*****DRAFT*****
MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION

Wednesday, May 12, 2021, 5:30 pm

The regular meeting of the Burlington Electric Commission was convened at 5:34 pm on Wednesday, May 12, 2021 via Microsoft Teams Video Meeting.

Channel 17 was present via Microsoft Teams Video to record this meeting.

Commissioners Chagnon, Herendeen, Moody, Stebbins, and Whitaker participated via Microsoft Teams at the start of the meeting.

Staff members present via Microsoft Teams included Darren Springer, Paul Alexander, James Gibbons, Mike Kanarick, Munir Kasti, Laurie Lemieux (Board Clerk), Dave MacDonnell, Paul Pikna, and Emily Stebbins-Wheelock.

1. Agenda

Commissioner Stebbins stated that Agenda items 6, 7, and 8 will postponed until next week. This is due to the department getting a better sense of where we are fiscally for FY22 and what that means in terms of potentially moving forward with a rate case. Mr. Springer will be providing an update tonight with the goal of having another special meeting next Wednesday for discussion and vote on these items.

Mr. Springer stated his appreciation for everyone's patience as the department develops the budget and rate case. We are not prepared tonight to put forward a budget and rate case proposal for a vote and will do so next Wednesday at a special meeting.

Mr. Springer stated that on Monday morning the department will be releasing a public announcement regarding the proposed budget and rate case to ensure that there is some public process prior to advancing this to the City Council and Board of Finance.

2. April 14, 2021 and May 5, 2021 Meeting Minutes

Commissioner Herendeen asked for clarification in the April 14 minutes in item 7, paragraph 4 regarding the following sentence and asked if the wording was incorrect:

The graph showed a business-as-usual (BAU) trajectory, which compared the BAU Net Zero trajectory, indicating an approximately 9 percent reduction in fossil fuel by 2030.

Mr. Springer added additional wording that clarifies the sentence which should now read as follows:

The graph showed a business-as-usual (BAU) trajectory, which compared the BAU ***and*** *Net Zero trajectory, indicating an approximately 9 percent reduction in fossil fuel by 2030 in the* ***BAU scenario****.*

The minutes will be amended to reflect this change.

Commissioner Herendeen made a motion to approve the minutes of the April 14, 2021 Commission Meeting as amended; the motion was seconded by Commissioner Whitaker.

The Board Clerk, Laurie Lemieux, conducted a roll call vote by calling on the following Commissioners:

Commissioner Chagnon. Aye
Commissioner Herendeen. Aye
Commissioner Moody. Aye
Commissioner Stebbins. Aye
Commissioner Whitaker. Aye

Results: 5 Ayes with 0 Nays, the motion carries.

Commissioner Herendeen made a motion to approve the minutes of the May 5, 2021 Commission Meeting; the motion was seconded by Commissioner Chagnon.

The Board Clerk, Laurie Lemieux, conducted a roll call vote by calling on the following Commissioners:

Commissioner Chagnon. Aye
Commissioner Herendeen. Aye
Commissioner Moody. Aye
Commissioner Stebbins. Aye
Commissioner Whitaker. Aye

Results: 5 Ayes with 0 Nays, the motion carries.

3. Public Forum

Mr. Daniel Munteanu was present via Microsoft Teams. Mr. Munteanu stated that he was present just to observe with no participated needed.

4. Commissioners' Corner

Commissioner Herendeen thanked Mr. Alexander, Mr. Charbonneau, and Ms. Lemieux for delivering the Commission packet to him.

Commissioner Herendeen stated that he had requested information regarding the economics of heat pump rebates and asked Mr. Gibbons when he could expect the data. Mr. Gibbons apologized for the delay and assured Commissioner Herendeen that he would send him this information right away.

In the later part of the meeting, Mr. Gibbons forwarded Commissioner Herendeen the requested information.

