MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION

Wednesday, April 12, 2023

The regular meeting of the Burlington Electric Commission was convened at 5:33 pm on Wednesday, April 12, 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, and Scott Moody were present. Commissioner Bethany Whitaker was not present for the meeting.

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

Staff members present via Microsoft Teams included Amber Widmayer.

1. Agenda

There were no changes to the agenda.

2. February 8, 2023 Meeting Minutes

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

3. Public Forum

No one from the public was present for the meeting.

4. Commissioners' Corner

Commissioner Herendeen stated that at last month's meeting he would reach out to other towns that have lowered their light levels but stated he did not have time to do so. Commissioner Herendeen did send correspondence to Commissioner Moody and Gabrielle Stebbins regarding what the Commission would like to accomplish regarding street lighting. Although there are a lot of reasons for not changing the present policy such as legal precedence and IES recommendations, there are a few options the department could do such as dimming lights late at night. The lights could be dimmed from midnight to 5:00 am which could benefit health, vegetation and saving money. Commissioner Herendeen realizes that there are argument on keeping the policy as it stands especially due to the legal ramifications.

Commissioner Herendeen pointed out that in his opinion the legal issue has two potentially independent parts. First is the Kelly Devitt injury case, in which BED'S insurance was deployed to cover a large City settlement. Second is the precedent that the City has adhered to IES recommendations for many years, so that abrupt changes would be problematic.

Commissioner Herendeen has had conversations with Mr. Tim Brothers from Pepperell, Massachusetts and he forwarded a reference to an article about what Pepperell did regarding their lighting levels. Commissioner Herendeen is waiting for actual numbers from him regarding what the present light levels are in Pepperell.

Commissioner Moody asked if there were other meetings set up regarding street lighting. Commissioner Herendeen stated that there are no meeting scheduled and feels that another meeting is not necessary or all that fruitful. There are some tweaks that could be made, the question is what the department is willing to do.

Mr. Springer stated that Mr. Alexander and Mr. Kasti participated in these meetings around street lighting and understand that there is desire for additional dialogue. Mr. Springer stated that the department did pause any ongoing street lighting projects that were happening or scheduled to happen until spring. As weather is indicating we feel strongly that we are operating under our current policy and we need to move forward with the work that is currently in the budget for FY23. We want to give the Commission notice of that ahead of time and work as best we can with the community within the confines of the current policy.

Mr. Springer stated that we can have a discussion around what flexibility, if any, there are under the IES recommendations or what other types of options there are. Our team feels strongly that we are not in a position, from a legal or insurance standpoint to go outside of these recommendations. From a legal standpoint, we want to have a defensible, identifiable legal standards that we can fall back on as there would be safety concerns.

Mr. Kasti stated that his takeaway from the street lighting meeting is that the department is doing everything per IES recommendations to minimize light levels and yes, the IES does speak about dimming the lights but does not give any specific light levels to dim to on residential streets.

Mr. Kasti stated that the department does not have the technology to dim lights and it would be a very costly endeavor. This would require a controller on the lights and software to run these controllers.

Mr. Alexander stated that from a legal, risk management, safety, and liability standpoint that he is not in favor of changing the present policy. Our current insurance agent/broker weighed in and their opinion is that they would not support changes to our policy that was adopted in 2020. This policy speaks clearly that we are to meet the minimum IES recommendations.

Commissioner Chagnon stated that he agrees that the department should not slow down our projects. There are so few resident complaints regarding lighting that he feels that the department should continue with the street lighting projects and not adjust anything until we get all the facts.

Mr. Springer stated that we are and will continue to be sensitive to feedback when we are designing the street lighting. In previous installations we have been able to accommodate concerns without compromising safety and we will keep working with neighborhoods as these project come up. For now, given that the policy remains in force, we will continue to comply and projects will go forward.

5. GM Update

Mr. Springer stated that the BED team has submitted full applications for the two federal grant concept papers that were encouraged under the Infrastructure bill. BED also is pursuing other state and federal grants related to further policy development for buildings and EV charging station infrastructure. Lastly, the new CarShare Vermont EV and charger, supported by BED and grant funds from VLITE, are operational in the Old North End at the Community Housing Trust building, with an additional charger available to building tenants certain times of the day, and the public after hours.

