MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION

Wednesday, May 10, 2023

The regular meeting of the Burlington Electric Commission was convened at 5:30 pm on Wednesday, May 10, 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 absent.

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 Erica Ferland and Amber Widmayer.

1. Agenda

Item #7 Fiscal Year 2024 General Obligation Bond was added to the agenda.

2. April 12, 2023, Meeting Minutes

Commissioner Chagnon made a motion to approve the minutes of the April 12, 2023, Commission Meeting; the motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

3. Public Forum

Ms. Jody Woos was present for the meeting at 585 Pine Street.

Ms. Woos stated that she is a neighbor of Commission Chair Moody and that he asked her to come and share her experiences regarding the electrification of her property. In November 2019, Ms. Woos bought a duplex in the old North End. The property was in good shape but was very much natural gas focused. Since that time, Ms. Woos and her partner have undertaken many upgrades to be able to use more electricity. They installed a Level 2 car charger, an electric stove, heat pumps in both apartments, as well as worked with Energy Coop of Vermont to weatherize the house. They built window inserts for all windows, insulated the basement ceiling, and currently are working with SunCommon on a solar canopy. Ms. Woos stated that they are committed to transition to electric for all their energy needs and have benefited enormously from BED incentives, VGS for weatherization incentives, and various state and national incentives over the past three years.

At this time, their 100-amp service is at the edge of its capacity, and they would not be able to add any additional load. The cost of upgrading the service rests entirely on the homeowner. For most homes in their neighborhood, it's not possible to generate sufficient electricity from a roof-mounted solar system, as it would generate only 1/3 of their annual electric consumption, and there are no community solar options for BED customers. Ms. Woos' project to go entirely solar depends on the square footage of their lot, finances, and the ability to navigate project complexities. Also, Ms. Woos expressed concerns about the electric grid in the state and in New England, on which BED depends. Projects to increase electricity generation in Vermont using solar and wind power have been stalled or canceled for a number of reasons, including the lack of capacity to the grid to take the additional power. For many projects, the developer or the homeowner must pay the entire cost of upgrading the grid access and, in many cases, this makes the projects economically unfeasible.

Ms. Woos stated that, we know from national experience that when demand exceeds supply for electricity, the least efficient power plants must be spun up to accommodate that demand. These plants are the worst of the worst in terms of efficiency and greenhouse gas emissions. Organizations like BED are addressing this responsibly through promoting increased use of electricity. We are grateful for everything BED has done to incentivize electricity use of electricity in our City.

Ms. Woos stated that the electrician with whom they are working stated that they are right at the edge of maxing out their service and, if they turned everything on at the same time, it wouldn't be good. Commissioner Herendeen stated that the average use is approximately 1½ KWH, which is 10-15 amps total, so it sounds like the "all on at once" issue is the problem. Commissioner Herendeen stated that part of our management is time demand. There are incentives for charging EV's that encourage off-peak charging, which helps eliminate the "all on at once" problem.

Commissioner Moody stated that the struggle seems to be that the engineers design for the "all on at once" scenario and that anything less could potentially be a safety issue. This fact is forcing residents to upgrade their service at their own expense, as there are no incentives in place for upgrades.

Mr. Springer thanked Ms. Woos for sharing her comments and concerns. He stated that the electric panel upgrade is not a BED issue, but rather a Department of Permitting and Inspection issue. If you have a 100-amp service, it is recommended not to use more than 80-amps, preventing an overload by having everything on all at once and having a real issue. So the move from 100-amp to 200-amp is what is required unless you go with smart panel technology that can ensure that you are not using everything all at once. Mr. Springer stated that, while BED does not have specific incentives for panel upgrade, we do offer incentives to reduce fossil fuel use. The state has an income-qualified program, using federal funds that will be available this year to help with this issue of upgrading panels and service. Also, the Federal Inflation Reduction Act offers both tax credits and rebates. So, for the first time, there will be some resources available to help when customers need to upgrade.

Mr. Springer thanked Ms. Woos for the good discussion and for doing all the right things.

4. Commissioners' Corner

There were no Commissioner updates at this time.

5. GM Update

Mr. Springer stated that one of our major IT Forward projects is now live, our Meter Data Management System (MDM) and shared much appreciation for the Billing, IT, Customer Care, and Finance teams for their efforts.

