MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION

Wednesday, February 14, 2024

The regular meeting of the Burlington Electric Commission was convened at 5:33 pm on Wednesday, February 14, 2024 at Burlington Electric Department at 585 Pine Street, Burlington, Vermont and virtually through Microsoft Teams.

Channel 17 was present to record this meeting.

Commissioners Beth Anderson, Lara Bonn, Jim Chagnon, Scott Moody, and Bethany Whitaker were present at 585 Pine Street.

Staff members present at 585 Pine Street included Paul Alexander, Mike Kanarick, Munir Kasti, Laurie Lemieux (Board Clerk), Paul Pikna, Darren Springer, and Emily Stebbins-Wheelock.

Staff members present via Microsoft Teams included Rodney Dollar, Erica Ferland, and James Gibbons.

1. Agenda

There were no changes to the agenda.

2. January 10, 2024 Meeting Minutes

Commissioner Chagnon made a motion to approve the minutes of the January 10, 2024 Commission Meeting; the motion was seconded by Commissioner Whitaker. Commissioner Bonn abstained as she was not present for the January 10, 2024 meeting.

3. Public Forum

Mr. Alan Bjerke and Mr. Chris Gish were present for the meeting at 585 Pine Street.

At this time, Mr. Gish addressed the Commission regarding his concerns that Burlington Electric Department (BED) is not seriously considering how to phase out the McNeil Plant and the necessity of moving off of carbon-based energy sources. Mr. Gish found it interested that one of the authors of a memo from Vermont Energy Investment Corporation (VEIC) stated on Front Porch Forum that we should be shifting away from all carbon-based fuels as quickly as possible. Mr. Gish stated that he was present this evening to ask the Commission how the department is starting to move towards phasing out its use of carbon-based fuels and how it plans to do so. Mr. Gish stated that in BED's draft IRP, there is no consideration of using the McNeil Plant less and that the department is looking at a 20-year contract in pursuit of district energy, which implies that McNeil would be operating at a similar capacity at least during the winter. It appears that tonight Mr. Springer will be discussing the Renewable Energy Standard (RES) bill that is in the State House which, if passed, will grandfather McNeil and other biomass facilities indefinitely to qualify for RECs, which does not seem right. Mr. Gish stated that he would like to ask the Commission what it is doing to think about how to phase out the McNeil Plant.

Mr. Springer stated that the District Energy resolution has a number of concrete steps that we are pursuing that speak about how to improve efficiency at McNeil and, where possible, reduce the environmental footprint.

Mr. Springer stated that he would ask people to think about how we get to 100 percent renewability without McNeil, when we know that winter energy is incredibly volatile, expensive, and heavily fossil fuel dependent. We are working on the RES bill in collaboration with Vermont Public Interest Research Group (VPIRG), Vermont National Resource Council (VNRC), Renewable Energy Vermont (REV), and other utilities to include language in the bill that says that, as our load grows from today and as we electrify more things, which is part of our plan, we're going to meet an increasing portion of that growth with what is called new renewable, or renewables that are built post-2010 and have come online more recently, including wind in Vermont, of which we are incredibly supportive. The idea is to build out more wind and solar to meet our growing load, but I challenge anybody to figure out how you can run the grid reliably, affordably, and with 100 percent renewable electricity for ratepayers, which means no nuclear or fossil fuels in our mix and do so without wood. In today's current technology state, the District Energy resolution has a lot of pieces about doing some analysis, which we have as part of our plan. Although we are interested in the analysis, part of our role is to be pragmatic about providing power. Our customers' number one concern every time we conduct a survey is reliability - more than affordability, and my view always has been that, if we want to electrify with more EVs and heat pumps, which is good for the climate, then people need to know that they are going to have reliable, affordable power, and as of right now, McNeil is part of that equation. In 20 years, there possibly may be different technology, and we then would be in a position to move away from McNeil. And, if moving away from McNeil meant that we were relying more on wind and solar, I'd be really interested in that conversation too. But currently, as the VEIC report points out, 92 to 98 percent of the time that we run McNeil, the alternative on the grid is natural gas, and a large portion of the rest of the time it is coal and oil. So, it does not seem responsible to move away from McNeil and toward those resources.

Mr. Gish stated that the level of study or serious consideration that he sees from BED about phasing out McNeil is not nearly as detailed and highly considered as other things that are being planned. Mr. Gish feels that 20 years is much too late to be thinking about a move away from McNeil.

Mr. Springer thanked Mr. Gish for attending the meeting and sharing his concerns.

4. Commissioners' Corner

Commissioner Moody stated that, beginning next month the Burlington Electric Commission Meetings will begin at 5:00 pm instead of 5:30 pm. They will continue to be held at 585 Pine Street and via Microsoft Teams.

