

**MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION**

Wednesday, May 18, 2022, 5:30 pm

The regular meeting of the Burlington Electric Commission was convened at 5:30 pm on Wednesday, May 18, 2022 at the Burlington Electric Department at 585 Pine Street, Burlington, Vermont and virtually through Microsoft Teams.

Channel 17 was present to record this meeting.

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

Staff members present at 585 Pine Street included Paul Alexander, Emily Byrne, Munir Kasti, Laurie Lemieux (Board Clerk), Cheryl Mitchell, Paul Pikna, Darren Springer, and Emily Stebbins-Wheelock.

Staff members present via Microsoft Teams included Rodney Dollar, James Gibbons, Erica Ferland, Mike Kanarick, and Dave MacDonnell.

1. Agenda

There were no changes to the Agenda.

2. April 13, 2022 Meeting Minutes

Commissioner Moody made a motion to approve the minutes of the April 13, 2022 Commission Meeting; the motion was seconded by Commissioner Herendeen 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 he realized that the topic regarding street lighting standards will not be discussed tonight due to the heavy agenda but would like to understand the process the department goes through. The department follows certain recommendations about lighting in the City, and the Commission has decided to revisit this topic. BED follows the recommendations from the Illuminating Engineering Society (IES), which updates its recommendations over time. Commissioner Herendeen stated that the IES will publish some of the recommendations, but other

recommendations are available before they are formally released. These pre-released recommendations are what the Department is looking to obtain to see if there is something going on in the field of lighting that might produce new results that the City could incorporate.

Commissioner Herendeen sees lighting as a three-step process:

- i. What does BED do regarding street lighting?
- ii. What does the IES formally say regarding this issue?
- iii. What other things regarding street lighting are going on in the country?

Commissioner Stebbins stated that, since Commissioners Chagnon and Whitaker were not on the Commission at the time of the last street lighting overview, she would like to include a presentation for the Commission so all five Commissioners can begin the conversation on street lighting with the same level of understanding. Commissioner Stebbins asked the Commissioners and BED staff if it made sense to have a Street Lighting Primer at the June Meeting to start off the conversation regardless of whether BED hears back from the IES before that time.

Mr. Springer stated that in January or February Mr. Elliston provided an overview to the Commission regarding the current lighting situation. Mr. Springer stated that Mr. Elliston would benefit from knowing more specifically about what the Commission might be interested in hearing. Mr. Alexander also is engaged in this discussion from a liability standpoint and in terms of what our requirements are regarding lighting the streets and Mr. Alexander could provide a basic overview if that would be helpful. The Commission felt it would be helpful and this item will be placed on the June agenda.

5. GM Update

Mr. Springer stated that the Department has new Net Zero Energy yard signs that can be seen around the City. Anyone interested in receiving a sign can sign up at www.burlingtonelectric.com/yardsign. Also, this month, we have a bill insert focusing on the need to consider replacing old water heaters before they break with renewably powered heat pump water heaters with available BED incentives.

Mr. Springer stated that the Governor has signed Burlington's Thermal Charter Change and that BED worked with the Mayor and City Council on a Resolution, which passed unanimously on May 9, 2022, to lay out further work by BED and DPI, with a July 18 initial report back date. The work will focus on new construction, municipal buildings, and large commercial buildings.

Mr. Springer stated that he participated in a meeting on May 3, 2022 with Ms. Stebbins-Wheelock, Mr. Kanarick, and members of CEDO's Trusted Community Voices Program. This is a group whose leaders meet with leaders from refugee and immigrant communities to learn about how we can do more to reach our community. We discussed language translation and literacy, ideas for outreach and trainings, and incentive program barriers. We look forward to additional partnership

opportunities.

Mr. Springer stated that, unfortunately, we were not successful on the partnership with CEDO for the battery storage project at Elmwood Avenue. We are looking into one other option that may allow us to help deploy battery storage for that site. It would not be with federal funding. The option would have battery storage that BED can utilize for peak reduction during peak events, along with being available for the temporary shelter.

BED hosted City Councilors Hanson, Barlow, and Traverse for tours at McNeil and Winooski One recently, as well as Vermont Senate President Pro Tem Becca Balint. We are ramping up our tours for school groups, policymakers, and others who are interested in visiting.

6. FY22 March Financials

Ms. Byrne presented the budget-vs-actual results for the month of March FY22. The Department had a net income of (\$397K) in March compared to a budgeted net income of (\$868K). On the revenue side, actual sales to customers were favorable compared to budget by \$115K. Residential sales were up \$103K, and commercial sales were up \$10K. Other revenues were down \$61K, partially due to lower than budgeted EEU receipts. There were no REC receipts in March.

