MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION

Wednesday, November 9, 2022 pm

The regular meeting of the Burlington Electric Commission was convened at 5:30 pm on Wednesday, November 9, 2022 at Burlington Electric Department at 585 Pine Street, Burlington, Vermont and virtually through Microsoft Teams.

Channel 17 was present to record this meeting.

Commissioners Chagnon, Herendeen, Moody, Stebbins, and Whitaker were present.

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

Staff members present via Microsoft Teams included Erica Ferland.

1. Agenda

There were no changes to the agenda.

2. October 26, 2022 Meeting Minutes

Commissioner Moody made a motion to approve the minutes of the October 26, 2022 Commission Meeting; the motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

3. Public Forum

Mr. Alan Bjerke was present for the meeting at 585 Pine Street.

Mr. Bjerke is a Burlington resident and a small provider of rental units in the City. Mr. Bjerke attended the September Commission meeting to discuss BED's fee charged to landlords when transferring electric service to a landlord's existing account in between tenants. Mr. Bjerke is attending the meeting tonight to follow-up and present additional information regarding research he conducted with other utilities.

Mr. Bjerke contacted 17 of Vermont's electric utilities, along with VGS and the Burlington Water Department.

Of the 17 electric utilities in Vermont, only three charge a fee to transfer power to a landlord's account pursuant to a standing order. Mr. Bjerke stated that, as a result of his inquiries, he has determined that Burlington Electric's fee is the highest in the state and 50% higher than the other 2 utilities who charge fees. Mr. Bjerke stated that 13 electric utilities, as well as the Burlington Water Department and VGS, charge no fee for transferring service pursuant to a standing order. Of the four utilities that do not offer a standing order option, three do not charge a fee for starting service in the property owner's name, and Vermont Electric Co-op charges only $19.

Mr. Bjerke stated that he is attending the meeting tonight and presenting his findings because he would like the Commission to know that he will continue to attend meetings and provide additional information for the Commission to think about and, perhaps one day, changes could be made. Mr. Bjerke stated that he realizes that a tariff change is difficult, expensive, and not something that will happen overnight.

Mr. Springer stated that the department has looked at this fee and that our Director of Customer Care, Mr. Andi Higbee, provided documentation on different scenarios relative to new customer standing orders, returning customers, how many minutes a Customer Care Rep. spends doing the different processes and the related overhead. Mr. Springer stated that he is not in a position to say whether BED's fee is justified or not, but believes the department is looking at a timeline of spring 2023 at the earliest to review all department fees. We have begun the research, and Mr. Higbee is in touch with Mr. James Gibbons, BED's Director of Policy and Planning, regarding coordination between our Customer Care and Policy and Planning groups. Mr. Springer stated that there has been a long-standing desire to update the fees and that such an update would be a huge undertaking likely included as part of a future rate case.

Commissioner Stebbins thanked Mr. Bjerke for coming to the meeting and stated that, given how much effort goes into going before the PUC, it makes sense not to pick and choose one piece or another, but to look at this fee when reviewing the entire guidelines.

4. Commissioners' Corner

Commissioner Herendeen asked if BED has concluded our arrangement with Packetized Energy. Mr. Springer stated that Packetized Energy no longer exists as a standalone entity. They were acquired by a company called Energy Hub. The Department has been working to remove the *Mellow* devices from the water heaters, which were part of Packetized Energy, because we are not able to continue with that program. We have a number of EV chargers there were Packetized Energy equipment that is still installed, and Mr. Gibbons and his team have done good work making sure that those chargers can continue to be compatible with our EV rate.

Commissioner Herendeen stated that at the last meeting Mr. Springer acknowledged that if customers had chargers and heat pumps, etc. their 100-amp service might not be enough and they would have to upgrade to a 200-amp service. Commissioner Herendeen asked if time of use might be a potential solution rather than more technology. This is not a question Commissioner

Herendeen needs answered tonight, but one he presented as an option for consideration.

