

**MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION**

Wednesday, September 12, 2018 – 5:30 p.m.

The regular meeting of the Burlington Electric Commission was convened at 5:30 p.m. on Wednesday, September 12, 2018 at the Burlington Electric Department, 585 Pine Street, Burlington, Vermont.

Commissioners present included Jim Chagnon, Sabina Haskell, Bob Herendeen, Scott Moody, and Gabrielle Stebbins.

Staff members present included Paul Alexander, Mike Flora, Sue Fritz, James Gibbons, Mike Kanarick, Munir Kasti, Laurie Lemieux (Board Clerk), Dave MacDonnell, and Darren Springer

Channel 17 was present to record this meeting.

1. Agenda

There were no changes to the Agenda.

2. July 11, 2018 Meeting Minutes

Commissioner Moody made a motion to approve the minutes of the July 11, 2018 Commission meeting; the motion was seconded by Commissioner Herendeen and approved by all members present.

3. Public Forum

There was no one present from the public.

4. Commissioners' Corner

Commissioner Herendeen stated that Commissioner Stebbins recently distributed the American Council on Energy Efficiency Economy (ACEEE) report and asked for clarification on the section "*Conservation versus Efficiency Measures*," which states conservation measures are dropping out. Commissioner Stebbins suggested that this question would be best answered by Chris Burns, BED's Director of Energy Services. Commissioner Stebbins will reach out to Mr. Burns for clarification.

Commissioner Herendeen stated that the "Defeat the Peak" graph indicates that most of the responses are from large customers and asked where the resident responses are located on the graph. Mr. Gibbons stated that resident responses are listed under the category labeled "*Other*".

Commissioner Stebbins congratulated Mr. Gibbons on receiving the Distinguished Service Award from the Northeast Public Power Association.

Commissioner Stebbins stated that the "Commission Meet & Greet" with BED staff has been postponed until the new General Manager is hired.

5. Interim General Manager's Update

Mr. Alexander stated that the IBEW Contract was approved by the City Council and signed by the Mayor and IBEW last Thursday, September 6.

The General Manager interviews are entering the second round with the top three (3) candidates scheduled to meet with the Mayor at the end of this week and early next week. It is the hope that the Mayor's recommendation will be brought to the City Council for confirmation on Monday, September 24; if not, the Council likely will consider confirmation at its next meeting on October 15.

Mr. Alexander stated that Sue Fritz will be giving a full presentation on IT Forward at tonight's meeting, and offered praise for Sue Fritz, Carol Braden, and the entire team for its hard work on the IT upgrade process. The RFI was publicly released as planned on August 1 with a due date of August 31. The next stage will be vendor demos in September or October with an RFP to follow.

The Northeast Power Coordinating Council (NPCC) Guided Self Certification (GSC) audit on Under Frequency Load Shedding (UFLS) testing is complete. After five rounds of questions from May to August, the NPCC signed off on the audit. Mr. Alexander recognized the hard work of Enis Sehovic and Bradley Williams from the Engineering Department as they successfully led BED through the audit process.

Mr. Alexander stated that the H&B/AIG Property Renewal premium went from \$243,200 to \$228,762 due to a \$17M decrease in TIV.

The BED team met with the Mayor to discuss District Energy on August 2 and September 7. The Mayor will reach out directly to UVMMC for a meeting.

On September 6, the Public Utility Commission (PUC) ruled that the City may set up a district energy system (DES) that would not be subject to PUC regulation. The PUC noted that the DES project already has relied on and may in the future rely on ratepayer funds from BED and that such information may become relevant in a future BED rate case.

Finance

In Jim Reardon's absence, Darren Springer, Chief Operating Officer, presented a brief review of June 2018 year-to-date financial results.