5. GM Update

Mr. Springer stated that there has been a lot of discussion at the city level regarding returning to work and what it will look like. The department has conducted an employee survey, with the help of Jen Green, Katie Dorey, Ms. Stebbins-Wheelock, and the City HR Department. This survey accomplished two things, it compared how we are doing from employees perspectives relative to communication and productivity during the pandemic with our results from our previous survey in August 2020, and also to get a sense of preferences relative to future remote work options as we move toward reopening. The Net Zero Energy results from 2020 clearly indicated that reduced vehicle miles traveled had a significant impact in helping Burlington be ahead of pace for the Roadmap emissions goals. BED is interested in leading by example in offering some continued remote work options where appropriate, but prior to rolling out any plans and coordinating with the City we want our employees to weigh in and let management know their preferences. We will be reviewing the survey results this week and in the coming weeks we will share the results with employees and with the Commission.

Commissioner Stebbins stated that there has been a lot of effort to ensure that air flow is being improved in a variety of buildings that BED supports and asked how the HVAC ventilation systems are performing at Pine Street and McNeil.

Mr. Alexander stated that the department has brought in our HVAC contractor into both Pine Street and McNeil and replaced the HEPA filters where we were able. We have met with our Energy Services Team, who are experts in the field and have changed the air flow rate per minute. We have also put in ultraviolet lights in the lounge at McNeil Station and Pine Street, and windows have been added in the "B" building to assist with air circulation The department has done all that it can do up to this point to make sure that the building is safe.

Mr. Springer stated that we have collected employee feedback relative to the 2021-2022 Strategic Direction, our strong focus on the budget has not provided time to synthesize potential edits and changes to propose to the Commission. We look forward to providing a draft Strategic Direction update at the June meeting, after which the Commission can provide us further feedback prior to finalizing the 2021-2022 Strategic Direction at the July meeting.

During the week of May 3 McNeil ran at 54 megawatts instead of the more typical 50, as part of a test for district energy operations. The plant is rated to run at 54 and being able to do so may provide important operational and economic flexibility for district energy purposes. Much appreciation to the McNeil team for their work to prepare for and run the 54-megawatt test.

Commissioner Stebbins stated that it has been helpful to have the Strategic Direction dashboard metrics whittled down from the number of items previously listed, and further suggested that the Department list either a specific target or "NA" for items where a target is not practical or achievable (e.g., a $0 target for delinquent accounts greater than $500). This would make clearer that such items are data points being tracked that will fluctuate beyond the Department's ability to control them, rather than imply that the Department has not figured out what the target is. Commissioner Stebbins also suggested adding targets from the Synapse Net Zero Energy report for the Tier 3 and net zero energy program measures—e.g., the number of residential heat pumps installations we will need—to illustrate just how far the Department has to go to achieve our net zero energy goals. Commissioner Stebbins offered to talk off-line with Ms. Stebbins-Wheelock if there were questions.

Ms. Stebbins-Wheelock stated that the Synapse report's targets are annualized and in some cases more high-level than the discrete metrics on the dashboard, which could be noted if they were to be included on the dashboard. Also, the Synapse targets represent the aggressive pace required to achieve net zero by 2030, not necessarily the target that BED believes is achievable within a certain year. Ms. Stebbins-Wheelock stated that the percent of Tier 3 obligations met with program measures was a more salient item for measuring net zero program performance, and that the Department has engaged and will continue to engage Synapse in monitoring progress toward net zero by providing updated data on fossil fuel consumption and greenhouse gas emissions in Burlington, the Department's various programs being means to this end.

Commissioner Stebbins stated that as the team reviews the Strategic Direction for the June meeting, it would be more meaningful to include the greenhouse gas emission target and actuals across electricity, heating, and ground transportation on the dashboard. Commissioner Stebbins stated that she likes seeing the monthly progress, but without a comparison to the goal it leaves her wondering where the Department is overall.