Mr. Springer stated that S.137, the efficiency modernization bill, has passed the House and Senate and is headed to the Governor. This bill gives BED the ability to pull from our thermal energy process fuel (TEPF) funds to further enhance our incentives, which is unique to BED. We are required to design programs that would specifically target customers who have a significant energy burden. The Renewable Energy Standard (RES) issue is not yet resolved. Both a study and work group are lingering in the House and Senate, and we are not sure if either or both will move forward.

The Vermont Climate Council rejected recommendations that would have had potential adverse impacts for McNeil and for district energy. Work proceeds on district energy, and we expect to have updated McNeil carbon analysis by end of May. On June 13, a forum by the Transportation Energy Utilities Committee (TEUC) and the City Council will be held in Contois Auditorium, including a facilitated Q&A and public comment to gather more information about McNeil, carbon accounting, and district heat ahead of our potentially being able to bring a vote to the City Council sometime this summer. We will send the Commission more information and would welcome one or more Commissioners to either join or call in for public comment.

Mr. Springer stated that we have a new BED sign on the south end (front entrance) and a new Net Zero Energy sign on the east side of the building, facing Pine Street. We had a great visit with second graders from Champlain Elementary School who were here to learn about different careers. They learned about forestry, energy efficiency, lineworkers, and our GIS CAD Technical, Raquel, spoke to them about making diagrams of the City grid. It was a great visit.

Mr. Springer stated that we will share a verbal update on NZE 2022 data from Synapse at the next Commission Meeting. This update will not be much different than what was shared previously. We have more confirmation, which is in 2022 emissions overall in the sectors that we track.

Commissioner Bonn asked whether BED considers storage capacity and vehicle to grid when looking at new buses. Mr. Springer stated that we have not gotten to vehicle to grid, but we are always thinking about time of use with chargers. Mr. Gibbons and his team have worked with the current two buses and the charging to make sure that we can charge off-peak at the lower rates.

6. FY23 March Financials

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

The Department's net loss for the month of March was $1.3M compared to a budgeted net loss of $336K, which is $928K worse than budget.

Sales to customers were $26K lower than budget for March and $705K or 1.8% lower than budget for the fiscal year to-date. Commercial sales are $547K less than budget for the year to date and residential sales are $159K less than budget. Other revenues, primarily EEU, were $205K better than budget for the month and $1.4M for the fiscal year-to-date.

Net power supply expenses were unfavorable to budget by $937K in March, due largely low prices for sale of excess power. The Department continues to experience unbudgeted capacity charges related to the Mystic, MA power plant, which were $284K in March. Non-power supply operating expenses were $356K higher than budget for March and $550K higher for the fiscal year to date, largely due to timing variances.

Other income was $191K higher than budget due to unrealized gain on investments in the construction fund.

For FY23 to date, the Department has an actual net loss of $637K compared to a budgeted net income of $3.3M.

As of March 31, the Department's capital spending was $5.5M versus the $7.0M budgeted, or 61% of the total FY23 capital budget.

Operating cash as of March 31 was $7.0M compared to a budget of $10.9M, or 93 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 March 2023, the Department's debt service coverage ratio is 2.36 and the adjusted debt service coverage ratio is 0.67.

7. Fiscal Year 2024 Updated Draft Budget

Mr. Springer stated that the final FY24 budget presented to the Commission this evening is the result of a tremendous amount of work between the April Commission Meeting and this meeting. The Department has had a number of challenges to overcome this year, and we are concerned about the days cash on hand metric for FY23. The FY24 budget is also challenged as a result, and we have limited tools to affect that. Since we started seeing variance in the actual FY23 winter energy prices starting in December/January, we have been taking steps to end the year with as close to 90 days as possible.

Mr. Springer thanked the entire Executive Team and Mr. Kasti in particular for his work in identifying reductions to capital and operating expenses.

