MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION

Wednesday, November 8, 2023

The regular meeting of the Burlington Electric Commission was convened at 5:32 pm on Wednesday, November 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 Beth Anderson, Lara Bonn, Jim Chagnon, and Scott Moody. Commissioner Whitaker was absent from the meeting.

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, James Gibbons, and Amber Widmayer.

1. Agenda

There were no changes to the agenda.

2. October 25, 2023 Meeting Minutes

Commissioner Chagnon made a motion to approve the minutes of the October 25, 2023 Commission Meeting; the motion was seconded by Commissioner Bonn and approved by Commissioners Bonn, Chagnon, and Moody. Commissioner Anderson abstained as she was not present for the meeting.

3. Public Forum

No one from the public was present at the meeting.

4. Commissioners' Corner

There were no Commissioner comments at this time.

5. GM Update

Mr. Springer stated that BED is concerned about a potential interruption to certain customer incentive programs. This is a result of processes that will be necessary at the Public Utility

Commission (PUC) to implement the new 3-year pilot program authorized in Act 44, which is a continuation of the current Act 151 3-year pilot. Act 151 allows BED to utilize efficiency funds to supplement our emissions reduction programs through Tier 3 and fill gaps in existing programs. Currently, Act 151 funding supplements our heat pump, EV, and EV charging rebates, and solely supports our geothermal test well program and EV dealer programs. Absent some type of authorization or a rapid process at the PUC, it is likely that BED will reduce or temporarily discontinue certain incentive programs in January, pending final approval of BED's Act 44 proposed programs, which also include our new "super-user" EV incentive. Our team is fully exploring options to avoid or minimize disruption to customer programs.

While it has been our tradition every January to present to the Commission and the public our incentives for the year, Mr. Springer does not believe we will have the regulatory clarity to present at that time and believes it will be late winter or early spring before we are able to announce our incentives. The goal between now and then is trying to keep programs steady because we know that, if you disrupt the consumer incentives marketplace, a very negative perception for anyone who's going to purchase during that time may result, having stability is very valuable.

The UVM Solar Research and Training Facility located at-the McNeil Generating Station came online in October at an event featuring Senator Sanders, UVM President Garimella, Mayor Weinberger, Encore Renewable Energy, and the BED and McNeil teams and McNeil Joint Owners. Despite the terrible weather, we were able to energize the facility and officially cut the ribbon. This project has provided an excellent collaborative opportunity, and a tangible step in our effort to utilize the McNeil Plant for energy innovation.

Mr. Springer stated that, at the November 20 City Council meeting, BED will be presenting the carbon pollution impact fee on which we've been working for a very long time. The carbon fee would be the first application of carbon pricing anywhere in the state of Vermont. This carbon fee required a charter change and two town meeting day votes and has gone through six meetings of the Transportation, Energy, Utilities Committee (TEUC), and now is ready to be acted on by the City Council.

In addition, BED also will present district energy at the November 20 Council meeting. The district energy term sheets that were approved at last month's Commission meeting were approved by the McNeil joint owners at their November 6 meeting. Also included is the franchise agreement and an easement for 99 Intervale Road as part of a package to the City Council on November 20.

Mr. Springer stated that, if our goal is to reduce fossil fuel use in the City of Burlington, both the carbon fee and district energy help get us there in a way that other initiatives cannot. November 20 could be a very significant night for our NZE Roadmap metrics if we're able to advance those initiatives.

Mr. Springer stated that we are working on a charter change proposal for the next Town Meeting Day. BED's $5M line of credit (that we have not utilized) counts toward our days cash on hand metric for Moody's. This has not grown commensurate with inflation or our budget or any other metric.

The City Charter states that we can have $5M for working capital for the department, and we are working with the CAO and the City's Bond Council, along with our debt advisors at PFM to determine if there is a way to put this on the ballot to possibly double the line of credit from $5M to $10M. The line would be something we could draw on if needed, but we do not anticipate any foreseeable scenario. The line would support a stronger days cash on hand metric and put less pressure on BED to raise rates to generate cash for that metric as part of our regular operating principle.