June Operating Loss year-to-date is \$1,502,000, and Net Income year-to-date is \$979,000. The unfavorable variance in Operating Income of \$1,552,000 is primarily due to Operating Revenues being down \$3.8 million from budget, offset by \$2.3 million less than budgeted for Power Supply Expenses. Operating Revenues year-to-date are less than budgeted for the same reasons Mr. Reardon outlined in previous months (Sales To customers, Energy Efficiency Program costs reimbursements less than planned, McNeil and Wind RECs down). Mr. Springer noted that the Fiscal Year (FY) 2019 budget, which was approved by the Board of Electric Commissioners, reflects a revenue estimate more in line with actual FY 2018 experience. The favorable variance in Power Supply Expense is due to: Fuel Expense year-to-date below budget \$1,208,000 because McNeil production was 14% under budget; Purchased Power year-to-date below budget \$617,000 and Transmission Fees year-to-date below budget \$523,000.

Other Income year-to-date is \$386,000 higher than budget due to a distribution from VT Transco, LLC

related to the Utopus sale. Interest Expense year-to-date is \$206,000 below budget due to the refinancing of Revenue Bonds in December, 2017.

Mr. Springer then discussed Capital Spending. In total, year-to-date ended June 30, Capital spending is 65% (\$6,705,000) of the \$10,280,000 budgeted for FY 2018. Year-to-date, BED is underspent relative to the budget through June 30, 2018 by \$3,575,000. In summary, the underspending can be attributed to less expended for a Front End Bucket loader for McNeil, Winooski Hydro Unit 3 overhaul significantly less than planned, various projects in Distribution were under budget or delayed, including purchase of Fairpoint Pole Ownership, and less expended for IT Projects than planned. Mr. Springer stated that most of this underspending was taken into consideration in determining the beginning cash balance for the FY 2019 budget.

On Cash and Investments, BED closed June with \$9.4 million of unrestricted and reserved operating funds. This is approximately \$1.0 million higher than was anticipated, or said another way; BED's beginning cash balance is \$1.0 million higher than originally forecasted for the FY 2019 budget. The July 31 operating fund balance of \$13.2 million continues to trend above that forecasted for FY 2019. As in previous months, the current Rating Factors are not in line to meet an "A" bond rating. The "Adjusted Debt Service Coverage Ratio" at June 30 is 1.22 compared to a benchmark for "A" of 1.50. This is largely due to lower Operating Revenues.

6. Vermont Public Power Supply Authority (VPPSA) Membership Agreement

Mr. Gibbons stated that a year ago, the Commission voted to pursue a one-year staff sharing pilot arrangement with VPPSA, which expired at the end of June. Recently the VPPSA Bylaws were changed to allow "Strategic Membership," and this is the structure that is being proposed to the Commission. Although this is a one-year agreement, VPPSA bylaws require a motion by BED's governing body for becoming a Strategic Member.

Mr. Gibbons began the PowerPoint presentation by explaining that VPPSA was created by the Vermont General Assembly in 1979 and is one of more than 60 similar agencies in the US. Any public power utility in Vermont can be a member and presently 14 municipal utilities are eligible. Mr. Gibbons stated that 12 of the eligible 14 municipal utilities are full members (Stowe Electric and BED are not currently members). Each full member appoints one director to the VPPSA Board of Directors.

Mr. Gibbons explained that VPPSA presently has a staff sharing arrangement with BED where power supply, regulatory, and legal efforts are jointly managed, and Mr. Gibbons reviewed the services that would potentially be shared with VPPSA.

Mr. Gibbons reviewed the membership structure stating that this is a one-year initial proposal, which would give BED full access to VPPSA services with annual dues of \$6,000 and would allow for bi-directional billing for shared staff. This membership would not give BED a voting seat on the VPPSA Board of Directors.

Commissioner Moody made a motion to authorize BED management to join VPPSA as a "Strategic Member" for an initial one-year period, provided that BED management can reach a final agreement it deems satisfactory. This motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

7. Contractual Rights to the Phase 1 / Phase 2 Transmission Line

Mr. Gibbons stated that BED is a holder of transmission rights known as the Phase 1 / Phase 2 Transmission Line. BED is not an owner, but a right holder through another owner, which is a VELCO subsidiary called VETCO.

The Phase 1 / Phase 2 transmission line is a High Voltage Direct Current (HVDC) transmission line that allows for longer deliveries of power.