The legislature is active with much legislation that potentially impacts BED. S. 137, which continues the energy efficiency program allowing BED to spend a portion of our EEU funds on emissions reduction projects, has passed the Senate and is in the House. We testified in the Senate, and we are testifying next week on the Renewable Energy Standard (RES) in the Senate. A bill that would increase Tier 1 of the Renewable Energy Standard to 100 percent is pending. The only impact on BED would be that the REC prices for compliance may become a little more expensive. The Affordable Heat Act is in the House, having already passed the Senate. The Senate continues to support Renewable District Energy as an option, and language stating this remains in the bill.

There are also EV fees that we are tracking as there might be a milage-based registration fee. We have not wanted to have a kWh charge-based EV fee that was easily by-passable. If you are going to put a fee on EV plug-in drivers and if you only charge those who are participating in our off-peak rate, then it creates a disincentive for residents to sign up for the special rate since they can just plug into the wall or get any charger. The committee is trying to articulate that concern, and other utilities have been involved in that effort.

The Mayor mentioned making a “Go/No Go” decision on district energy in the next several months. BED, VGS, and Ever-Green continue work on several fronts including financials, term sheets, and expect to present potential customers with updated term sheets over the next month or two. The Act 250 permit process continues, with a reconsideration of the initial decision about the “municipal” nature of the project.

The Mayor mentioned implementation of the carbon pollution impact fee and buildings policy in his State of the City address, and we expect to work with the Ordinance Committee on this over the next few months with the policy taking effect in 2024.

Mr. Springer stated that we soon will have updated Net Zero Energy 2022 data and updated McNeil third-party analysis for our IRP. When we have the data, we will share it with the Commission.

Mr. Springer informed the Commission that the Jim Reardon Public Service Award presentation is being held at 1:00 pm on Tuesday, April 18 at the Lund Home, in the Jim Reardon Pavilion. We welcome any members of the Commission who would like to attend. Commission Chair Moody was helpful in serving with the Executive Team to select the awardee for this year. Members of Jim's family will be in attendance to honor Jim's legacy of public service.

5. FY23 February Financials

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

The Department's net income for the month of February was $1.4M compared to a budgeted net income of $1.8M, which is $396K worse than budget.

Sales to customers were $100K lower than budget for February and $679K or 1.9% below budget for the fiscal year to-date. Commercial sales overall for the year are down $507K vs budget and residential sales are down $173K vs budget.

Other revenues, primarily EEU, were $157K better than budget for the month and $1.2M for the fiscal year-to-date.

REC revenues of $2.03M were $318K favorable compared to budget due to timing of McNeil REC sales. The Department projects REC revenues to be below budget for the fiscal year due to lower renewable generation in prior periods.

Power supply expenses net of power supply revenues were unfavorable to budget by $1.1M in February due primarily to lower than budgeted prices for sales of excess energy. The Department continues to experience unbudgeted capacity charges related to the Mystic, MA power plant, which were $317K in February.

Non-power supply operating expenses for February were $136K lower than budget and $193K or 1.4% higher than budget for the fiscal year to date, largely due to timing variances.

Other income was $183K higher than budget due a combination of increased interest income, timing of customer contributions, and timing of fixed asset retirements.

For FY23 to date, the Department has an actual net income of $627K compared to a budgeted net income of $3.7M.

As of February 28, the Department's capital spending was $5.2M versus the $6.6M budgeted, or 57% of the total FY23 capital budget. Ms. Stebbins-Wheelock noted that significant capital spending on the production plant is expected for April, due to the annual McNeil overhaul currently in progress.

Operating cash as of February 28 was $7.8M compared to a budget of $12.1M, or 100 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 February 2023, the Department's debt service coverage ratio is 2.64 and the adjusted debt service coverage ratio is 0.76.

Commissioner Bonn asked whether February's results were better or worse than the Department's projections. Ms. Stebbins-Wheelock responded that February results were in line with the Policy & Planning team's forecast based on the energy prices experienced in February. The impact of lower energy prices on budget-to-actual results will be less severe as we move into the shoulder season months.