6. FY23 Audited Financials

Ms. Stebbins-Wheelock stated that BED's audited Financial Statements were issued on Friday, October 27, meeting the target deadline set by our general bond resolution for issuance within 120 days following the end of the fiscal year. Ms. Stebbins-Wheelock thanked the Finance Team for their great work to complete the audit; it was a smooth process this year thanks to their efforts.

Ms. Stebbins-Wheelock stated that the audited financials present two sets of statements, one is for the proprietary or enterprise fund, which is BED including EEU activities, and the other for the EEU as a separate fiduciary fund, which is the result of a GASB standard change implemented in FY21.

Reviewing the balance sheet, Ms. Stebbins-Wheelock noted that capital assets net of accumulated depreciation increased by just under $3M compared to FY22, or approximately 3%, which reflects the investments we've been making with the proceeds from the 2022 revenue bond. Under current assets, our cash has dropped due to a combination of things, primarily due to our operating expenses growing more than our revenues grew, which has been discussed with the Commission throughout the year. Overall, current assets increased slightly compared to FY22. Under non-current assets, restricted to deposits with bond trustees decreased compared to FY22 due primarily to drawdowns from the construction fund as we've been spending on capital projects. Regulatory assets increased by $1.8M compared to FY22 to just over $6M; primarily due to the new regulatory accounting treatment to defer and amortize $4.162 million of lost winter energy revenue. Inventories associated with Tier 1 RECs and Tier 3 credits did not change substantially from FY22 to FY23. Equity interests in associated companies increased modestly due to a VELCO equity purchase in FY23. Total assets did not change significantly between FY22 and FY23 and remain at approximately $185.6M. Under deferred outflows, the largest change is pension amounts which increased significantly from $3.2M in FY22 to $6.2M in FY23. Changes in these amounts are not within BED's span of control, but result from changes in the City pension system liability due to a planned reduction in expected investment returns set by the BERS Board (which affect total pension liability) and actual pension fund investment returns (which affect the fund's fiduciary position). Investment returns were favorable in FY22, but unfavorable in FY23, contributing to the increased net pension liability.

Moving to the liability side of the balance sheet, Ms. Stebbins-Wheelock noted that total current liabilities dropped approximately $1.2M from FY22 to FY23, mostly due to timing of accounts payable at June 30 and the maturity schedules of our bonds. Non-current liabilities increased by approximately $7M in FY23 compared to FY22, due to bond maturity schedules and, most significantly, a $10M increase in net pension liability. Also, pension amounts of deferred inflows decreased just under $6M.

Overall, the Department's net position increased by 2.6% from $63.172M in FY22 to $64.811M in FY23, with a decrease in unrestricted net position more than offset by an increase in net investment in capital assets.

Next, Ms. Stebbins-Wheelock reviewed the statements of revenues, expenses, and changes in net position (income statement). Sales revenues increased from $48.9M to $50.5M, largely a result of the 3.95% rate increase effective August 1, 2022. Other revenues increased from $11.1M to $12.4M, largely due to program cost reimbursements from EEU. The REC revenue component of other revenues decreased slightly from FY22 to FY23 due to a lower volume of RECs available for sale. Total operating revenues net of provision for uncollectible accounts increased from $59.47M in FY22 to $62.816M in FY23.

Production expenses, which is everything related to our generation assets (50% share of McNeil, gas turbine, Winooski One, and our solar assets), increased from $11.329M in FY22 to $12.17M in FY23 or 7.4%. Purchased power expense, which includes our power contracts and capacity charges decreased from $14.745M to $13.5M, or just under 8%. The expense decrease was the net result of the regulatory accounting treatment of lost winter energy revenue, lower VT Wind production, higher Mystic capacity charges, higher Hydro-Quebec charges. Transmission expenses increased from $8.8M in FY22 to $9.3 in F&23, a 4.7% increase. Distribution expenses, which is all expense related to the operation and maintenance of our distribution plant (streetlights, meters, overhead, underground, etc.), decreased modestly from $3.3M in FY22 to $3.17M in FY23. Customer accounting, service, and sales expenses increased from just under $6M in FY22 to $7.7M in FY23, largely due to increased EEU program activity expenses (corresponding to the increased EEU program revenues). Administrative and general expenses increased by $1.7M or 36.3% from FY22 to FY23; most of the increase is due to the year-end pension expense adjustment. Depreciation and tax expense both increased modestly from FY22 to FY23.

