

**MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION**

Wednesday, November 13, 2019– 5:30 p.m.

The regular meeting of the Burlington Electric Commission was convened at 5:36 p.m. on Wednesday, November 13, 2019 at the Burlington Electric Department, 585 Pine Street, Burlington, Vermont.

Commissioners present included Bob Herendeen, Scott Moody, Gabrielle Stebbins, and Bethany Whitaker. Commissioner James Chagnon was absent.

Staff members present included Paul Alexander, James Gibbons, Mike Kanarick, Munir Kasti, Laurie Lemieux (Board Clerk), Dave MacDonnell, Paul Pikna, Jim Reardon, Darren Springer, and Emily Stebbins-Wheelock.

Channel 17 was present to record this meeting.

1. Agenda

There were no changes to the Agenda.

2. October 16, 2019 Meeting Minutes

Commissioner Herendeen asked that a sentence be added to Item 5, KPMG Audit Presentation, paragraph 3 that refers to the inventory variance of \$145,000. Commissioner Herendeen asked that the sentence clarify that the variance is in the Department's inventory and that no actual funds/money is involved.

Commissioner Moody made a motion to approve the minutes of the October 16, 2019 meeting as amended. The motion was seconded by Commissioner Herendeen and approved by Commissioners Herendeen, Moody, Stebbins, and Whitaker.

3. Public Forum

There was no one present from the public.

4. Commissioners' Corner

Commissioner Stebbins welcomed the newest member of the Burlington Electric Commission, Ms. Bethany Whitaker and invited Commissioner Whitaker to give a brief summary of her background.

Commissioner Whitaker stated that she has been a resident of Burlington since 2003 and her background is in transportation planning. Commissioner Whitaker stated that she previously worked at VEIC for a few years and now is working on electrification issues in the private sector as a consultant.

Commissioner Herendeen stated that at the last IRP meeting there was discussion on what electricity demand will look like in the future and that he wondered how this interacts with the Mayor's carbon fee.

Mr. Springer stated that the Mayor's proposal around a carbon fee would be a state-wide proposal for the Legislature and the state administration to consider. The IRP scenario is based on the City being as aggressive as possible on the Net Zero Energy 2030 track. Because the Net Zero 2030 scenario is as aggressive as it can be relative to carbon reduction, it makes it more cost effective for the community to move in that direction, which makes the Mayor's proposal complementary.

Commissioner Herendeen asked if the *Light up Navajo* project was a voluntary program. Mr. Springer stated the *Light up Navajo* project is an APPA project that brings together volunteer crews from public power utilities across the country to connect Navajo homes to the grid. In six weeks, this project connected more than 230 homes to electricity, reducing the total number of U.S. homes without electricity by one percent.

This project is being treated like mutual aid without a storm. When BED sends a crew for mutual aid, the Department gets fully reimbursed. In this case, the Department will not get reimbursed for all of the cost, but also we will not be paying for overtime. The Department plans on sending a crew in the spring for a two-week period. The benefit to our crews will be real world experience versus what they would gain by attending a conference.

Commissioner Herendeen stated that the Department is doing a lot of work on more efficient buildings with follow up to make sure they are meeting the efficiency goals by using the energy modeling approach. Commissioner Herendeen asked what a rough number would be regarding BTUs per square foot per year. Mr. Springer will ask Chris Burns to follow up with the Commissioner with these numbers.

Mr. Springer stated that we have some really great metrics for City Buildings and requested that Mr. Kanarick forward to the Commissioner the BTVStat and City Building Energy Benchmarking presentations.

5. General Manager's Update

Mr. Springer welcomed Commissioner Whitaker and asked the staff to introduce themselves and

state their roles at Burlington Electric Department.

Mr. Springer stated that the Department is still working through ideas for syncing a Commission monthly dashboard with some of the data tracking being done for BTVStat and Net Zero Energy. The goal is to present an updated dashboard next month for the Commission's consideration.

The Department priorities for the 2020 Legislative Session are to provide flexibility to energy efficiency utilities, including BED, and to use funds to support a broader array of activities beyond electric energy efficiency, which could bolster the City's Net Zero Energy program efforts.