Power supply expenses were \$335K less than budget. Transmission fees were under budget for the month. Production was under budget at McNeil, and wood prices were over budget. This was offset by higher than budgeted prices for generation. Other operating expenses were down \$74K compared to budget. Other income was \$59K, and interest expense was under budget by \$12K. For FY22 year-to-date, actual net income is \$1,462K better than budget. Sales to Customers is \$136K under budget. Other revenues are down due to lower than anticipated EEU receipts and customer billings. Power supply revenues are down by \$49K or less 1% for the year. McNeil REC revenue is tracking to the budget, helping make up for lower performance for wind, hydro, and other REC generators. On the expense side, power supply is under budget by \$1,866K, driven by purchase power, transmission, and fuel costs all coming in under budget. Operating expenses are running below budget by \$1.278M.

As of March, the Department has spent 43% of the FY22 capital budget. Capital spending will see an increase in April and May due to the McNeil overhaul. At the end of March, the Department has an operating cash balance of \$10.69M with 138 days cash on hand. The debt service coverage ratio is 5.47 and the adjusted debt service coverage ratio is 1.5.

7. Fiscal Year 2023 Draft Budget

Mr. Springer stated that, because the draft budget and the rate case agenda items are tied together, we will present on both and then give the Commission the chance to consider these items distinctly. We will begin with presenting the draft budget and will pause to give the Commission the

opportunity to weigh in before presenting the rate case.

Mr. Springer and Ms. Byrne presented the preliminary FY23 budget. Mr. Springer outlined several items that are included in the final budget presented to the Commission, including the current high inflation environment. He stated that there are some assumptions included in the budget based on uncertainty associated with unprecedented energy forwards and the prices of wood for McNeil (driven primarily by current diesel prices). The current IBEW contract expires on June 30, 2022. The Department is in a strong cash position going into FY23, driven by strong production at McNeil, while energy prices were high in winter of 2021-22. Additionally, the budget includes capital projects funded with the Net Zero Energy Revenue Bond proceeds. The budget works to improve the ADSCR Moody's rating metric.

Ms. Byrne presented details about the revenues and expenses put forward in the budget proposal. She stated that the budget assumes operating revenues of \$63.6M in FY23, about 5% higher than the FY22 budget. The revenues include a rate increase of 3.95% effective August 1. The rate case is needed to respond to inflation and other uncontrollable cost increases. The budget assumes increased kWh sales to customers as the COVID-19 pandemic effects lessen. The budget also includes increased REC sales.

The budget assumes operating expenses of \$64.5M in FY23, about 1% higher than the FY22 budget. The budget includes a \$1M increase in wood fuel costs primarily driven by the increased cost of diesel fuel. State/regional transmission costs are increasing by \$869K. The purchased power budget was reduced by \$2.6M due to anticipated higher than historical energy forwards. The City's indirect allocation increased \$134K. The budget includes an additional project manager/business analyst FTE funded by the reallocation of contracted services. The interest expense is 30% higher than in FY22 due to the Net Zero Energy Revenue Bond. Net Income is \$1.23M, about \$424K higher than the FY22 as passed budget. The budget includes the Energy Assistance Pilot Rate, which will provide qualifying customers with a 12.5% discount in FY23. The rate will be paid for utilizing carryover ARPA funds.

Ms. Byrne stated that the Debt Service Coverage Ratio for the FY23 budget is 3.91 and the Adjusted Debt Service Coverage Ratio is 1.26, with 104 days cash on hand.

Ms. Byrne presented a high-level overview of the FY23 capital budget. She stated that the FY23 budget includes \$9.1 million of capital investment funded with \$3 million from the City of Burlington's General Obligation Bond and \$5.7 million from the Net Zero Energy Revenue Bond. FY23 capital projects include new EV charges, two EV fleet vehicles, VELCO equity, distribution, and IT systems upgrades, as well as general plant maintenance.

Mr. Springer stated that the FY 2023 budget continues strong progress on the City's Net Zero Energy goals. He acknowledged that the energy BED utilizes continues to be 100% renewable. He stated that the Department will continue to offer incentives for heat pumps, EVs, electric lawn equipment, e-bikes, energy efficient appliances, and more through Act 151/Green Stimulus. The

incentives for electrification rebates are doubled through the Revenue Bond Plan at \$1.77 million in addition to \$1.9 million for energy efficiency programs/rebates. A go/no-go determination on the district energy system project will occur in 2022. In addition, the department will: repurpose energy services and sustainability positions to add more staff capacity; install Level 2 and Level 3 EV chargers; replace two gas powered fleet vehicles with EVs; convert the line crew gas chainsaws/pole saws to electric; convert the GT to biodiesel (phase 1); fund a solar test site at McNeil in partnership with UVM; and establish a community ambassador program.