Ms. Stebbins-Wheelock then covered non-operating items, including VELCO/Transco dividend income, interest income (which increased significantly from FY22 to FY23 due to higher interest rates), decreased grant income, and increased interest income on debt based on debt service schedules.

Ms. Stebbins-Wheelock stated the Department's net position (or net income) for FY23 was $1.638M for FY23 compared to $1.938M in FY22.

Ms. Stebbins-Wheelock then reviewed the FY23 cash flow statement. Cash flow from operating activities shows that the Department received more cash from sales to customers and other revenues in FY23 compared to FY22, as just discussed when reviewing the income statement. The cash flow statement next shows the payments made to fund the Department's various operating activities. The net cash provided by operating activities in FY23 was $2.5M, compared to $8.616M in FY22. As discussed previously with the Commission, the accounting treatment for the winter energy revenue reduces the Department's expense, doesn't affect cash inflows or outflows.

The next section of the cash flow statement presents cash flows related to the Department's capital and financing activities. In FY22 the Department reported net cash provided from capital and related financing activities of $11.7M; in FY23 net cash used in these activities was $12.8M. This change is due to the receipt of the 2022 revenue bond construction fund in FY22. Non-capital financing activities cash flow is primarily related to the PILOT payment to the City. Cash flows from investing are related to funds held with bond trustees.

Finally, Ms. Stebbins-Wheelock reviewed the FY23 EEU financial statements. The EEU's statement of net position shows the effect of increased EEU spending in FY23 in the lower cash balance, which fell from $3.7M in FY22 to $1.8M in FY23. The EEU statement of net position shows EEU revenues from the energy efficiency charge, the forward capacity market, and the regional greenhouse gas initiative. Overall, total EEU additions decreased by $0.5M from FY22 to FY23, mostly due to a lower EEC charge. Total deductions from the EEU increased from $2.9M in FY22 to $4.5M in FY23, largely due to increased program payments.

7. FY24 September Financials

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

The Department's net income for the month of September was $539K compared to a budgeted net loss of $482K, which is $1.022M better than budget.

Sales to customers was better than budget by $216K or 4.8%. Both residential and commercial sales were higher than budget. Other revenues, primarily EEU, were less than budget by $75K.

Net power supply expense was favorable to budget by $454K in September. Fuel expense was favorable to budget by $283K because McNeil production was 69% under budget due to economics. Transmission was favorable to budget by $125K due to lower than expected peak loads in August, which decreased the rate for September. Purchased power expense was $46K better than budget due to lower wind and McNeil production partially offset by higher ISO-NE exchange and low energy prices.

Other operating and maintenance expenses were unfavorable to budget by $106K.

Other income was favorable to budget by $606K, mainly due to $560K in grant proceeds for the electric bucket truck.

For FY24 to date, net income was $2.6M compared to a budgeted net income of $903K or $1.674M better than budget.

Ms. Stebbins-Wheelock stated that while Q1 results are favorable, the Department does have some concerns about the year-end forecast, mostly in power supply. Winter energy forwards are lower than budget, resulting in a projection of approximately $1.4M more in purchase power expense compared to budget. The Department is also projecting that REC revenues will be $815K lower than budget due to lower wind and McNeil production in prior periods.

Capital spending for September YTD was $1.5M or 13% of the budget for the year.

Operating cash at the end of September was $8.9M compared to a budget of $8.6M. The annual $3M general obligation bond funding and electric bucket truck grant income was received in September.

The debt service coverage ratio is 4.39, the adjusted debt service coverage ratio is 1.45, and the days cash on hand is 135.