The Phase 1 transmission line is capable of transporting 690 MW from Quebec to Comerford, NH and was commissioned in 1983. The Phase 2 transmission line extended the DC line to Ayer, MA with increased capability to 2,000 MW in 1990. This line is used to import Canadian power into Southern New England. Prior to the Phase 2 update, the converter station at Comerford, NH was deactivated, which means this power goes directly to Ayer, MA with no stops. The transmission rights are held by a large number of entities through several intermediaries that actually own the assets.

Mr. Gibbons stated that the value BED receives from participation in this transmission line is that BED currently receives ISO-NE Market Capacity Credits (HQICC). Also, there is potential for lease of the facility for energy deliveries by other parties which would represent a new value stream in addition to the HQICC credits.

Mr. Gibbons reviewed the risks involved in the contract, which included operating cost increases, potential reductions in or loss of value streams, and capital upgrade potential, all of which Mr. Gibbons feels are a low probability.

Some of the benefits of extending this contract include: providing market capacity, which is a market product on which BED currently is short; and potential lease revenues.

Mr. Gibbons is asking the Commission to authorize BED to advance the contract extension through the City approval process.

Commissioner Herendeen made a motion to authorize BED management to advance the contract extension through the City approval process provided there are not material changes in the contract structure following this presentation. This motion was seconded by Commissioner Haskell and approved by all Commissioners present.

8. IT Forward Update

Ms. Fritz stated that in 2015 BED had a considerable amount of technology that wasn't being leveraged to its fullest capacity; there was a large backlog of IS support requests, and systems upgrades were not getting done. It was realized at that time that BED needed a plan to move IT Forward.

A committee of BED stakeholders met several times to determine what needed to be done to get all of BED together, identify the problems employees are experiencing, and decide how to move forward. It was decided that BED would engage an outside consultant to assist with the process and solution. An RFP was issued and, after interviews, BED decided it would hire EnerNex based out of Tennessee.

After many meetings with EnerNex, the consultant designed a three-phase project along with timelines:

Phase 1: Assist BED in developing an understanding of the current hardware and software infrastructure, and its potential role in advancing BED's Strategic Plan goals.

Phase 2: Draft a roadmap and timeline of recommended upgrades or replacement, including prioritization.

Phase 3: Assist in procurement based on the roadmap.

Ms. Fritz stated that Phase 1 took place between June – November 2017. Phase 2 regarding the development of the Technology Roadmap took place between December 2017 – February 2018. Phase 3, regarding use cases and requirements, took place from March – July 2018.

Ms. Fritz stated that EnerNex met with each department and reviewed the functions associated with each position. EnerNex took this information and identified two "states." The first is the "As Is" state that the Department is in. The second is the "To Be" state which is where the Department would like to be.

Ms. Fritz stated that through this process EnerNex felt that system maintenance was lacking and needed to be addressed before moving forward. IT then spent the next 6 months focusing on system maintenance and upgrades. Another part of the focus has been on the people and the process to ensure that employees are using the right processes once the new technology is in place. The roadmap indicates that the Department needs to focus on the people and the processes first and then concentrate on the next 2-3 years, eventually developing a long-term plan for what needs to be done in the next 10 years.

Ms. Fritz stated that EnerNex findings and priorities placed the Customer Information System (CIS) and Meter Data Management System (MDMS) ranking highest and requiring the most immediate attention with these systems being addressed in the first round of the roadmap. The finance and work management systems were added to this list, as they are tightly integrated with the current CIS and cannot be considered separately. This now becomes the Project Core, and the Department will focus on getting these core systems ready to go and in perfect shape so the Department can move forward.

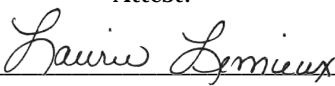
Ms. Fritz closed the presentation by informing the Commission that the Department has released an RFI with all BED's requirements and invited vendors to visit and show the team how these requirements would be met. Currently nine (9) vendors have responded to the RFI, and the team will look at all of them.

9. Commissioners' Check-In

There were no Commission Check-ins at this time.

Commissioner Moody moved to adjourn the meeting at 6:49 p.m. This motion was seconded by Commissioner Chagnon and approved by all Commissioners present.

Attest:



Laurie Lemieux, Board Clerk