2022 Rate Case:

Mr. Springer stated that the Department is proposing a 3.95% rate increase effective August 1, 2022. At the last Commission meeting, we discussed a proposed rate increase of 4.9%. The Department was able to lower the increase to 3.95% due in part to updated energy forward prices. Prime risks in this budget are either McNeil being offline for a significant period of time during the upcoming winter or experiencing such a mild winter that the high energy forward prices do not materialize. The benefit is, if things go as we project, the 3.95% increase would allow the Department to meet its targeted Moody's metrics and associated net income of \$1.23 million at a lower requested increase than we were projecting the need to be last month.

Mr. Springer presented a timeline of BED rate changes since 1980 and noted that the Department had a rate change in 2021 and now 2022. Mr. Springer stated that the Department's expectation is to have rate changes regularly, with the goal and commitment to make them more moderate than the 2021 increase of 7.5%. Our goal is to get to a point where the rate adjustments are even more moderate than the 3.95% we are proposing this year.

Mr. Springer presented a slide showing the price of BED electricity versus other commodities from 2010 through February 2022. Mr. Springer stated that things like housing, medical care, inflation, and vehicle prices have increased far more than BED's rates over that period of time, and that some prices would be even higher if he showed data through March, April, or May 2022. BED has been able to hold its rate trajectory well below the rate of inflation for over a 12-year period.

Presented next was a residential rate comparison from 2010-22. Mr. Springer noted that the most recent data on this graph is projected and not actual. These projections indicate that BED's residential rate, including the proposed 3.95% increase, will continue to be well below the Vermont and New England averages. The graph also showed the effect of BED's Energy Assistance Program, a 12.5% discount. Even after the 7.5% 2021 rate increase and the proposed 3.95% increase, participating customers will see a lower net cost when they start on the new rate.

The next slide was a commercial and industrial rate comparison from 2010-22. Mr. Springer stated that the most recent data on this slide also is projected and not actual. This graph indicates that BED's commercial and industrial rate is a little higher than the New England average.

Mr. Springer stated that BED's total cost to serve continues to be lower than the Vermont and New

England averages for the 2010-20 period.

Mr. Springer stated that the Department always considers the impact of any rate change on residential customers' bills. The proposed increase would result in a \$3.10 increase for an average residential bill; for small general customers, the increase would be an average of \$3.50.

The last slide discussed BED's proposed Energy Assistance Program. Mr. Springer stated that the cumulative effect of last year's 7.5% increase and the proposed 3.95% increase would add approximately \$8.95 to the bills of low-income customers who are participating in the program. The Energy Assistance Program bill credit starting in July would be \$10.65, so these customers actually would see savings relative to the bill impact from the rate changes.

Mr. Springer stated that, if the Commission advances the proposed rate increase, the Department will present this budget proposal and rate case to the City Board of Finance tomorrow, and the Board of Finance and City Council will vote on it concurrently at their June 6 meetings. The Department then will file the requested rate increase with the Vermont Public Utility Commission (PUC) in mid-June to go into effect on customer bills as a surcharge starting August 1. The increase would then undergo PUC review, which could take several months and, if approved, would stay on customer bills, and be incorporated into the rate. Any divergence in what the PUC approves from our proposal would be refunded to customers at that point in time.

Mr. Springer answered a few questions, and the Commission concluded that they were ready to vote on the draft budget and rate case.

Commissioner Moody made a motion to approve the Department's Fiscal Year 2023 Capital and Operating Budgets as presented; the motion was seconded by Commissioner Stebbins and approved by all Commissioners present.

Commissioner Moody made a motion to recommend to the Board of Finance and the City Council the authorization to pursue a rate case in the amount of 3.95% for services rendered beginning August 1, 2022; the motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

8. Fiscal Year 2023 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 FY21 and FY22, the City again is planning to seek City Council approval to issue a Bond Anticipation Note (BAN) for FY23. The FY23 BAN will be converted to a General Obligation bond in

FY24.

Commissioner Herendeen 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 Moody and approved by all Commissioners present.

8. Commissioners' Check-In

Commissioner Herendeen thanked Mr. Kanarick for researching his question regarding how much BTV Stat information would be available to the public.

Commissioner Herendeen stated that he looked at the BED website and did not see BED's 2021 Performance Measures Report (PMR) and asked why it wasn't issued.

Mr. Springer stated that PMRs are now web versions and not printable PDFs. Mr. Springer stated that we had not yet prepared the 2021 PMR and would be doing so. Mr. Kanarick stated that a meeting regarding the PMR is scheduled for next week and that he expects that the PMR will be published on our website within the next several weeks.

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 6:57 p.m.

Attest:



Laurie Lemieux, Board Clerk