Ms. Stebbins-Wheelock stated that the Department is planning for FY25 budget development and will be presenting to the Commission a "BED budget 101" historical overview at a future meeting.

8. SCADA/OMS/DMS Project Overview

Mr. Kasti stated that he is presenting a PowerPoint presentation on one of BED's FY 24 projects, *"the Advanced Distribution Management System Project."*

This is a 3-phase project that will include the new Supervisory Control and Data Acquisition system (SCADA) and an Outage Management System (OMS) along with a Distribution Management System (DMS).

The SCADA system provides real-time monitoring and control of the electric distribution system for BED System Operators. Many devices on the BED system are SCADA-controlled (e.g. reclosers, switches), allowing our System Operators to control the electrical distribution system remotely without the need to dispatch line crews.

Our current SCADA system was last upgraded in 2016, is considered past "end of life," and has limited vendor support until March 2024.

In April 2023, BED issued a request for proposal for a new Advanced Distribution Management System (ADMS). The new ADMS will have many of the same SCADA functions as the legacy system, along with new enhancements of an OMS and DMS. This functionality will enhance system operations, while providing better reliability and power quality to our customers.

The OMS will provide BED with outage location, customer outage portal, mobile crew management, customer call handling, and customer outage notification.

The DMS will provide BED System Operations with a training simulator, automatic fault location, isolation, and service restoration, as well as provide a distribution system optimization tool for voltage and power quality.

Mr. Kasti provided a timeline that includes presenting at the December 11, 2023 Commission meeting the department's vendor selection, as well as asking for the Commission's recommendation of contract terms to the City Council.

In late winter or early spring 2024, the implementation of Phase 1 - SCADA and the installation of the new SCADA video wall will take place.

In FY25, the implementation of Phases 2 and 3, the DMS and the OMS, will take place.

9. BED 2023 Property/B&M Renewal

Mr. Alexander stated that our insurance agent (Hickok & Boardman: H&B) has worked diligently with our existing 4 carriers and is still in negotiations with them to finalize "capacity" (the largest amount of insurance that a company or the market is able to write), Total Insurable Value (TIV)'s, deductibles, and premium.

The renewal premium is anticipated to increase from last year's amount of $683,117.34 to a not to exceed $778,683.70 (which is 6.4% higher than our estimated renewal premium at 11/20/23 in the FY'24 budget of $731,619). Please note our insurance agent (H&B has shared that there is the possibility of achieving a lower renewal premium using deductible options and last-minute pricing negotiations (still to be finalized).

Similar to last year, our TIV will be capped at $175,000,000 of property (vs. our current fully scheduled TIV of $319,009,000). The McNeil Station's TIV is listed at $235,316,000 with a ratable TIV of $213,316,000.

Our FY24 budgeted amount of $711,410 (produced in February 2023 and adopted in June 2023) was calculated using 5 months at the "current/known" premium amount ($683,117) and 7 months at the projected amount ($731,619).

Thus, using the “not to exceed” premium of $778,683.70 would amount to a 6.4% change in our estimated renewal within the FY24 budget and a 13.9% increase over our expiring premium of $683,117. Again, please note that in H&B’s cover letter, they reference a possibility of a lower estimated renewal premium, which is still to be finalized.

The “not to exceed” premium of $778,683.70 would amount to a 3.85% increase in our total FY24 budget for this line of business (from $711,410 to $738,864).

Commissioner Bonn made a motion to authorize the General Manager of the Burlington Electric Department to execute the Property, Boiler & Machinery insurance coverage renewal contract with AIG/ZURICH/STARR TECH/AEGIS for the policy period 11/20/2023 through 11/20/2024 with a not to exceed premium of $778,683.79, subject to review and approval of the City Attorney’s Office; this motion was seconded by Commissioner Chagnon and approved by all members present.

10. Commissioners’ Check-In

Commissioner Moody welcomed Commissioner Anderson to the Burlington Electric Commission.

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

The meeting of the Burlington Electric Commission adjourned at 6:47 p.m.

Attest:

Laurie Lemieux

Laurie Lemieux, Board Clerk