Commissioner Herendeen asked if the December 8 street lighting meeting would be in person. Mr. Kasti stated that this meeting would take place at 585 Pine Street. Commissioner Stebbins asked if any other Commissioners would be interested in attending and noted that, if more than two Commissioners were in attendance, the meeting would have to be warned as a special commission meeting. Commissioner Moody stated that he would be interested in attending. Commissioner Chagnon stated that he would let Commissioner Stebbins know this week if he could attend. Due to three Commissioners attending, the meeting will be warned as a Special Commission Meeting.

5. GM Update

Mr. Springer stated that the department is planning a visit to ISO New England in Massachusetts on November 21. Mr. Springer thought it would be helpful for members of the BED team to meet with ISO, tour their facilities, and discuss the winter energy issues we are seeing.

Mr. Springer stated that we were pleased to have a great announcement for the new "Orb" small vertical axis wind turbine at the BTV Airport on November 2, with the Mayor, BED and BTV Airport teams, and ARC Industries. We met ARC through the DeltaClimeVT process. The Orb turbine represents an interesting potential additional rooftop renewable option that potentially generates 7.8 MWH per year. We are eager to learn more, to see if the Orb can be a successful generator, and to determine whether ARC can lower its price. BED has the option to purchase the unit or revisit the terms of the agreement after the one-year pilot.

The district energy project work has been picking up pace. The Ever-Green team was in town last week to meet with BED and VGS. A 501c3 organization is in the process of being certified and formed as the non-profit Burlington District Energy. We have a resolution to allow for the nonprofit to see financing terms for the program, working with VEDA at the state level. We also are having conversation with the state Treasurer's Office to see whether or not the local investment advisory committee might be an avenue to finance a portion of the project. We also will be having meetings in the next few weeks with UVM and UVM Medical Center. We have an RFP for construction pricing, and we are conducting preliminary work to prepare for potential permitting.

Commissioner Stebbins inquired about our monitoring of customer arrearages greater than 60 days in response to COVID. She asked whether BED customers still are able to receive federal support and whether we are trying to follow up with customers prior to disconnects.

Mr. Kanarick stated the Customer Care team continues to work with customers to help them take advantage of available arrearage assistance programs like VERAP. Also, Mr. Kanarick stated that our goal always is to work with customers to establish payment plans to prevent disconnects and that we have been issuing the winter verbal warning prior to disconnects beginning on November 1. During the first week of November, we disconnected approximately 5 customers for nonpayment.

4. FY Audited Financial Statements

Ms. Stebbins-Wheelock presented BED's FY22 Audited Financial Statements.

Ms. Stebbins-Wheelock stated that the audited financial statements have not been issued yet, but they are expected to be issued tomorrow. Therefore the materials being presented this evening are marked "draft," but we do not expect the numbers to change. If for whatever reason the numbers do change prior to issuance, Ms. Stebbins-Wheelock will update the Commission at the December meeting. Once the financial statements are issued, the Board Clerk will send them to the Commission in final form.

At this time Ms. Stebbins-Wheelock thanked each member of the Finance Team as they worked extremely hard to complete the audit and have the appreciation and gratitude of the Department.

For fiscal year ended June 30, 2022 the Department had a positive net income of almost $2M which was favorable to budget by $1.129M. The major contributors were the FY22 rate increase for sales to customers and favorable power supply expense, mostly due to the strong 2021-2022 winter energy prices.