Ms. Stebbins-Wheelock reiterated that the Department is heading into the FY24 budget with a weak starting cash position driven by low winter energy prices that reduced the value of our excess winter energy sales. The Department signed a new contract with the IBEW for the next four years in a high inflation environment, resulting in a cumulative 18 percent COLA over the four-year contract term. Revenue from sales to customers is relatively flat; while we are seeing some uptick in residential consumption, the City has lost commercial square footage over the past 7 to 8 years. There is continued uncertainty regarding winter 23-24 prices for the sale of excess energy. The Net Zero Energy Revenue Bond is a critical source of capital funding this year. The Commission will see a robust capital budget for FY24 due to the 2022 revenue bond financing available. The Department is requesting a 5.5 percent rate increase in FY24, beginning on bills rendered September 1, 2023. We are not completely done with the analysis, but currently we estimate we can demonstrate a need for a rate increase of approximately 14 percent. Ms. Stebbins-Wheelock stated that the goal for the FY24 budget is not improving our Moody's metrics, but rather keeping them stable while minimizing the rate increase that we are asking from the community.

Ms. Stebbins-Wheelock reviewed a graph of total annual MWh sales dating back to 2000 and explained the dips in particular years. In 2005, there was a significant increase due to a hospital expansion. Somewhere around 2010, you could no longer buy incandescent light bulbs due to federal lighting efficiency standards, which we believe had an impact. Blodgett Oven relocated in 2017, resulting in a drop, and the Town Center came down and nothing has yet replaced it. In 2020, the COVID-19 pandemic began. When you combine the efficiency gains with the loss of commercial square footage, which makes up most of our sales, you see that while sales have rebounded to approximately 2019 levels out of the pandemic, 2019 sales were the lowest in the past 20 years.

With the chief source of its operating revenue being essentially flat, the Department has had to turn to the expense side to make a budget balance. Ms. Stebbins-Wheelock then presented a graph of controllable expenses over time, showing what controllable costs would be if they had continued on the previous pace of 5.84% between 2007 and 2016. From 2016 to date, controllable costs have grown only 1.7 percent on average. As a team, the Department cut about $6.4M of expense during FY24 budget development, and our controllable, non-power supply, operating and maintenance expenses are 2.3 percent lower than the FY23 budget. The Department has made some painful sacrifices to keep the rate request as low as possible.

Ms. Stebbins-Wheelock reviewed the FY24 Budget Overview and Key Assumptions, which included operating revenues 2.5 percent higher than the FY23 budget for reasons that include a rate increase of 5.5 percent, flat KWH sales to customers, and REC sales revenue decreased 0.7 percent.

The operating expense budget for FY24 is 4 percent higher than the FY23 budget for reasons including:

- Sales of excess winter energy reduced by $1.5M or 25 percent due to lower forward prices.
- New $759K expense for ISO-NW Mystic cost of service charge.
- Assuming $529K amortization of new regulatory asset related to winter 2022-23 energy prices.
- New power supply expense increase of only 2 percent.
- New $118K cash outlay for Moran Frame MOU repayment.
- City indirect allocation increased to $83K.
- Interest Income is $402K higher than FY23 due to better rates.
- Net Income is $142K, which is $1.1M less than the FY23 budget.

Ms. Stebbins-Wheelock then reviewed the capital budget, the Department's biggest in a number of years at $10.9 million overall. The capital budget is funded from both the $3M general obligation bond and $9.2M from the 2022 NZE Revenue Bond. Distribution plant investments make up most of the budget at $7.2M, with about $2M budgeted for our generation facilities, $1.3M to general plant (including items like IT, fleet, and buildings), and $414K to other plant, which includes safety equipment and EV chargers.

Ms. Stebbins-Wheelock stated that the Department's FY24 year-end credit rating factors are projected at a 3.64 debt service coverage ratio, which is well above the 1.25 we need; an adjusted debt service coverage ratio of 1.09; and 90 days cash on hand.

Ms. Stebbins-Wheelock's final slide was a preview of potential financial actions on the horizon, including the accounting order to amortize the shortfall in revenues from excess 22-23 winter energy; a March 2024 ballot item to amend the City Charter to increase the Department's line of credit, which was set at $5 million around 1999, when our operating expenses were approximately half of what they are today; and a November 2024 ballot item to approve a second revenue bond as part of the FY25 budget to provide continued capital financing. A final consideration for the Commission and Council awareness is the possibility of seeking a Charter change to include a fuel adjustor clause similar to the authority that VGS and GMP have under alternative regulation. A fuel adjustor clause for BED as a municipal utility would require voter approval, but it would give the Department an additional tool to recover revenue shortfalls or expense overages related to energy market volatility and better manage our cash position and our expenses relative to our income.

