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**MINUTES OF REGULAR MEETING**

**BURLINGTON ELECTRIC COMMISSION**

**Wednesday, March 8, 2023**

The regular meeting of the Burlington Electric Commission was convened at 5:32 pm on Wednesday, March 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 Lara Bonn, Jim Chagnon, Robert Herendeen, Scott Moody, and Bethany Whitaker were present.

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

Staff members present via Microsoft Teams included Rodney Dollar, Erica Ferland, and Amber Widmayer.

**1. Agenda**

There were no changes to the agenda.

**2. February 8, 2023 Meeting Minutes**

Commissioner Chagnon made a motion to approve the minutes of the February 8, 2023 Commission Meeting; the motion was seconded by Commissioner Bonn and approved by all Commissioners present.

**3. Public Forum**

No one from the public was present for the meeting.

**4. Commissioners' Corner**

Commissioner Moody requested reviewing the dashboard metrics at more regular intervals throughout the year. Darren Springer stated that we will have a discussion regarding an item from the metrics in April.

Commissioner Herendeen provided an update regarding the streetlighting meeting with Gabrielle Stebbins. He stated that the IES has lowered their lighting standard for residential areas. Mr. Kasti responded that although IES has lowered this specific standard, the standard has not been defined. If we decided to design to lower light levels, we would need to first define what the level would be. Commissioner Herendeen will investigate the consortium of towns in Rhode Island that has lowered residential light levels to gather more details about the standards they have adopted and how changes were implemented.

**5. GM Update**

Mr. Springer stated that BED submitted five concept papers under the infrastructure bill for federal funding that is available. We have been encouraged to submit full applications for two of those and would like to request that the Chair sign a one-page letter of support on behalf of the Commission for each the proposals. One application is to support our ADMS system to help with greater visibility into the grid for our power system operators. The second application is focused on flexible load management, use rates, and metering.

Commissioner Herendeen requested to see the proposals and Mr. Springer noted that with the submission deadline for both being Friday March 17, 2023, they will be shared via email as soon as possible for review. After review and if no concerns are raised, BED will coordinate with Commissioner Moody to sign letters of support.

Mr. Springer stated that after issuing a statement with IBEW opposing the proposed change to Vermont's Renewable Energy Standard by Renewable Energy Vermont (REV), BED worked with REV and environmental organizations and the bill that was ultimately introduced (H.320) will continue to allow McNeil to count towards Vermont's renewable energy targets and will ensure changes at McNeil to accommodate district energy would not negatively impact its eligibility. They proposed some new standards for new plants that would not affect McNeil.

BED continues to have major cost concerns with REV's bill, but on wood energy there was some positive progress. Mr. Springer noted he discussed this and other issues on Morning Drive in late February, and BED is joining several other public power utilities in publishing a commentary raising concerns with proposed changes to Vermont's renewable policies from cost and GHG reduction standpoint.

Mr. Springer stated that an Act 151 bill has been introduced in the Senate Natural Resources and Energy committee and includes language proposed by BED that would support additional funding for some of our Net Zero Energy programs and initiatives, drawn from the same funding source that currently has supported district energy feasibility work (which will wind down over the next several months as we hopefully reach a stage for financing and construction).

Mr. Springer stated that the FY23 budget remains severely challenged by warmer than expected weather, leading to a significant negative variance at the moment. BED is working on several strategies to preserve cash and mitigate power market challenges through strategic deployment of McNeil for remainder of FY23. Development of FY24 budget is ongoing.

Mr. Springer stated that the Act 250 Jurisdictional Opinion request resulted in needing a full permit application. Local counsel is working to prepare that for the Burlington District Energy non-profit. The non-profit has received 501c3 designation from the IRS.

Mr. Springer stated that BED is grateful to Burlington voters for passing ballot item 2 on Town Meeting Day. We'll look forward to working with the Mayor, City Council, and the Department of Permitting to try to advance policy that would help to implement it ahead of the 2024 timeframe where hopefully it would take effect. There will be discussion around what counts as renewable in Burlington, and BED advocates for the current Burlington ordinance which gives a broad and inclusive definition.

Mr. Springer stated that BED is working with Synapse to get updated 2022 Roadmap metrics, which will hopefully be available by April.

**6. January FY23 Financials**

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

The Department's net loss for the month of January was $566K compared to a budgeted net income of $1.2M, which is $1.7M worse than budget.

Sales to customers were $388K lower than budget for January and $579K lower or 1.9% of budget for the fiscal year to-date. Commercial sales overall for the year so far are down $478K vs budget and residential sales are $131K vs budget.

Other revenues, primarily EEU, were $119K better than budget for the month and $1.0M for the fiscal year-to-date.

Power supply expenses were unfavorable to budget by $1.4M in January. This is due to increased purchased power expense. The Department continues to experience unbudgeted capacity charges related to the Mystic, MA power plant, which were $70K in January.

Non-power supply operating expenses for January were $18K higher than budget and $329K higher for the fiscal year to date, largely due to timing variances.

Other income was $35K lower than budget due to timing of customer contributions and jobbing offset by interest income and unrealized gain on investments in the construction fund.