Commissioner Herendeen asked for clarification on the ISO-NE charges for the Mystic, MA natural gas plant. Mr. Springer and Mr. Gibbons responded that these capacity charges were unbudgeted because utilities did not receive advance notice of the contract from ISO-NE. Other utilities in Vermont and New England are experiencing similar charges, based on their load share. The pricing formula is very complex, but under the contract terms ISO-NE cannot share the contract or the details of the pricing mechanism, so there is no transparency and little ability for utilities to project the costs. The contract continues until May 2024.

Commissioner Bonn asked about the Department's mitigation strategies for the challenging FY23 budget vs actual results. Ms. Stebbins-Wheelock responded that the Department is monitoring expenditures closely and making reductions wherever possible. Mr. Springer added that the Department has reached out to its debt advisor to preview the situation in preparation for our annual Moody's review.

6. Budget and Rate Update

Mr. Springer stated that our adjusted debt coverage metric for FY23 are not going to be where we want them to be, regardless of any mitigation strategy. We knew going into this budget that energy prices would be a significant variable, and this broke against us in a way that seemed unlikely at the beginning of the year based on where the forward prices were when we did our rate case. Our entire focus now is how much cash we end with in FY23 so we can start FY24 in as strong a cash position as possible and we end FY23 with a cash position in line with our Moody's metrics, even if the adjusted debt coverage for this year is not. We should have the March actuals within the next week, and then we will be able to reforecast the remaining quarter of the fiscal year.

Mr. Springer stated that some of this preliminary budget is subject to revision and the Commission will see a couple placeholders where we are still finalizing projections. We started the FY24 budget in a tough position, which Ms. Stebbins-Wheelock will review in the opening slide. Ms. Stebbins-Wheelock will cover the preliminary FY24 budget, and Mr. Springer will cover the proposed rate increase. The work that the Department has done, including many cuts, revisions, and creative thinking, has brought us closer to where we want to be. We're using a different assumption for energy prices that is more conservative, and we are trying to build in some cushion.

Ms. Stebbins-Wheelock presented the PowerPoint presentation by reviewing the FY24 Preliminary Budget Assumptions, which are subject to modifications pending final May budget presentation. These preliminary assumptions include:

- 1 percent underlying sales growth vs. FY22 actuals.
- 5.5 percent rate increase effective on bills rendered September 1.
- REC revenues in line with FY23.
- Wood fuel cost reduction of $1.80/ton vs FY23.
- Energy prices at midpoint between current forwards and prior 2-year average.
- 5 percent COLA per IBEW contract.
- Strategic electrification rebates at 1.5 times compliance requirement.
- Increased capital investments using the proceeds of the 2022 Revenue Bond.
  Annual $3 million GO Bond; and
- $1.7 million VELCO equity investment.

Mr. Springer noted that the VELCO equity investment is the only piece of the capital budget that's not funded by either the GO bond or the revenue bond. The Department is exploring a couple of different options for financing future VELCO equity purchases, including becoming a strategic member of Vermont Public Power Supply Authority (VPPSA). The Commission authorized the Department in 2018 to become a VPPSA member for a one-year pilot period, and we haven't done so yet due to the pandemic disruption. Among the various synergies that BED has with VPPSA, VPPSA is able to finance the VELCO equity investments for their members, using the cash flow from the dividend income to pay off the debt service. The Department is also looking at whether we can defer equity purchases with VELCO for a longer period of time so we can buy in increments. The VELCO equity provides a roughly 12% return in dividend which is key part of our budget, but it is challenging to come up with seven figures of cash annually for the equity calls.

Ms. Stebbins-Wheelock then reviewed the mor significant variances in the FY24 budget compared to FY23 budget. For revenues and other income, REC revenues are down slightly by $140K, interest income is predicted to be higher by $402K, and capital contributions are anticipated to be down by approximately $350K.