The IT Forward Project Team and Core Team have recommended a preferred vendor to the Leadership Team. The Leadership Team is proceeding with contract negotiations.

Mr. Springer stated that the Nissan Leaf Program is running again. This program, through Freedom Nissan, allows City leaders, including Commissioners and City Councilors to test drive a Nissan Leaf for a 24-hour period.

The Department is starting to see some movement in the EV rebate numbers and charging station usage. BED is working with the State to administer the new low- to moderate-income EV incentive, which will be available at participating auto dealers at the point of sale. The anticipated availability should start sometime in December. Once the incentive is available, BED will visit with potential dealerships regarding participation.

Finance

Jim Reardon, Director of Finance presented a brief review of September 2019 financial results.

September Operating Income is \$1,519,000, and Net Income is \$2,404,000. Year-to-date Operating and Net Income are above budget due to higher than expected REC (Renewable Energy Certificates) revenue and lower Operating Expenses due to timing of various items.

Total Operating Revenues are relatively on target due to the REC sales. Sales to Customers are down year-to-date \$225,000, primarily due to the underperformance in September. Other Revenues are down \$468,000 due to Energy Efficiency Program cost reimbursements less than planned. Mr. Reardon noted that, of the \$726,000 less expended year-to-date for Operating Expenses, Demand Side Management expenditures account for \$348,000 of that favorable variance. The Transmission 1 contract budgeted in Power Supply Revenues was to start in July. Negotiations are in progress.

Power Supply Expenses year-to-date are \$230,000 less than planned. Fuel Expense was \$125,000 higher than planned due to McNeil Production being 6% over budget while woodchip costs (per ton) were 3% under budget. Purchased Power was \$260,000 less than planned primarily due to Wind production being below budget.

Other Income is \$308,000 higher than budget due to when various billable projects completed in July and August were billed. As Mr. Reardon had stated at the October meeting, Interest Expense will be a favorable variance of \$33,400 per month for July to October 2019 due to a revised schedule.

Mr. Reardon, then discussed Capital Spending. In total, year-to-date ended October 31, Capital Spending is 16% (\$1,239,000) of the \$7,920,000 budgeted in Fiscal Year 2020. We are underspent relative to the budget by \$1,545,000, which is due to the timing of projects in Production and General Plant.

On Cash and Investments, BED closed October with \$8.4 million of unrestricted and reserved operating funds. We are relatively on target with the budgeted cash projection through October 2019.

The adjusted Debt service Coverage Ratio continues to be a concern and will need to be closely monitored.

Fiscal Year End June 30, 2019

Jim Reardon, Director of Finance presented a brief review of the Fiscal Year Ended June 30, 2019.

The audit for The Joseph C. McNeil Generating Station and BED was completed on October 28, 2019. Section 7.8 of the Bond Resolution requires BED to file annual audited financial statements and an accompanying CPA certificate within 120 days of the end of its fiscal year. BED filed the required documents with the Bond Trustee on October 28, 120 days after the end of its fiscal year. The audit opinion for both was an unmodified opinion.

In addition to KPMG's October 16 proposed unadjusted audit difference related to an unreconciled inventory variance, they proposed an unadjusted audit difference for deferred outflows and inflows related to the Pension Plan. In addition, they proposed an adjustment that we made that adjusted "Net Position" between *Invested in capital assets, net of related debt* and *Unrestricted*. This adjustment related to the sale of the Highgate Transmission Plant, and there is no overall effect on "Net position."

The change in "Net Position" for the fiscal year ended June 30, 2019 was (\$1,357,868). This was primarily due to the nonrecurring expenses related to the McNeil Plant major turbine overhaul in 2019. These expenses, through an Accounting Order from the Public Utility Commission, had been previously capitalized and amortized over their useful life.

Mr. Reardon noted that he wanted to give a brief update for those events and issues subsequent to the October Board of Electric Commissioner's meeting.