Ms. Stebbins-Wheelock began the review of the audited FY22 financial statements with the Statement of Net Position or balance sheet. BED's capital assets decreased by $51,680 for FY22 compared to FY2021; this is the net effect of additions to capital assets and removals/disposals. Cash and cash equivalents increased significantly by $2.4M compared to FY21, or approximately 24%. Remaining current assets did not change significantly. Under non-current assets, restricted investments with bond trustees increased due to the issuance of the 2022 revenue bond, so there is an additional $20M on the balance sheet. Regulatory assets increased $218K for FY22 compared to FY21 for several reasons: (1) the Department received approval in the FY2021 rate increase to book the IBEW pension back payment as a regulatory asset and amortize it over a number of years, (2) the Department received approval in the FY2021 rate increase to amortize the every-three-years expense of the triennial consulting engineering review that the General Bond Resolution requires the Department to have performed on the electric system and the McNeil Station, and (3) BED received approval from the PUC to record a regulatory asset related to non-capitalized labor again in FY22. This enabled BED to amortize labor expense that BED had budgeted to spend on capital projects but was unable to spend due to the COVID-19 pandemic. A new item on the balance sheet in FY22 is "RES inventory" representing RECs and Tier 3 credits that the Department has available for use for compliance with the Vermont Renewable Energy Standard. The Department has restated FY2021 results by modifying assets and expenses to account for this new inventory item. Commissioner Whitaker inquired whether this item represents real money or a credit. Ms. Stebbins-Wheelock responded that the inventory contains credits that have real value. The Department could sell the RECs instead of banking them, so they have a market value; Tier 3 credits have no current market for sale but have value in demonstrating the Department's compliance with Tier 3 of the RES. Instead of expensing all dollars/Tier 3 credits paid out to customers in cash, the Department is now inventorying these credits, expensing only the amount required to comply with the RES based on our load, and then leaving the rest in inventory. RECs can be banked for up to three years; Tier 3 credits have no expiration under current statute. Ms. Stebbins-Wheelock continued, noting that in other non-current assets is a new amount of $950K relating to the Moran Frame project; this is the uncorrected audit difference that represents the other side of the Moran Frame liability. The Department will be seeking approval from the PUC to book this as a regulatory asset. Total deferred outflows of resources are mostly actuarially driven in terms of projected vs. actual investment earnings for the pension fund. Commissioner Herendeen asked about equity interests in associated companies; Ms. Stebbins-Wheelock responded that this amount represents the Department's partial ownership or equity shares in VT Transco and VELCO.

BED's current liabilities were approximately $12.8 million for FY22, which is an increase of about $2.7M compared to FY21 largely due to an increase in accounts payable. In the non-current liabilities, long-term debt amounts are driven by the maturity schedule of the Department's GO and revenue bonds. Other non-current liabilities increased $1.2M compared to FY21 due to the new equipment financing note executed in July 2021 to help finance the new meter data management system and to the Moran Frame liability. The net pension liability decreased by $5.8M; these changes were actuarially driven. Ms. Stebbins-Wheelock noted that the Department's total net position increased by $1.94M compared to FY21.

Commissioner Herendeen asked whether the long-term debt liability was dollars per year or the value of the bond itself. Ms. Stebbins-Wheelock responded that the long-term debt liability represents the value of all the debt outstanding, not the annual debt service payment. The current liabilities section of the balance sheet represents the debt service that will be paid in FY2023. The remainder of the outstanding debt is listed under non-current liabilities.

Ms. Stebbins-Wheelock next presented the income statement, or Statement of Revenues, Expenses, and Changes in Net Position. Under operating revenues, sales to customers increased by $3.7M compared to FY21, mostly due to the 2021 rate increase. Other operating revenues decreased modestly by $173K which was due partly to declining REC review due to lower wind production and lower prices for McNeil RECs, offset by a higher volume of McNeil RECs sold. The Department has reverted to its previous, pre-COVID methodology for calculating the provision for uncollectible accounts, given that further access to grant monies for arrearage support is unknown. Under operating expenses, production expense increased by just under $500K compared to FY21. Purchased power expenses overall were in line with FY21, with changes in various line items netting against each other. Increased REC purchases and increased price and volume for Vermont Wind and Hydro-Quebec were offset by decreasing capacity prices and sales of excess energy this past winter. Transmission costs increased almost $900K, mostly driven by higher ISO New England transmission rates. Distribution expense of $3.352M was in line with FY21. Customer accounting, service, and sales expense increased $590K compared to FY21. Ms. Stebbins-Wheelock stated that this line includes several elements; one driver of the increase was higher software expenses but was offset by the accounting change made for Tier III credits. Administrative and general expenses decreased significantly by about $1.159M, largely due to decreased pension and benefit costs. Depreciation and amortization decreased by $719K, mostly due to decreased depreciation on the distribution plant. The Department produced a positive operating income of $1.9M for FY22, and also restated expenses for FY21, resulting in a restated positive operating income of approximately $30K for FY21 compared to the previously reported net operating loss.