For FY23 to date, the Department has an actual net loss of $775K compared to a budgeted net income of $1.9M. Exclusive of any volatility in the energy markets, which could be considerable, the

Department is currently forecasting to end the fiscal year with a net loss of approximately $1.4M, or $2.6M less than budget.

Ms. Stebbins-Wheelock explained that while February will likely not be on budget, it will not be worse in comparison to January financials. Mr. Gibbons clarified that BED is not losing money on the sale of each unit of power supply, but the sale price is significantly lower than expected, which is creating the budget constraints BED is currently experiencing. Mr. Springer stated that due the outcome of this risk factor in the current fiscal year budget, BED is budgeting more conservatively for next fiscal year and will likely have a slightly higher rate need.

As of January 31, the Department's capital spending was $4.7M versus the $6.3M budgeted, or 52% of the total FY23 capital budget.

Cash as of January 31 was $6.9M compared to a budget of $10.7M, or 95 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 January 2023, the Department's debt service coverage ratio is 2.69 and the adjusted debt service coverage ratio is 0.77.

Commissioner Whitaker asked what is impacted by having less than expected cash-on-hand and what strategies BED can use to lessen the financial impact of the loss of expected power supply revenues. Ms. Stebbins-Wheelock stated that if the decrease in cash on hand leads to a rating downgrade then it would make borrowing money more expensive. It wouldn't affect any of the rates that we have currently set for the bonds we've already issued or a line of credit. If BED were to issue new debt and our credit rating is less than it is now it would impact future borrowing. BED is evaluating ways to cover expenses either by drawing down more funds from the construction fund than we had planned, or accelerating looking at arrearages to collect cash that is owed that we haven't collected, and looking at things like overtime and vacancy savings.

Ms. Stebbins-Wheelock sated that the budget constraints are also challenged because many expenses are fixed in a normal year. Mr. Springer stated that if these challenges happened within a normal year and we didn't have the revenue bond funding locked in over a three-year period, we would have had a capital budget that was relying on our cash more than this year's budget is. In that case BED would use the method of deferring capital projects to conserve cash. However this year's budget is unique because BED has a fairly significant capital spend, but deferring projects doesn't help to relieve the constraints on the budget. Doing so would mean the necessary amount of revenue bond wouldn't be used over a three-year period. There is also the GO bond the BED needs to use as well. There are very close to zero capital projects that are not sourcing from one of those two areas, meaning this method is not a that tool is able to be used for this budget. One other method is strategically positioning McNeil for the remainder of the year to bring in as much positive variance as possible against potential energy markets.

Mr. Springer stated that 90 days cash on hand is important not only for rating purposes but as a prudent level to try to maintain for operational purposes. During months when operating income is not sufficient to cover operating expenses, cash on hand is used. Mr. Springer stated that there is no fuel adjuster clause for municipalities in the state of Vermont, so rates cannot be temporarily adjusted to recover from constraints BED is currently experiencing like other utilities in the state can. BED is now in a position that rate increases will be needed annually due to inflation and other factors, and the goal is for a rate increase to be below the rate of inflation. Modestly increasing the rates on a regular basis to account for the known cost to maintain the cash margin that is needed to be able to manage financial constraints is the best financial strategy in the long run.

Mr. Springer stated that the primary goal is to maintain 90 days cash on hand at the end of the year. The Moody's rating takes days cash on hand into account, in addition to multiple other metrics over a three-year period and forward-looking plans. Less than expected revenue from power markets for one winter will not necessarily lead to a negative impact on credit outlook.

Mr. Springer stated that this phenomenon has been effecting electric utilities throughout New England with some seeing high single digit or double digit rate increases. BED's 3.95% rate increase last year remains very competitive and rates overall are some of the lowest in the region, particularly our residential rate.

**7. IRP Forecast Update #2**

Mr. Gibbons stated that we received the Itron forecast over the weekend. After initial review it was found to be materially lower than the Net Zero Roadmap, particularly for peak loads in the winter. BED will fully review and confirm what is or is not included in the assumptions before adopting as our Integrated Resource Plan (IRP) forecast.

Mr. Gibbons stated that BED has started the DPS engagement process, which was a requirement of the Memorandum of Understanding (MOU) for the prior IRP. We have shared the last PowerPoint with them for consideration and are scheduling a meeting to discuss how data will be shared as the process moves forward.

Mr. Gibbons explained that one of the requirements of the 2020 IRP MOU was that that the McNeil Economic Study be updated, which is currently underway with a delivery date at the end of March. BED will hopefully be able to share the updated economic study before the next meeting and answer questions about it.

Mr. Gibbons stated that the five year budget model is done and will be extended to finish populating the 20 year projections and turn it into the IRP model using known energy, capacity, and transmission prices.

Mr. Gibbons stated that in discussions regarding topics that will be in the Net Zero Roadmap chapter, BED will update the current assumptions and confirm that they still hold true on changes in energy markets, changes in costs of construction, transmission, and distribution equipment, among others and work to update the chapter with current topics.

**8. Commissioners' Check-In**

There were no Commissioner check-ins.

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

The meeting of the Burlington Electric Commission adjourned at 6:31 p.m.

Attest:

Katie Morris, Temporary Board Clerk