

**MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION**

Wednesday, December 13, 2017 – 5:30 p.m.

The regular meeting of the Burlington Electric Commission was convened at 5:35 p.m. on Wednesday, December 13, 2017 at the Burlington Electric Department at 585 Pine Street, Burlington, Vermont.

Commissioners Sabina Haskell, Scott Moody, and Tim Perrin were present for the entire meeting. Commissioner Bob Herendeen arrived approximately 15 minutes after the start of the meeting. Commissioner Gabrielle Stebbins was absent.

Staff members present included Neale Lunderville, Paul Alexander, Mike Flora, James Gibbons, Freddie Hall, Munir Kasti, Mike Kanarick, Dave MacDonnell, Jim Reardon, and Darren Springer.

Other staff members present included Laurie Lemieux, Board Clerk.

Channel 17 was present to record this meeting.

1. Agenda

The agenda was amended by removing Agenda Item 7, Great Streets Standards. This item has been moved to the January 2018 meeting.

2. November 8, 2017 Meeting Minutes and November 17, 2017 Meeting Minutes

Commissioner Haskell made a motion to approve the minutes of both the November 8, 2017 Commission meeting and the November 17, 2017 Special Commission meeting; the motion was seconded by Commissioner Perrin and approved by all Commissioners present.

3. Public Forum

Mr. Marty Gillies was present for the meeting.

4. Commissioners' Corner

Commissioner Perrin asked about the large discrepancy in monthly solar capacity factor for Pine Street Solar in November 2016. Mr. Gibbons will check into why the capacity factors were drastically different.

5. Monthly Primer – Rate Design

Mr. Lunderville stated that this month there are two pieces to the rates discussion. Mr. Gibbons will begin the Primer discussing rate setting and rate design, and Mr. Hall will follow up with a discussion regarding the EV Charging Rate and what the EV Charging Rate will look like and how it fits in with overall electric rates.

[Electric Rates in Vermont](#)

Mr. Gibbons began his PowerPoint presentation by reviewing the *Key Concepts*, which included an explanation on defined terms. Mr. Gibbons explained BED's process on adjusted revenue requirements and the process by which the rate structure is changed. Mr. Gibbons reviewed the *Key Terms* including: *Adjusted Test Year*, a period of time that is used to calculate what the rates should be; *Class Cost of Service*, a review of how each class contributes to the utility's cost of service; *Known & Measureable*, a change that is appropriate to reflect in the adjusted test year; and *Rate Case*, an increase by a like percentage in all charges for electrical consumption. Mr. Gibbons stated that a *Rate Design* is the process of creating the charges that will be used to recover costs, and that the *Test Year* is the audited period to which Known and Measureable adjustments are applied to derive the Adjusted Test Year, and that all of this determines what the rates are based on.

Mr. Gibbons reviewed rate cases and revenue requirements and explained that all charges for electric consumption must increase or decrease by a like percentage. The increase is based on the change in cost of service between the test year and the adjusted test year. For municipal utilities in Vermont, rate cases go into effect as a surcharge, subject to refund, 45 days after filing. They also allow municipal utilities to generate needed cash during the review process.

Mr. Gibbons closed the presentation by explaining that the timeline for determining that a rate adjustment is needed starts with picking a test year along with an adjusted test year. The Department then takes a couple months to work on the known and measurable changes. Once this is completed, this information then is communicated and filed with the Department of Public Service and the revenues could begin to be collected 45 days later. Mr. Gibbons explained that that there is a one to two month review process, followed by a recommendation and, finally, an order issued from the Department of Public Service approving the rate within this timeframe.

EV Charging Program

Mr. Hall began the PowerPoint presentation by explaining that BED is working to design a program for residential customers to smartly charge electric vehicles (EVs). The Department views electric vehicles as an incremental new load that will not contribute to fixed costs or to distribution, capacity, or transmission expenses if charging is controlled correctly.