Under non-operating revenues and expenses, Ms. Stebbins-Wheelock reported that most items for FY22 changed little compared to FY21. Grant income decreased significantly, but FY21 was an unusually high year. Unrealized loss on investment previously was included in other income but is presented on its own line this year as it is significantly higher than years past. The Department has more funds invested due to the issuance of the 2022 revenue bond. Again, the Department's total increase in net position, or net income was $1.938M for FY22.

Ms. Stebbins-Wheelock then presented the cash flow statement, which showed net cash from operating activities were up by $2.9M compared to FY21. Net cash flows from capital and related financing and cash flows from investing changed by $19M due to the issuance and investment of the 2022 revenue bond. Total cash at year-end was $12.3M compared to $9.8M in FY21.

Ms. Stebbins-Wheelock then covered the financial statements for the Energy Efficiency Utility Custodial Fund. In January 2021 BED became its own fiscal agent for EEU funds, which were previously administered by a third-party entity. As our own fiscal agent, BED collects EEU fees from customers and puts them aside for designated EEU activities. As EEU projects are completed, we invoice ourselves and transfer the money spent on the project from the EEU account to BED's operating account. The Department continues to submit the same monthly reports to the State to document our EEU expenditures. Cash assets increased approximately $500K compared to FY21; accounts payable and accounts receivable changes are mostly due to timing. Total increase in net position for the EEU fund was $374K. Additions to and deductions from the EEU fund for FY22 were in line with FY21.

Commissioner Stebbins asked what the process would be following issuance of the audited financial statements. Ms. Stebbins-Wheelock responded that the Department would file the statements with its bond trustee, the City, and other stakeholders to fulfill external reporting requirements.

5. September FY23 Financials

Ms. Stebbins-Wheelock presented the September 2022 financial results.

The Department's net loss for the month was $1.04M compared to a budgeted net loss of $817K. Year-to-date net income is $195K compared to budget of $894K.

Sales to customers are largely on budget, both residential and commercial were up modestly. Miscellaneous electric revenue were up, most of this is EEU.

Power supply expense was approximately $60K better than budget. Fuel expense was favorable to budget as McNeil was offline, so therefore production was far less than budgeted. Capacity expense was favorable by $13K, purchased power expense was unfavorable due to offsetting variations from budget because wind and McNeil production were under budget, therefore the ISO-NE exchange expense was higher than budget. O&M expense was unfavorable mostly due to timing. Other income and deductions was unfavorable to budget by $224K due to the timing of customer contributions to construction and unrealized loss on investments.

Capital spending year-to-date is $2M compared to budget of $3.3M, or 23% of the full-year budget. The Department's cash position as of September 30 is $6.6M or 106 days cash on hand; the debt service coverage ratio was 3.56, and the adjusted debt service coverage ratio was 1.01.

6. BED 2022 Property/B&M Renewal

Mr. Alexander stated that BED's current Property/B&M Insurance coverage with AIG/Starr Tech/Zurich/AEGIS, for which BED pays a premium of $663,508.14, was scheduled to expire on 11/20/22.

Our insurance agent (Hickok & Boardman: H&B) has worked diligently with our existing four 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) and premium.

The renewal premium is anticipated to increase from last year's amount of $663,508.14 to a "not to exceed" $683,413.39 which matches our estimated 3% renewal premium for 11/20/2022 in the FY23 budget.

AIG has agreed to increase its capacity by 10% this policy term, which is significant as their rates are the lowest of the four involved carriers.

Similar to last year, our Total Insurable Value (TIV) will be capped at $175,000,000 of property (vs. our current fully scheduled TIV of $263,366,000). The McNeil Station's TIV is listed at $190,349,000.

Our FY23 budgeted amount of $675,120 (produced in January 2022 and adopted in June 2022) was calculated using five months at the "current/known" premium amount ($663,508.14) and seven months at the projected amount ($683,413.39).

Thus, using the "not to exceed" premium of $683,413 would amount to a 0.0% change in our FY23 budget and a 3% increase (as planned) over our expiring premium of $663,509.