5. GM Update

Mr. Springer stated that the PUC approved BED's incentives, and we are waiting for a spring roll-out to get some items ready on our end. This roll-out should coincide with the updated NZE 2023 data release also planned for spring. We will keep the Commission updated as we get a firm sense of timing, but we do not anticipate anything happening in March.

The RES bill is out of the House Energy and Environment Committee and is in the House Ways and Means Committee today. BED testified in the House Energy and Environment Committee, but we have not been asked to testify in the House Ways and Means Committee as we believe the Committee is not looking at it for policy purposes, but rather for fiscal purposes. It may have to go to Appropriations, and then it would go to the full House. As I stated earlier, the RES bill has been supported strongly by VPIRG, VNRC, REV, and other utilities.

The Energy Assistance Program that the Commission voted to send to the City Council, which approved it, now is under review at the PUC. We are working through potential questions that may come up in that process. We do not expect any kind of immediate results, but the good news is that the pilot program, which provides the 12½ percent discount for income qualified customers, has been extended until we reach a conclusion at the PUC. Therefore, customers will not be impacted by the regulatory process.

Mr. Springer stated that there was a vote at a previous City Council meeting on a carbon ballot item and another vote at the last Council meeting. Both votes yielded 6 to 6 ties, which means there will not be a ballot item in March. We continue to be interested in working with the existing ordinance to ensure its implemented well, but also we are exploring options for buildings that currently are not regulated by that ordinance. All new construction and buildings 50,000 square feet and larger fall under the existing ordinance, but it still is not 100 percent clear that the carbon fee is the right tool to help decarbonize the smaller commercial buildings, something we'd like to explore. Organizations we work with from around the country will be sharing best practices with us, including building performance standards, energy disclosure rules and requirements, and energy efficiency standards. There are different ways to structure incentive programs, so there's more than one way to attack this issue. We've looked very carefully at the cohort of buildings between 25,000 to 49,999 square feet, and it's a different cohort than the 50,000+ square feet buildings, which include campuses like UVM, UVM Medical Center, Champlain College, the Burlington School District, and the City. If you go to the next cohort, we start taking about social service providers, non-profits, nursing homes, coffee shops, and more. The individuals in these buildings do not necessarily own them and/or are not able to control the buildings. If they do, they may not be thinking about capital planning the same way that a larger institution is. So, we need to look at different tools to apply for the next cohort of buildings, which we are going to explore.

Our Charter Change is pending and is on the Town Meeting Day ballot. Ms. Stebbins-Wheelock attended the Ward 2 and Ward 3 NPA meetings to answer questions and also did a segment on WCAX. We provided the Commission with a link to our FAQ on the BED website, and Mr. Springer encouraged the Commission to share with members of the public who might be interested and or to post on Front Porch Forum. This is fairly straightforward, going from $5M to $10M after having not increased it for a lengthy period of time. Mr. Springer stated that, with inflation being what it is and all things equal, it's good for us from a financial metric standpoint with our credit rating. It's also good for our ratepayers, as we won't have to raise the same level of cash to keep on hand if the credit line can count towards a portion of our requirement. We are hopeful, and we will continue to share information about it. If the ballot question passes on Town Meeting Day, we will work to advance it through the legislative process to see if there's an opportunity to act on it this year.

The McNeil and Pine Street F150 Lightnings are in service and have been highlighted on BED social media pages. BED has the electric bucket truck, which is a whole different type of vehicle to electrify, but we're increasingly able to replace fossil fuel trucks that have the range, all-wheel drive, and capacity to do all the things that we need them to do. We're going to keep planning for replacements in our budget, and don't see any need to buy another gasoline vehicle for conventional purposes if we can avoid it.

6. FY24 December Financials

Ms. Stebbins-Wheelock presented the December 2023 financial results.

The Department's net loss for the month of December was $279K compared to a budgeted net loss of $76K, which is $203K worse than budget.

Sales to customers were worse than budget by $105K or 2.3 percent. Other revenues, primarily EEU, were unfavorable to budget by $109K for the month.

Net power supply expense was unfavorable to budget by $325K in December. Fuel expense was favorable to budget by $393K, primarily due to McNeil production being 47 percent less than budget. McNeil was offline for part of December due to unfavorable economics (low energy prices) and to conserve wood. Transmission expense was unfavorable by $18K. Purchased power expense was $700K worse than budget.

Other operating and maintenance expenses were favorable to budget by $242K. Other income was favorable to budget by $97K.

For FY24 to date, net income was $2.3M compared to a budgeted net income of $402K or $1.9M better than budget.

Capital spending for December YTD was $3M or 28 percent of the budget for the fiscal year.

