MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION

Wednesday, March 8, 2023

The regular meeting of the Burlington Electric Commission was convened at 5:32 pm on Wednesday, March 8, 2023 at Burlington Electric Department at 585 Pine Street, Burlington, Vermont and virtually through Microsoft Teams.

Channel 17 was present to record this meeting.

Commissioners Lara Bonn, Jim Chagnon, Robert Herendeen, Scott Moody, and Bethany Whitaker were present.

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

Staff members present via Microsoft Teams included Rodney Dollar, Erica Ferland, and Amber Widmayer.

1. Agenda

There were no changes to the agenda.

2. February 8, 2023 Meeting Minutes

Commissioner Chagnon made a motion to approve the minutes of the February 8, 2023 Commission Meeting; the motion was seconded by Commissioner Bonn and approved by all Commissioners present.

3. Public Forum

No one from the public was present for the meeting.

4. Commissioners' Corner

Commissioner Moody requested reviewing the dashboard metrics at more regular intervals throughout the year. Mr. Springer stated that we will have a discussion regarding an item from the metrics at the April meeting.

Commissioner Herendeen provided an update regarding the streetlighting meeting with former Commission Chair Gabrielle Stebbins. He stated that the Illuminating Engineering Society (IES) has lowered its lighting standard for residential areas. Mr. Kasti responded that, although IES has lowered this specific standard, the standard has not been defined. If we decided to design to lower light levels, we would need to first define what the level would be. Commissioner Herendeen will investigate the consortium of towns in Rhode Island that has lowered residential light levels to gather more details about the standards they have adopted and how changes were implemented.

5. GM Update

Mr. Springer stated that BED submitted five concept papers under the infrastructure bill for available federal funding. We have been encouraged to submit full applications for two of those and would like to request that the Chair sign a one-page letter of support on behalf of the Commission for each proposal. One application is to support our Advanced Distribution Management System (ADMS) to help with greater visibility into the grid for our power system operators. The second application is focused on flexible load management, use rates, and metering.

Commissioner Herendeen requested to see the proposals and Mr. Springer noted that, with the submission deadline for both being Friday, March 17, 2023, they will be shared via email as soon as possible for review. After review and if no concerns are raised, BED will coordinate with Commission Chair Moody to sign letters of support.

Mr. Springer stated that, after issuing a statement with IBEW opposing the proposed change to Vermont's Renewable Energy Standard by Renewable Energy Vermont (REV), BED worked with REV and environmental organizations and that the bill (H.320) that was ultimately introduced will continue to allow McNeil to count toward Vermont's renewable energy targets and will ensure changes at McNeil to accommodate district energy would not negatively impact its eligibility. They proposed some new standards for new plants that would not affect McNeil.

BED continues to have major cost concerns with REV's bill, but on wood energy there was some positive progress. Mr. Springer noted that he discussed this and other issues on The Morning Drive radio show on WVMT in late February, and that BED is joining several other public power utilities in publishing a commentary raising concerns with proposed changes to Vermont's renewable policies from cost and greenhouse gas reduction standpoints.

Mr. Springer stted that an Act 151 bill has been introduced in the Senate Natural Resources and Energy Committee and includes language proposed by BED that would support additional funding for some of our Net Zero Energy programs and initiatives, drawn from the same funding source that currently has supported district energy feasibility work (which will wind down over the next several months as we hopefully reach a stage for financing and construction).

Mr. Springer stated that the FY23 budget remains severely challenged by warmer than expected weather, leading to a significant negative variance at the moment. BED is working on several strategies to preserve cash and mitigate power market challenges through strategic deployment of McNeil for remainder of FY23. Development of the FY24 budget is ongoing.

Mr. Springer stated that the Act 250 Jurisdictional Opinion request resulted in needing a full permit application. Local counsel is working to prepare that for the Burlington District Energy non-profit. The non-profit has received 501c3 designation from the IRS.

Mr. Springer stated that BED is grateful to Burlington voters for passing ballot item 2 on Town Meeting Day. We'll look forward to working with the Mayor, City Council, and the Department of Permitting to try to advance policy that would help to implement it ahead of the 2024 timeframe where hopefully it would take effect. There will be discussion around what counts as renewable in Burlington, and BED advocates for the current Burlington ordinance that gives a broad and inclusive definition.

Mr. Springer stated that BED is working with Synapse to get updated 2022 Roadmap metrics, which will hopefully be available by April.

6. January FY23 Financials

Ms. Stebbins-Wheelock presented the January FY2023 financial results.

The Department's net loss for the month of January was $566K compared to a budgeted net income of $1.2M, which is $1.7M worse than budget.

Sales to customers were $388K lower than budget for January and $579K lower or 1.9% of budget for the fiscal year to-date. Commercial sales overall for the year so far are down $478K vs budget and residential sales are $131K vs budget.

Other revenues, primarily EEU, were $119K better than budget for the month and $1.0M for the fiscal year-to-date.

Power supply expenses were unfavorable to budget by $1.4M in January. This is due to increased purchased power expense. The Department continues to experience unbudgeted capacity charges related to the Mystic, MA power plant, which were $70K in January.

Non-power supply operating expenses for January were $18K higher than budget and $329K higher for the fiscal year to date, largely due to timing variances.