6. BED 2019 Property/BM Renewal

Mr. Alexander stated that BED's current Property/B&M Insurance coverage with NU/Chartis/AIG was scheduled to expire on 10/1/2019. In the past, the Department paid an annual premium of \$228,762 for that coverage. Commercial Property/B&M insurance covers BED's physical assets from perils such as fire, lightning, smoke, explosions, storms, burst pipes, theft, and vandalism. It is designed to protect our tangible property; namely buildings, boilers, transformers, and property inside and outside. In late August 2019, BED learned that AIG was reducing the Department's "capacity" to only 30% of the total insurable value, which means BED's insurance agent, Paul Plunkett of Hickok & Boardman H&B, had to find other carriers to "fill in" the other 70% of capacity or find another carrier altogether to underwrite this line of business. As such, H&B has been in the process of securing bids from several participating carriers (H&B went out to 25 total markets). Per the information from H&B, the renewal premium was first anticipated to increase from the current amount of \$228,762 to \$375,000, but in the last 90 days, the insurance market has experienced significant restricted coverage, as well as raised rates such that our insurance agent has indicated that the annual premium could be as high as \$600,000 with a capped Total Insurable Value (TIV) of \$175,000,000 of property (vs. our current fully scheduled TIV of \$262,064,000). Due to these significant changes, AIG granted BED a policy extension under current pricing, terms, and conditions to the now new renewal date of 11/20/19 (from first 10/1/19 and then from 11/1/19). Accordingly, H&B needs every available day up until at least 11/20/2019 to continue its investigation of securing the best possible coverage for BED at the best price.

Mr. Alexander stated that he would let the Commission know what the final premium price is and anticipates that he will have this number in the next 6-7 days.

Commissioner Herendeen made a motion to recommend to the City Council that Darren Springer, BED General Manager, or his designee is authorized to renew BED's Property/B&M Insurance for the period of 11/20/19 through 11/20/20 for the combined total price not to exceed \$600,000 with carrier NU/CHARTIS/AIG. The motion was seconded by Commissioner Moody and approved by Commissioners Herendeen, Moody, Stebbins, and Whitaker.

7. Phase I Contract

At a prior meeting, the Commission approved renewing the contract for BED's entitlement to the transmission line that runs across the Eastern part of Vermont. In the meantime, the Department has been working on a transmission lease for this asset, which is a possible revenue stream that was discussed when the Commission approved the renewal of the contract. The Department is asking the Commission for authority to move forward.

Mr. Gibbons provide a brief history on the Phase 1/2 transmission line that runs from Canada to Massachusetts. This line was acquired in the 1980s in anticipation of signing a contract with Hydro-Quebec. In the end, BED did not end up acquiring Hydro-Quebec.

BED receives ISO-NE market capacity credits for the resource, approximately \$240K annually at the present capacity market prices.

The Department is proposing the transfer of BED's Phase 1 transmission rights to VPPSA. VPPSA will transfer the bundled rights, through a third party, to an entity who wants to lease the rights for five years. The expected revenues will be approximately \$100K annual to BED for its share. This would be done with a 10-month initial period, extending to five years.

BED would continue to receive the capacity credit for the line, which is the sole value BED presently receives. This would be a new revenue stream for an existing asset that does not reduce the current value stream. In the past, BED has leased this asset to VEC.

Mr. Gibbons asked that the Commission vote to approve a potential lease or transfer for a period of up to five years.

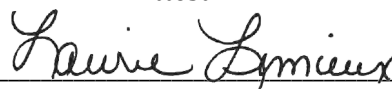
Commissioner Whitaker made a motion to approve a potential lease or transfer of BED's Phase I Transmission rights for a period of up to five years, and delegate to Darren Springer, BED General Manger the authority to execute any and all documents necessary to consummate the transaction when the GM deems the commercial terms to be acceptable. The motion was seconded by Commissioner Herendeen and approved by Commissioners Herendeen, Moody, Stebbins, and Whitaker.

8. Commissioners' Check-In

Commissioner Herendeen stated it was requested at the October meeting that Commissioners post Department information about the Net Zero Roadmap on Front Porch Forum, inviting residents to visit our website to read the Roadmap, and share feedback. Commissioner Herendeen informed the Commission that he has posted this information on Front Porch Forum.

Commissioner Moody moved to adjourn the meeting at 6:45 p.m. This motion was seconded by Commissioner Herendeen and approved by Commissioners Herendeen, Moody, Stebbins, and Whitaker.

Attest:



Laurie Lemieux, Board Clerk