spending. In total, year-to-date ending March 31, Capital Spending is 56% (\$5,784,000) of the \$10,280,000 budgeted for Fiscal Year 2018. Year-to date, we are underspent

relative to the budget through March, 2018 by \$2,684,000. In summary, a large portion of the underspending is largely due to timing and is the reason for Other Income year-to-date, specifically Customer Contributions being under budget through February, 2018. However, it is expected that General Plant in the area of Computer Equipment and Software will be underspent in Fiscal Year 2018 compared to amount budgeted.

On Cash and Investments, BED closed March with \$12.8 million of unrestricted and reserved operating funds compared to a cash projection of \$8.5 million. The \$4.3 million favorable variance is due to lower spending than anticipated for Operating and Capital.

Two of three current rating factors are in line to meet an “A” bond rating. However, the “Adjusted Debt Service Coverage Ratio” currently is 1.11, compared to a benchmark for “A” of 1.50. This is largely due to lower RECs and Sales to Customers revenue.

6. EV Rate

Mr. Hall presented BED’s plan regarding the EV Rates, which include lowering upfront costs, reducing ongoing costs, and improving convenience. Mr. Hall stated that EVs represent an incremental new load that will not increase fixed costs or distribution, capacity, or transmission expenses if charging is controlled correctly. This program will focus on residential charging at customers’ homes by providing an on-site means to record EV charging.

Mr. Hall reviewed the updated timeline for this program, stating that the EV Rate Design portion is wrapping up and the Department is now moving towards the internal approval process.

BED presently is working on the hardware/software testing. BED is in the process of installing two loaner Level 2 charges, one from *ChargePoint* and the other from *eMotorWerks*. BED will use these chargers to obtain a better understanding of the installation and setup, test the hardware, and connect with the APIs for data collection and charging control enablement. Mr. Hall stated that, for customers who might not need a Level 2 home charger, BED is exploring other sub-metering options.

Mr. Hall stated that EV owners can schedule at what time the car charges, which can be done by entering complex times through the dashboard during which the owner does not want to charge. Mr. Hall and Mr. Lamont programmed the BED EVs to avoid charging between the hours of 1800 and 2100 and to allow the EVs to charge freely on the weekend. Mr. Hall reviewed the graph, which shows why there is load on the BED EVs during those hours.

The final piece of this project is the tariff. Mr. Hall reviewed the costs behind the off-peak rate, which includes power supply costs, hardware/software costs, and fixed cost contributions.

Mr. Hall closed the presentation by asking the Commission for approval to advance the EV rate structure to the next stage of the approval process, which is the City Council.

Commissioner Moody moved to approve the advancement of the EV rate structure to the next stage of the approval process; this motion was seconded by Commissioner Haskell and approved by all Commissioners present.

7. Highgate Converter

Mr. Lunderville informed the Commission that the Department has the opportunity to make a change in ownership of the Highgate Converter, which is an asset BED owns jointly with VELCO and Stowe Electric. Mr. Lunderville stated that this is an active negotiation with a counterparty and that any premature disclosure would put the Department at a substantial disadvantage.

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

Commissioner Herendeen moved that the Commission enter into executive session with BED Staff to discuss a contract concerning the Highgate Converter under the provisions of Title 1, Section 313(a) (1) (A) of the Vermont Statutes. The motion was seconded by Commissioner Moody and approved by all Commissioners present.

The Commission moved into Executive Session at 6:28 p.m.

Commissioner Moody moved to exit Executive Session at 7:17 p.m.; this motion was seconded by Commissioner Haskell and approved by all Commissioners present.

Commissioner Moody moved to adjourn the meeting at 7:19 p.m.; this motion was seconded by Commissioner Haskell and approved by all Commissioners present.

Attest:



Laurie Lemieux, Board Clerk