For expenses, fuel expense is budgeted to be $124K less than the FY23 budget. Purchased power expenses are budgeted at $3.5M more than FY23, mainly due to more conservative assumptions about energy prices. We are predicting transmission expenses to be down slightly by just under $200K. Labor and labor overhead expenses combined are going to be lower than last year due to a combination of two things working in opposite direction: labor itself is up $666K but it's offset by our labor overhead expense decreasing by $745K. City allocations, what BED pays the City for HR, City Attorney, Racial Equity, Inclusion & Belonging services, is up $83K. Finally, FY24 Tier 3 compliance expense is up $249K per the renewable energy standard compliance obligation, which increases every year.

Ms. Stebbins-Wheelock noted that combined non-power supply operating expense for FY24 is basically flat compared to FY23; it is down 0.4% or $133,000. Also, even though net purchased power expenses are significantly increased compared to FY23, they are only $621,000 more than FY22. Purchased power expense is not actually increasing very much; instead, revenues from sales of excess energy are projected to be less.

The preliminary FY24 capital budget is $13.2M, with the revenue bond funding $9.1M of that amount and the general obligation bond funding and the Department's own cash reserves covering the remaining $4.1M, which includes the VELCO equity purchase of $1.7M.

The Department's preliminary FY24 budget shows an operating loss of $2.8M, and a total net loss of $461K. The FY24 ending cash position has not been projected yet because we are still unsure of the June 30 2023 ending cash position.

Ms. Stebbins-Wheelock stated that over the course of the budget development process, the Department has done a lot of work to improve its net income by $5.8M and its cash position by approximately $8M through cuts to operating and capital expenses.

Mr. Springer stated that our goal is to get the net income to be at least modestly positive in the FY24 budget.

Ms. Stebbins-Wheelock shared a slide indicating the projected Moody's metrics for the FY24 budget. For now, the days cash on hand is to be determined. The debt service coverage ratio at the currently projected level of net income would be 3.46, and the adjusted debt service would be 1.03. As we improve net income, the goal is to raise the adjusted debt service coverage metric.

Mr. Springer presented the Rate Case slides. The first slide shows the history of BED rate changes dating back to the 1980s, including some big, double-digit increases of 22 percent and 11 percent.

In our 2021 five-year forecast submitted to Moody's, the Department had projected a 7.5 percent increase in FY22 and a 4.95 percent increase in FY23. Instead, we asked for a 3.95 percent increase in FY23 because the energy price forwards were so high that it would have been difficult to justify the full amount that we had planned.

The next slide compares prices of various commodities, including the cost of BED's electricity, from 2010 to 2023, indicating that BED's electric rates have increased much less by comparison.

The next slide shows changes to the rate of inflation and BED's electric rates from 2020 to 2023. Even with the rate changes, the total increase to BED's rate is still below the rate of inflation, which is a reasonable accomplishment.

The next slide compares residential electric rates, splitting out BED's regular residential rate and the BED Energy Assistance Program (EAP) or low-income pilot rate. Both of these rates are favorable to the rest of Vermont and the rest of New England, even with the proposed 5.5% increase.

On the commercial side, based on what we know of rate changes for other utilities, we project that with the proposed increase BED's rates would be slightly higher than the Vermont average and lower than the New England average.

The Total Electric Rate Comparison shows that BED's rates would be below the Vermont projected average and well below the New England projected average. BED's current rate is lower than every other New England state with the proposed change. We might edge ahead of the Maine residential average but would still be below the Vermont utility average and the other four New England states. Commercial rates would not really change our respective position but would be lower than four New England States, higher than Maine, and a little bit higher than the Vermont average. Total rates would be below every state except Maine, as Maine is traditionally the lowest cost state for electricity in New England.

The next slide shows the effect the rate increase would have on customer bills, using the monthly residential average customer bill. With the proposed rate increase, customers would see a $4.39 monthly increase on average. For the average small general customer, which represents about 2/3 of our commercial customers, it would be about a $5 monthly increase.

The next slide looks at the BED Energy Assistance Program. The bill impact for low- and moderate-income residential customers is on average $3.20 a month but varies based on electric usage. Monthly assistance will mitigate the rate increase impact on the monthly bill. Eligibility is 185 percent of the Federal Poverty Level and currently participating in the Vermont State Fuel Assistance Program. As of April 10, 2023, we have 134 customers approved.