Operating cash at the end of December was just over $8.1M compared to a budget of approximately $7.5M.

The debt service coverage ratio is 4.58, the adjusted debt service coverage ratio is 1.45, and the days cash on hand is 110.

7. BED Budget Overview

Ms. Stebbins-Wheelock stated that this presentation was given to BED employees last summer as a “budget 101” overview and felt it would be useful for the Commissioners, particularly newer members.

Ms. Stebbins-Wheelock presented a pie chart of BED’s operating revenue budget for FY24, which is the budget we are working from for the current fiscal year. The obvious takeaway is that 81 percent of the Department’s operating revenue comes from sales to customers. REC sales make up 13 percent and Miscellaneous Revenues 6 percent. Miscellaneous revenues include miscellaneous service fees, conduit rental and pole attachment fees, and EEU program reimbursement.

The next slide shows Total Annual MWH Sales from 2000-2022**.** Ms. Stebbins-Wheelock noted that in the 2012-2016 period sales were around 330,000 MWH, the COVID-19 pandemic reduced sales sharply in 2020, and sales have since recovered a little bit but are not back up to the level at which they were when the Department negotiated the last of the renewable contracts. The slide also shows the effects of the 2001 recession, the hospital expansion in 2005, another recession in 2008 and 2009, the federal government’s new efficiency standards for lighting in 2019 such that you could no longer go to a hardware store and buy an incandescent light bulb, for example. Business relocations or closures such as Blodgett Ovens, the Burlington Town Center, Specialty Filaments, Koffee Kup, etc. show up in the MWh sales.

The next slide shows sales in dollars instead of mWH from FY10-FY24. The pattern is fairly similar from FY10 to FY21, which are the 12 years with no rate increases. Then, the dollar per kWh remains the same although kWH fluctuate and generally trend downward. The graph shows the effect of the three rate increases that the Department requested in FY22, FY23, and FY24.

The next slide shows REC sales from FY10 to FY24. The high prices received in FY14-FY16 helped allow BED not to seek rate increases during a 12-year period.

The next slide shows a pie chart of BED operating expenses for FY24 budget. Fuel, purchased power, and transmission make of half of the Department's operating expenses. O&M makes up 34 percent, Depreciation and Amortization 10 percent, and taxes/PILOT 5 percent.

Ms. Stebbins-Wheelock next showed a comparison of the Department's operating expenses in FY10 versus FY24. Fuel has remained about the same proportionally, purchased power has decreased a great deal from 38% to 22% of the budget, transmission has increased significantly from 9% to 15%, O&M has grown from 23% to 34%, and taxes/PILOT have stayed about the same proportionally.

The next slide shows fuel expenses from FY10 to FY24. This expense is based on both the wood price per ton and the volume consumed or used at McNeil.

The next slide shows purchase power expenses from FY10 to FY24. Ms. Stebbins-Wheelock noted that the Department's purchased power expense are lower now than in FY10, despite having become 100 percent renewable since that time.

The next slide shows how transmission expenses have increased steadily from FY10 to FY24. The Department was paying just over $4M a year in transmission expense in FY10; we are now paying about $9M, which is more than a doubling over that period and has posed a challenge.

The next slide breaks down the Department's O&M expenses, of which 34 percent is labor and salaries, 17 percent is labor benefits and pensions, 12 percent is outside services, and the remainder is a lot of little things, such as insurance, tier 3 compliance, maintenance contracts, materials, and supplies, and EEU rebates. Ms. Stebbins-Wheelock then reviewed the change in O&M expense from FY10 to FY24, and the Department's concerted efforts since FY16 to moderate their increase.

Ms. Stebbins-Wheelock stated that the income statement that the Commission reviews every month includes both the operating revenues and expenses as well as the non-operating "below the line" items, including VELCO dividends of $4.4M in the FY24 budget, interest income (which has been higher the past couple years with higher interest rates), and grants and capital contributions to customer construction projects (which is volatile depending on what projects are being done and what grants we receive).

Ms. Stebbins-Wheelock next reviewed the Department's sources of cash. Operating revenues make up 79 percent, the 2022 Revenue Bond 11 percent, annual GO Bond 4 percent, interest, and other income 1 percent, and VELCO dividends 5 percent.

The next slide shows the Department's uses of cash. Operating expenses are 67 percent, debt service 12 percent, McNeil capital projects 2 percent, BED capital projects 13 percent, taxes/PILOT 4 percent, Tier 3 rebates 1 percent, and Tier 1 REC purchases 1 percent.

Ms. Stebbins-Wheelock then reviewed a slide showing the Department's capital spending over time as well as the allocation of the FY24 capital budget to the different plant categories.