Other income was $35K lower than budget due to timing of customer contributions and jobbing offset by interest income and unrealized gain on investments in the construction fund.

For FY23 to date, the Department has an actual net loss of $775K compared to a budgeted net income of $1.9M. Exclusive of any volatility in the energy markets, which could be considerable, the

Department is currently forecasting to end the fiscal year with a net loss of approximately $1.4M, or $2.6M less than budget.

Ms. Stebbins-Wheelock explained that while February results will likely be worse than budget, the variance for February is not expected to be as severe as the variance for January. Mr. Gibbons clarified that BED is not losing money on the sale of each unit of its excess energy, but the sale price is significantly lower than was budgeted. Mr. Springer stated that in order to better mitigate this risk factor next fiscal year, BED management will be budgeting energy prices more conservatively; the result, however, will likely be a higher rate need.

As of January 31, the Department's capital spending was $4.7M versus the $6.3M budgeted, or 52% of the total FY23 capital budget.

Cash as of January 31 was $6.9M compared to a budget of $10.7M, or 95 days cash on hand. Department management will continue to monitor the cash position closely over the remainder of the fiscal year.

For the 12 months ended January 2023, the Department's debt service coverage ratio is 2.69 and the adjusted debt service coverage ratio is 0.77.

Commissioner Whitaker asked about the impact of less cash-on-hand than expected and what strategies BED can use to lessen the financial impact of the loss of expected power supply revenues. Ms. Stebbins-Wheelock stated that, if the decrease in cash on hand were to lead to a rating downgrade, then it would make borrowing money more expensive for the Department. A credit downgrade would not affect interest rates for any currently outstanding bonds or the Department's line of credit, but could impact the interest rate on any future borrowing. BED management is evaluating ways to increase its cash balances, including drawing down more funds from the construction fund than we had planned, looking at arrearages to collect cash that is owed, and possibilities like decreasing overtime and vacancy savings.

Ms. Stebbins-Wheelock stated that the Department is somewhat constrained because many expenses are fixed in a normal year. Mr. Springer stated that, if these challenges happened within a year where we didn't have the revenue bond funding available, the Department's capital budget would be more reliant on cash, and BED would defer capital projects to conserve cash. This year's budget is unique, however, because while BED has a significant capital budget, deferring projects doesn't help to conserve cash because doing so would mean not using the revenue bond funding over the available three-year period. BED also needs to use its annual GO bond funding on capital investments. As a result, there are very few capital projects that are not funded by one of these two sources, meaning deferring capital projects is not an available tool this fiscal year. Another method that the Department is actively pursuing is strategically positioning McNeil for the remainder of the year to bring in as much positive budget variance as possible given energy markets.

Mr. Springer stated that 90 days cash on hand is important not only for rating purposes, but also to maintain for operational purposes. During months when operating income is not sufficient to cover operating expenses, cash on hand is used. Mr. Springer stated that there is no fuel adjuster clause for municipal utilities in the state of Vermont, so BED cannot temporarily adjust its rates to recover from market price variations the way investor-owned utilities in the state can. BED is now in a position of needing rate increases annually due to inflation and other factors, and the goal is for each rate increase to be below the rate of inflation. Modestly increasing rates on a regular basis to account for the known cost to maintain the cash margin that is needed to be able to manage financial constraints is the best financial strategy in the long run.

Mr. Springer stated that the primary goal is to maintain 90 days cash on hand at the end of the year. The Moody's rating takes days cash on hand into account, in addition to multiple other metrics over a three-year period and forward-looking plans. Less than expected revenue from power markets for one winter will not necessarily lead to a negative impact on our credit outlook. Mr. Springer stated that this phenomenon has been affecting electric utilities throughout New England with some seeing high single digit or even double-digit rate increases. BED's 3.95% rate increase last year remains very competitive and rates overall are some of the lowest in the region, particularly the residential rate.

7. IRP Forecast Update #2

Mr. Gibbons stated that we received the Itron forecast over the weekend. After initial review, it was found to be materially lower than the Net Zero Roadmap, particularly for peak loads in the winter. BED will fully review and confirm what is or is not included in the assumptions before adopting as our Integrated Resource Plan (IRP) forecast.

Mr. Gibbons stated that BED has started the DPS engagement process, which was a requirement of the Memorandum of Understanding (MOU) for the prior IRP. We have shared the last PowerPoint with them for consideration and are scheduling a meeting to discuss how data will be shared as the process moves forward.

Mr. Gibbons explained that one of the requirements of the 2020 IRP MOU was that the McNeil Economic Study be updated, which is currently underway with a delivery date at the end of March. BED hopefully will be able to share the updated economic study before the next meeting and answer questions about it.

Mr. Gibbons stated that the five-year budget model is done and will be extended to finish populating the 20-year projections and turn it into the IRP model using known energy, capacity, and transmission prices.

Mr. Gibbons stated that, in discussions regarding topics that will be in the Net Zero Roadmap chapter, BED will update the current assumptions and confirm that they still hold true on changes in energy markets, changes in costs of construction, transmission, and distribution equipment, among others and work to update the chapter with current topics.

8. Commissioners' Check-In

There were no Commissioner check-ins.

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

The meeting of the Burlington Electric Commission adjourned at 6:31 p.m.

Attest:

Katie Morris, Temporary Board Clerk