A number of electric utilities around the U.S. have developed EV rates to promote the ideal charging pattern for this technology. Using these programs as a guide, BED has narrowed possible rate structures down to three options.

The first option includes a *Bill Credit*, which is based on the customer's ability to charge off-peak, and this monthly bill credit could be applied as a line item to reduce the customer's bill. This credit would be based on EV charging data collected from a device other than a BED meter and could come in the form of a volumetric credit for off-peak charging or a fixed reward for peak avoidance throughout the month.

The second option is an *EV Metered Rate*, which would be a separate BED smart meter installed at the customer's home to record the electricity usage for charging. The EV charging would be placed on a separate rate with low night-time prices and higher peak-time prices.

The final option is the *Flexible Rate*. The customer would allow BED to schedule peak events where charging is limited. The customer will maintain the option to opt-out of any event by accepting to pay a premium to charge during the event hours. Notification of these peak events will be sent to customers participating in this program with sufficient warning. In return for this load control, the customer would be compensated through a lower kilowatt hour price that prevails during all non-peak event hours.

To enable the three rate structures above, there are a number of hardware decisions that must be made.

These options include the charging device, the metering, the controls (price signals or active load control), and the proper wiring to make everything safe and functional.

Finally, the timeline for these rates would be as follows:

Research Phase – November 2017 – January 2018

EV Rate Design – February 2018

Internal Approval – March-April 2018

The deadline for filing a rate with the Vermont Public Utility Commission is July 1, 2018. However, it is BED's goal to move this forward with a filing by the end of April 2018. Of course, this is dependent on successful completion of the prior phases.

6. General Manager's Update

Mr. Lunderville stated that the annual Energy Efficiency Calendar Contest awards celebration and pizza party was held at BED last week. Each year, BED visits all the fourth-grade classes, teaches about energy efficiency, and invites each student to draw a picture demonstrating his/her vision of energy efficiency. This year, 14 fourth-grade winners, along with their families and teachers, were invited to the celebration to receive their special certificates, visit with Champ, and take a picture with the Mayor. This is one of the great programs that BED offers to the community, and the kids really get excited about this event.

Mr. Lunderville stated that two BED employees volunteered their time to bring a bucket truck out to help light the Chanukah Menorah on the UVM Green.

Also, BED has the annual toy drive going on for Operation Firecuffs. These toys will be delivered tomorrow to the UVMHC Pediatric Wing to add a little happiness to these kids during their hospital stay.

BED has had a rotating group of workers traveling to the U.S. Virgin Islands to restore power in the wake of the devastating storms, and the last crew is returning home tomorrow. Mr. Lunderville stated that the Department is very proud to be part of this restoration.

BED's United Way Campaign has wrapped up, and one of BED's employees, Cathy Chamberlain, really does an amazing job organizing the Campaign for the entire City. Cathy has worked very hard over the years on United Way, and this year BED exceeded the Department goal from last year by a large margin. Mr. Lunderville wanted to take this time to publically thank Cathy Chamberlain for all her hard work.

Finance

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

October Operating Income year-to-date is \$1,113,000, and Net Income year-to-date is \$1,450,000. Year-to-date Operating Income is \$1,344,000 less than budgeted, and year-to-date Net Income is \$1,671,000 less than budgeted. The variance of \$1,344,000 in Operating Income relates to Power Supply Revenues. Renewable Energy Credits (RECs) budgeted in October of approximately \$2,100,000 were delivered in November. Had it not been for this timing issue, Operating Income year-to-date would be approximately \$500,000 above target through October. Other Income year-to-date was below budget \$330,000 due to assumed customer contributions for Capital Projects that have not yet been completed.

Sales to customers year-to-date is below budget with some of this variance likely due to average temperatures warmer than normal in September and October. Other Revenues year-to-date are lower than budget due to Energy Efficiency Program cost reimbursements being less than planned.