The last slide shows the Vermont Electric Vehicle Rate Comparison or the cost to charge an electric vehicle per kWh. BED has the lowest rate of all the Vermont utilities even after the 5.5 percent rate increase. BED is and continues to be the cheapest place to charge an electric vehicle in the State of Vermont.

Commissioner Herendeen asked about the timing of the rate increase. Mr. Springer replied that, following approval of the rate increase by the Commission, the Department would request approval from the City Board of Finance and City Council in late May or early June, with the goal of filing the rate request with the PUC 45 days or more before implementation on Sept 1 on a bills-rendered basis. The rate case review process would then begin at the State level. The Department's 3.95% request filed in 2022 that was implemented for FY23 is still under review. Mr. Springer expects this cycle of implementing a given rate change at the beginning of the fiscal year, even while the rate case from the prior year is being finished, to continue. Mr. Springer also stated that in the 2021 and 2022 rate cases the Department has requested less of an increase than could be justified, and this will be the case again with the potential 5.5% increase. The Department likely could justify a double-digit increase based on the metrics used by the regulatory process. We are doing everything we can to keep the increase at a manageable level for customers, which is why we are requesting only 5.5%.

Mr. Springer thanked the Commission for bearing with us and stated that we are not seeking approval or a vote this evening. This presentation is a draft, and we will have more detail on the budget in May. The plan is to send a note to the City Council in a day or two outlining what our proposed rate change is going to be and giving them time to ask questions in advance of our Board of Finance meeting presentation.

The Commission had a few questions that Mr. Springer and Ms. Stebbins-Wheelock answered to their satisfaction.

7. IRP Forecast Update #3

Mr. Gibbons stated that the Board Clerk had just sent out an email to the Commission that included the Itron forecast report and a PowerPoint which summarizes the forecast results. BED has its recurring engagement meeting with the PSD next week and the primary topic will be the forecast package that the Commission received. We will be sharing these documents with the Department of Public Service prior to our meeting for their comments. We are finishing the McNeil Economics appendix to the appendix and the McNeil Carbon study (a detailed carbon assessment by INRS). The carbon assessment is not required by the last IRP, but the update to the economic assessment is. As long as we are doing the economic assessment, we felt we should get another carbon metric to measure against other carbon review that have been or are being done(the original VEIC work and an upcoming Vermont Gas report). So we will have different ways of looking at the carbon profile of McNeil, different timelines, different levels of granularity. Those will be shared with you in advance of the May meeting.

Engineering is working on their section of the IRP, for which they have updated the costs associated with serving a 102.8 MW threshold level from the last IRP, they have also calculated the costs associated with system upgrades to serve a 120 MW case. Given the forecast, we may stop at the 120 MW case and not run the math for the 140 MW case from the Net Zero Roadmap. We do know that the 120 MW case is probably a threshold above which major substation work would be required. At this time, we are nowhere near the 120 MW level, in fact, the IRP forecast does not exceed 80 MW, which is roughly the capability of the existing system. You will see in the PowerPoint that was sent why that is, and what is not included in the Itron forecast (largely the commercial industrial heating space which is hard to model through an end use forecast).

There is one Delta Climb cohort member that is working on modeling utility system requirements under increasing renewability and expanded distributed energy resources. I do plan to speak to them about the proposal that we had for modeling 100% renewability and see if they are in a position of offering assistance with the IRP.

Mr. Gibbons stated that once the Commission has had time to read the documents sent to them, he is available to answer any questions.

Commissioner Moody stated that if possible, would Mr. Gibbons provide a PowerPoint presentation at the next meeting. Mr. Gibbons stated that if after answering the Commission questions they still required a presentation then he would be happy to present Commission schedule permitting.

8. Commissioners' Check-In

Commissioner Moody stated that he is taking advantage of the weatherization programs BED and VGS are offering. So far, the process has been easy, and Commissioner Moody stated that within a year, he will have a more efficient house.

Commissioner Bonn 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 7:07 p.m.

Attest:

Laurie Lemieux

Laurie Lemieux, Board Clerk