

**MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION**

Wednesday, December 14, 2022 pm

The regular meeting of the Burlington Electric Commission was convened at 5:30 pm on Wednesday, December 14, 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, 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 James Gibbons.

1. Agenda

There were no changes to the agenda.

2. November 9, 2022 Meeting Minutes

Commissioner Moody made a motion to approve the minutes of the November 9, 2022 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 Stebbins stated that there was a street lighting meeting scheduled for last Thursday that was postponed as it makes more sense to have this meeting once the new Director of Engineering is hired and has begun working. Mr. Springer stated that a candidate has accepted this position and will begin in early January 2023. Once the director has had a chance to acclimate himself, Commissioner Stebbins will reach out to the Board Clerk to reschedule this meeting, possibly in the next few weeks.

Commissioner Stebbins stated that this will be her last Commission Meeting. Commissioner Stebbins stated that, once the Legislative Session begins, it would be difficult for her to arrive at Commission Meetings on time. Also, her term ends in June and Commissioner Stebbins felt it would be a good time to step down. The City Council has approved a new Commissioner, Lara Bonn, and Commissioner Stebbins stated that Ms. Bonn is truly knowledgeable in energy efficiency and various heat pump technologies, is smart, organized, and will be a great addition to the Commission.

5. GM Update

Mr. Springer stated that the Department appreciates everything Commissioner Stebbins has done for the Burlington community and knows that she will continue this work in different capacities and thanked her for her nine years of service on the Commission.

Mr. Springer stated that BED, VGS, and Ever-Green Energy provided a verbal update to the City Council on December 5 on district energy, and also announced with the Mayor that the project is ready to move to Act 250 state permitting for the first-time in its long history of consideration. Ever-Green manages the Burlington District Energy non-profit that we set up to operate and finance district energy and is the entity that will submit the permit application in mid-December. We expect to have construction bids in by the end of this week and will know a little more concretely what the potential pricing for this aspect of the project will look like. The first quarter of 2023 will be significant for the financial arrangements and agreements. We are continuing to work on McNeil steam pricing and on customer allocations. We will be looking at interest rates and have had many conversations with VEDA and the State Treasurer's Office to determine if we can get more favorable rates through state government than commercially. Mr. Springer stated that all of this progress is significant and exciting, as we have never gotten to this point with district energy over the past 40 years.

BED and our colleagues at the Department of Permitting and Inspections presented a final report on our work examining thermal energy policies stemming from Burlington's Charter Change. The report recommended requiring 100 percent renewable systems, or conventional systems with renewable fuels, for new construction starting in 2024, with an alternative compliance carbon pollution impact fee if the building uses fossil fuels. We recommended a delay for domestic water heating in larger multi-family buildings until 2026. We also recommended the same requirements, as it relates to heating and water heating systems for large existing buildings, 50,000 square feet or larger, and City buildings. The proposal would require subsequent voter approval at Town Meeting Day 2023 to advance to ordinance development.

To summarize, we worked with the Building Electrification Institute which is a national organization that knows a lot about what other cities are doing and provides technical assistance and support. For new construction, we would propose starting in 2024, 100 percent renewable for all thermal uses, not just the renewable heating systems that are in place now. This would be applicable for everything except for domestic water heating for larger multi-family buildings. This

decision was based on feedback we received from the affordable housing community that stated in multi-family larger buildings the current domestic water heating technologies are not as far along, so we proposed delaying that until 2026. Also, if a building didn't comply with one of the renewable options and wanted an alternative compliance option, then there would be an up-front carbon fee representative of the lifetime expected output of the fossil fuel system. This fee would be charged up-front at the time of permitting. We proposed that, if a permit were requested for a heating or water heating system, then they would use a renewable replacement, or they would have the option to pay the carbon fee. In that case, we would cap the carbon fee at no more than 75 percent of the installed cost of the conventional system.

We also recommended that renewable be defined broadly, similar to what we've used already in ordinance. So it can be any renewable system, geothermal, wood heating, heat pumps, all the different technologies, could be a renewable fuel and a conventional system biodiesel, renewable gas, district energy credits that goes forward or even the option for other fuels that may come online that are not here now like renewable hydrogen.