On the expense side, Power Supply Expense is below budget year-to-date. Year-to date fuel costs are lower than budget by \$172,000 or 1%, and McNeil production year-to-date is 1% below budget. Purchased Power supply year-to-date is \$164,000 below budget due to fewer Sales to Customers. Actual Operating Expenses year-to-date is \$853,000 below budget. Actual expenses for Outside Services are significantly below budget.

Mr. Reardon then discussed Capital Spending. In total, year-to-date ending November 30th, Capital Spending was 13% (\$1,300,000) of the \$10,280,000 budgeted for Fiscal Year 2018. We underspent relative to the November year-to-date budget by \$2,122,000. In summary, most of the underspending is a timing issue.

On Cash and Investments, BED closed November with \$12.2 million of unrestricted and reserved operating funds compared to a cash projection of \$14.1 million. Most of this \$1.9 million variance is due to less Operating Revenue than budgeted (\$2.7M), General Obligation Bond proceeds expected in October but as of this date not received (\$3.0M), offset by lower spending than anticipated for Operating and Capital (\$3.8M).

The current Rating Factors are not all in line to meet an “A” bond rating. The “Adjusted Debt Service Coverage Ratio” currently is .95, compared to a benchmark for “A” of 1.50. Had we received the REC revenues in October when budgeted, the current ratio would be 1.20, still below that of an “A” bond rating. This will need to be monitored closely.

Mr. Reardon and James Gibbons, Director of Policy and Resource Planning, then presented a revised forecast of REC revenues for Fiscal Year 2018. REC revenues for Fiscal Year 2018 are expected to be \$829,241 less than originally budgeted, bringing the revised amount to \$8,009,972. James Gibbons noted that forward sold RECs reduced this downward trend in prices. The plan is to review the Operating and Capital Budgets, and to propose to the Board of Commissioners revised Fiscal Year 2018 budgets that offset the lower forecast for REC revenue.

7. McNeil Station 2018 Calendar Budget

Mr. MacDonnell presented the draft of the 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 reviewed the budget for the Commission including Capital budget versus actual figures for the past two years, station capacity figures, and a comparison of the budget versus actual figures for operation, maintenance, and administration.

This calendar year budget for 2018 is based on a plant capacity factor of 70%. Mr. MacDonnell stated that the capacity factor as of November 30th is 60.3%.

The expense portion of the budget has been increased due to the anticipated removal of the gasifier.

The fuel budget is down for CY18 by \$618,173 due to the price McNeil is paying for the wood chips. In CY17 McNeil budgeted to purchase 460,000 tons of chips @ \$30/ton, this year the budgeted price for 460,000 tons of chips is \$28.50/ton.

McNeil's capital budget for CY18 is \$4,836,744 as compared to \$2,613,026 for CY17, which is an increase of \$2,223,718. The main reason for the increase is due to the major turbine overhaul. A major turbine overhaul is done every 5-7 years and is based on turbine starts and run hours. Typically, 50,000 hours is when a major overhaul is recommended.

Commissioner Perrin made a motion to accept the budget as presented; the motion was seconded by Commissioner Herendeen; and the motion was approved by all Commissioners present.

8. Authorization to enter into a 2-year Hydro Contract

Commissioner Herendeen moved to find that premature general public knowledge of a proposed hydroelectric contract 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 Perrin and approved by all Commissioners present.

Commissioner Perrin moved that the Commission enter into executive session at 7:47 pm with BED Staff to discuss a proposed hydroelectric contract under the provisions of Title 1, Section 313(a) (1) (A) of the Vermont Statutes; this motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

Commissioner Haskell made a motion to exit Executive Session at 8:06 pm; the motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

Commissioner Haskell moved that the Commission grant BED management the authority to execute a two year energy and REC contract sourced from hydro assets to replace the expiring Nextera hydro contract. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

Commissioner Herendeen moved to adjourn the meeting at 8:08 pm; the motion was seconded by Commissioner Perrin and approved by all Commissioners present.

Attest:



Laurie Lemieux, Board Clerk