Ms. Stebbins-Wheelock stated that the Department is actively developing the FY25 budget. Management will bring a first pass of the budget to the Commission at its April meeting. At the same time, we'll be developing our cost-of-service model for a potential FY25 rate increase.

Ms. Stebbins-Wheelock stated that Moody's typically ask the Department to provide pro forma financials as part of our annual rating review. Moody's looks at the Department's most recent audited financial statements and our projections for the current and next two to three fiscal years. Ms. Stebbins-Wheelock reviewed the pro forma financial statements that we shared with Moody's in September 2023, which show FY22 results, preliminary results for FY23, FY24 budget, and projections for FY25 and FY26. With this exercise the Department aims to show strong credit rating metrics and decent operating and net income results. For FY25 management assumed a 5.4 percent rate increase and for FY26 we assumed a 3.6 percent rate increase.

In closing Ms. Stebbins-Wheelock stated that these are just assumptions but thought it would be helpful to give the Commission a range of what things looked like back in September.

The Commission asked a few questions that Ms. Stebbins-Wheelock answered to their satisfaction.

8. Miscellaneous Fee Update

Ms. Stebbins-Wheelock stated that this PowerPoint presentation is similar to what was reviewed last month, highlighting the additional work and analysis that's taken place since the last meeting.

The Department is evaluating its miscellaneous service fees, which are assessed under a tariff. The tariff will require both City Council and PUC approval.

The current fees went into effect on July 1, 2010 and were based on costs from FY09, which was before the Department deployed advanced metering infrastructure (AMI).

Ms. Stebbins-Wheelock reviewed with the Commission the changes that were made since the last meeting, which included:

- Updating the labor overhead rate to FY23 actuals
- Analyzed initial service performed for new versus returning customers (in 2023, 46% were customers new to BED's service territory and 54% were returning)
- Analyzed depreciation on AMI-related assets
- Previewed changes with the Vermont Department of Public Service

Ms. Stebbins-Wheelock reviewed the proposed changes to the fees, which included the following:

- Returning customer initial service fee would drop from $30 to $6. This would apply to returning customers, including standing orders.
- New customer fee would decrease from $30 to $15.
- Reconnection fee would increase from $20 to $26 during business hours and decrease from $196 to $93 after hours. Management proposes that these fees be charged not only to customers who have been disconnected for nonpayment, but to any customer asking to have service restored after a disconnect for any purpose.
- Temporary Service fee would increase from $535 to $841.
- Returned Check fee would increase from $10 to $28.
- Meter Removal/Replacement fee would increase from $95 to $136.
- The Collections fee of $20 is proposed to be eliminated.
- Customer Assistance Call fee when BED personnel are requested to visit a customer's service location and the issue is determined to be the customer's responsibility would increase from $28 to $86 during business hours and from $195 to $472 after-hours.

Ms. Stebbins-Wheelock shared the customer feedback the department received regarding the proposed fees and concluded the presentation by reviewing the potential revenue impact to the Department, which is estimated to be a decrease of approximately $110-$115K.

At this time Mr. Bjerke addressed the Commission stating that he appreciates that the Department is seriously reviewing the fees.

Mr. Bjerke stated that the cost to do a standing order is significantly less than answering a telephone call and talking to somebody about moving service from one to another. He also agrees that electrification is particularly important and it should be a goal. He believes that keeping power on between tenants keeps the stove working, parking lot lights on, and things like that so there is a public benefit to electrification and a standing order makes it as inexpensive and easy as possible so Mr. Bjerke encourages the Department to continue to look at that.

Mr. Bjerke shared that the Department might be able to recoup some money relating to the returned check fee. Mr. Bjerke stated that he previously served on the Commerce Committee in the House of Representatives working on banking and provided Ms. Stebbins-Wheelock and the Clerk of the Board a copy of a Vermont statute that states that if a check is deposited into your checking account and that check is returned by the customer's bank as insufficient funds, your bank cannot charge you any fee. Mr. Bjerke stated that very few people know about it this statute and neither do some banks. With this information, the Department may want to adjust this fee.

Mr. Bjerke stated again that he appreciates the Department taking the time to work on these fees and will appreciate whatever the outcome and stated that if the Department can manage to make the cost for transferring service pursuant to a standing order zero cost, he would appreciate it.

9. Commissioners' Check-In

Commissioner Whitaker asked if there were any decisions made regarding what streets would be included in any street lighting updates? Mr. Kasti stated that they are still working on the budget, then will focus on street lighting, and will be in a position to report at the April Meeting.

Commissioner Chagnon made a motion to adjourn; the motion was seconded by Commissioner Bonn and approved by all Commissioners present.

The meeting of the Burlington Electric Commission adjourned at 7:18 p.m.

Attest:

Laurie Lemieux

Laurie Lemieux, Board Clerk