Please note that, in our insurance agent's (H&B) cover letter, they list a lower estimated annual premium of $672,231.94, which is still TBD

Commissioner Moody 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 11/20/2022 through 11/20/2023 with a not to exceed premium of $683,413, subject to review and approval of the City Attorney's Office; this motion was seconded by Commissioner Chagnon and approved by all members present.

7. Winter 2022/2023 Update

Mr. Gibbons stated that he would like to update the Commission regarding what we are seeing in the wholesale market for the winter 2022-2023. Although we are not as impacted by the wholesale market as much as other utilities, the way we are impacted is interesting and that's why we thought it would be reasonable to bring this to the Commission's attention. In addition the magnitude of market prices and price changes has been unprecedented.

Mr. Gibbons stated that there is a strong relationship between natural gas prices and electric prices and when you hear about increases in natural gas prices, it is also affecting the electric market in New England. Mr. Gibbons stated that we are not heavily impacted directly because we have a renewable resource mix. There are only two of our resources that really have any component based on fossil fuels. These are Hydro Quebec (which has an adjustment factor base on wholesale electric prices in New England) and McNeil (which is impacted indirectly and to a lesser degree due to transportation costs of wood). Mr. Gibbons stated that the increasing wholesale market prices are not a problem of increasing costs for BED today, it's a different issue for us. BED has excess resources from renewable resources for the next several years, particularly in the winter when the prices are the highest. We are coming into this market with net resources to sell as long as our resources produce as expected. BED has budgeted that it will be able to sell this excess energy at today's high market prices, but if there is a mild winter our revenues will be lower than budgeted.

Mr. Gibbons presented a PowerPoint slide showing projected prices that people are selling power for the winter months. We are seeing January power in excess of $250 MWH (which is $0.25 per KWH). Mr. Gibbons stated that the highest previous historical prices in January was just short of $150 MWH (which was $0.15 KWH for electric energy) at wholesale price without transmission, capacity, delivery, and without renewability. Not only has it moved up a long way, but it's also quadrupled in the last 18 months. There is a lot of uncertainty about the availability of natural gas and the frequency and duration of cold snaps. The longer a cold snap goes on and the more heating load accumulates, the less gas is available for the electric generating plants.

Mr. Gibbons stated that this is not a small problem, and he doesn't see going away in the next couple of years. This issue has led to significant rate increases in much of New England (especially in areas that deregulated to electric industry). As discussed previously BED is actually expected to benefit in the short term from high prices (again providing our resources produce as expected and the prices are as high as were budgeted).

Mr. Gibbons cited some of the rate increases regionally:

National Grid (MA): 64%
New Hampshire Electric Co-op: 77% volumetric (just the energy portion of the bill) which is 30% + estimated overall
Versant (ME): 32%
Eversource (CT): 38%
Rhode Island Energy: 47%

These rates are because they are served at the competitive market and do not have a utility who is holding a portfolio of long-term resources to average out market impacts.

Mr. Gibbons stated that Vermont is looking good at this time but suspects there may still be some Vermont rate increases for utilities who are short and were planning to buy energy on the market and are now exposed to those spot market prices.

Mr. Gibbons shared a graph showing what the winter prices were when we filed the rate case and what has happened to those prices since. Essentially, that's how much BED stood to make from selling excess energy, and this has significantly changed since the rate filing. At one point the net cost of power to BED had decreased by $3.2 million from when it filed the rate request, but more recently the markets have moved to where the net power cost has increased by about $.8 million. To see forecasted changes in the power costs fluctuate by $4M (and go from better to worse) in less than six months is unprecedented.

If the weather is very mild this might have adverse budget implications from the power supply side (in the form of loss of sale value for BED's excess energy). We are concerned and we are watching it, but we are sitting on the better side of the equations as we currently have excess resources at high price times.

8. Commissioners' Check-In

There were no Commissioner Check-Ins.

Commissioner Moody 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 7:19 p.m.

Attest:

Laurie Lemieux

Laurie Lemieux, Board Clerk