Mr. Springer stated that the Department will continue to make investments in key items related to the City's Net Zero Energy goal, which total a little over $3M between Tier 3 and the efficiency programs.

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

Commissioner Chagnon made a motion to approve the Department's Fiscal Year 2024 Capital and Operating Budgets as presented; the motion was seconded by Commissioner Bonn and approved by all Commissioners present.

8. Proposed 2023 Rate Case

Mr. Springer stated that the proposed rate increase is still 5.5%, unchanged since the initial presentation to the Commission at its April meeting. Mr. Springer offered to answer any questions or provide additional information.

The Commission was comfortable moving to a vote.

Commissioner Herendeen made a motion to recommend to the Board of Finance and the City Council the authorization to pursue a rate increase in the amount of 5.5% for bills rendered beginning September 1, 2023; the motion was seconded by Commissioner Chagnon and approved by all Commissioners present.

9. Fiscal Year 2024 Obligation Bond

In March 2012, Burlington voters approved a City Charter change to allow $3,000,000 of General Obligation Bonds to be issued by the City annually for capital improvements on behalf of the Burlington Electric Department. As part of our budget review and approval each year, we include a line item for this $3,000,000 General Obligation Bond. Bond Counsel of the City requires a formal approval by the Electric Commission before forwarding to the City.

As in FY23, the City again is planning to seek City Council approval to issue a Bond Anticipation Note (BAN) for FY24. The FY24 BAN will be converted to a General Obligation bond in FY25.

Commissioner Bonn made a motion to recommend to the Board of Finance and the City Council to authorize and direct the Chief Administrative Officer to pledge the credit of the City by issuing a bond anticipation note (BAN) or bonds in an amount of $3,000,000; the motion was seconded by Commissioner Chagnon and approved by all Commissioners present.

10. IRP Forecast Update #4

Mr. Gibbons stated that work continues the IRP. Casey Lamont is generating mini models which are evaluations of the customer, utility, and societal economics of various measures that are going into the IRP. These models will be given to Tom Lyle, which he needs for the energy services chapter. We will be working on the actual resource chapter of the IRP; the economic and carbon study on McNeil are almost finished; we expect to have those ready for the June meeting; and will be providing to the Department of Public Service (DPS) concurrently for its review.

11. Commissioners' Check-In

Commissioner Herendeen stated that we are making long-term efforts in demand management, and the idea of spikes that would blow the system causes him concern. When he hears what was presented tonight by Ms. Woos, he thinks about the analogous issue in road building. There if you have built to accommodate every peak moment, you have overbuilt. Commissioner Herendeen stated that he keeps coming back to the importance of time-of-day rates like the ones we have now for EV charging and the ones Mr.
Gibbons mentioned for managing winter thermal. Commissioner Herendeen hopes we do not lose track of demand management. His response regarding spikes and overbuilding would have been to say, "we are going to manage the demand."

Mr. Springer stated that the National Electrical Code will not let you build what you need for capacity; rather you have to overbuild. They require you to overbuild your panel relative to the max-out amperage. We realize that this will be an issue, and we know people will need upgraded services. We are investigating various smart technologies that can manage usage. Separately, we now are able to view and help manage usage. With our heat pump pilot, for example, we hope to accomplish peak reduction impacts where we can moderate the temperature a little bit during the wintertime.

Commissioner Herendeen understood that Ms. Woos' concern was that she envisioned a peak time when her panel would be overloaded, necessitating a bigger panel. Mr. Springer stated that this is not so much a BED peak usage issue, but rather it is a permitting and electrical code design issue based on the permitting code requirements.

Commissioner Herendeen stated that it seems that the question is "do they want more than 100 amps?" And the answer may be yes, but one answer might be you do not need it if you manage demand well.

Mr. Springer stated that this is not about how someone manages demand. A recent change in the National Electric Safety Code now requires 20 percent open amperage. In other words, it is not based on maxing out your service, but rather on the possibility that you could max out your service. Commissioner Moody stated that this is the frustration that Ms. Woos is having. They will never max out the service, but the National Electric Safety Code requires that they upgrade their service.

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

The meeting of the Burlington Electric Commission adjourned at 7:00 p.m.

Attest:

Laurie Lemieux

Laurie Lemieux, Board Clerk