We also proposed that the City would meet the large existing building requirement for all of its buildings, and proposed that the revenues from the carbon fee could be used for helping the City convert its fleet to electric vehicles, consistent with advisory question 7 from town Meeting Day 2021, which was focused on making sure benefits from this proposal would flow to lower income Burlingtonians and making available a clean heating technology fund from the City to support low income households and low income renters.

Mr. Springer stated that there is definitely more work to do, but the first aspect of this is to put it on the Town Meeting Day ballot and get approval, which is required under the charter change. We would then go back to the Council and work on an ordinance language in the spring to begin effective in 2024.

Mr. Springer stated that BED was pleased to host again, for the first time since the pandemic, an in-person celebration for our 4th grade public school students whose artwork is included in the 2023 Net Zero Energy Calendar. We were joined by the Mayor, CHAMP, and our sponsor for the event Vermont Energy Contracting and Supply, with pizza provided by American Flatbread.

6. October FY23 Financials

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

The Department's net loss for the month of October was \$366K compared to a budgeted net loss of \$629K, which is \$264K better than budget.

Sales to customers were \$154K below budget for October, but only \$94K or 0.5% below budget for the fiscal year to-date. Commercial sales overall for the year so far are slightly under budget and residential sales are slightly above budget.

Other revenues, primarily EEU, were higher than budget by \$328K for the month. There were no REC revenues in October. Year-to-date REC revenues were \$258K below budget, and we expect this variance to worsen over the fiscal year as we are expecting REC revenues in the next delivery quarters to be below budget due to lower production earlier this calendar year.

Power supply expenses were favorable to budget by \$173K in October. This is due to a combination of increased purchase power expense offset by decreased fuel and transmission expense. McNeil was offline for the entire month; therefore we had savings on fuel, but we paid more for power through the ISO exchange than budgeted.

Non-power supply operating expenses for October were only \$48K under budget and are on budget for the fiscal year to date.

Other income was \$84K below budget due largely to the timing of customer contributions to capital projects and the unrealized loss on investments in the construction fund.

Year to date the Department has a net loss of \$171K compared to a budgeted net income of \$265K.

As of October 31, the Department's capital spending was \$3.1M versus the \$4.4M budgeted, or 34% of the total FY23 capital budget.

Cash as of October 31 was \$6.4M compared to a budget of \$7.2M, or 83 days cash on hand. Department management will be monitoring the cash position closely over the next several months.

The Department's debt service coverage ratio is 3.53 and the adjusted debt service coverage ratio is 1.01.

6. McNeil Station 2023 CY Budget

Munir Kasti presented the McNeil Station 2023 Calendar Budget.

The draft CY23 expense budget is \$33,887,121 as compared to \$28,531,577 for the CY22 budget. The CY23 budget is approximately \$5,355,544 more than the approved CY22 budget. The increase can be explained by an increase in the fuel expense budget of \$4,745,128. In CY22 the wood tons were budgeted for 420,232 tons and the price per ton was \$28.00/ton for an annual average, in CY23 we have budgeted 397,691 tons with a price per ton annual average of \$40.00/ton to accommodate the current wood chip market. The remaining expense budgeted increase of \$610,416 is due to the rising cost of materials and labor.

The capital budget for CY23 is \$2,845,556 as compared to CY22 was \$2,061,391 a difference of \$784,165. The main reason for the increase in our capital budget is a front-end loader replacement is needed and turbine controls upgraded. Additionally, rising costs of materials and

labor has contributed to this increase.

Commissioner Chagnon made a motion to accept the budget as presented; the motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

7. Commissioners' Check-In

Commissioner Stebbins stated that BED has an amazing team which is responsive, intelligent, dedicated, and hardworking and she really appreciates all of BED's work and has enjoyed her years on the Commission.

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 6:33 p.m.

Attest:

A handwritten signature in cursive script, reading "Laurie Lemieux", is written over a horizontal line.

Laurie Lemieux, Board Clerk