<u>Financials</u>

Ms. Stebbins-Wheelock presented a graph showing the monthly impacts of COVID-19 on BED loads from March 2020 through the end of April 2021. In April BED's loads continued the pattern seen throughout the pandemic; residential sales were 4.2% higher and commercial sales were 5% lower than normal projections, with overall system energy down by 3%.

Ms. Stebbins-Wheelock reviewed the budget-versus-actual results for the month of March FY21. March ended with a net loss of $678K compared to the budgeted net loss of $472K.

On the revenue side, sales to customers were 3% or $45K worse than budget due to COVID-19 (commercial sales decreased $155K offset by residential sales increased $109K) and other revenues were $113K worse than budget, most of that due to EEU reimbursements below budget.

Power supply expenses in March were over budget by $152K, with actual expenses exceeding budget in all three major categories: fuel expenses were over budget because McNeil ran more than was budgeted, wind production was down so purchased power expenses increased, and we continue to see increased transmission expense compared to budget due to the increased ISO transmission rate, variable VELCO transmission costs, and "other" transmission actuals higher than long-term projections used for budgeting.

Operating expense in March was below budget by $84K, with unfavorable variances in Tier 3 expenditures and outside services offset by favorable variances in materials and supplies and other categories where the Department has been proactively reducing spending.

Other income exceeded budget by $28K due to a true-up of dividend income received in January and February.

FY21 year-to-date the Department reports an actual net income of $1.195M compared to budget of almost $1.353M, which is $158K worse than budget.

As of March the Department has spent 54% of the capital budget, including $230K of customer contributions to capital received offsetting Distribution plant expense and additional progress on IT Forward projects in the General plant.

As of the 12 months ending March 2021, the Department has an operating fund of $8.575M and 122 days cash on hand. the debt service coverage ratio is 3.89, and the adjusted debt service coverage ratio remains below target at .96.

Ms. Stebbins-Wheelock added that the Department forecasts that the trends observed through March will continue through the remainder of FY21, with reduced sales to customers revenue, interest income (due to lower rates), and customer contributions to capital and increased transmission expenses. Despite the Department's continued efforts to reduce expenditures as much as possible, the Department projects a net loss for FY21 after the unbudgeted pension liability is included and a year-end cash position of 98 days cash on hand.

Commissioner Whitaker thanked Ms. Stebbins-Wheelock for the presentation and commented that it has been a tough year. Ms. Stebbins-Wheelock acknowledged the team effort and engagement by all areas of the Department to actively monitor and manage spending throughout FY21.

Commissioner Stebbins asked whether the pension liability would be included in the FY22 budget and Ms. Stebbins-Wheelock confirmed that an assumption would be included.

6. Fiscal Year 2022 Draft Budget Discussion

Mr. Springer stated that there is not a lot more to report from last week's update in terms of budget assumptions. The department has cut or deferred as much as we responsibly can, and we've locked down some variables around contingencies for different items, including a contingency for Department of Public Service billbacks for the rate case. It is the Department's understanding that we could be billed for DPS's expert and staff time to review our rate case, and we have added that to our assumptions.

The Department plans to propose a revenue bond for City Council approval in early fall and for voter approval in November. If approved, capital project expenditures for a certain window in FY22 can be appropriately covered by the revenue bond and we have budgeted responsibly with the assumption that the revenue bond is approved.

Also, we have assumed some State arrearage assistance as well as City arrearage assistance and pandemic relief from the City's federal ARPA funds. We originally submitted two requests to the City related to the ARPA funds; one was focused on arrearages, for which we have assumed the full amount requested of $1.3M. This request is included in the Mayor's recommended expenditures shared with the City Board of Finance. We expect approval from the Board of Finance and City Council in the coming months as the budget process moves forward. We also requested assistance for the $2.1M lost revenue from reduced sales to customers due to the pandemic, but it is our understanding that this request will not be funded by the City.

Mr. Springer stated that in regard to the rate case there are multiple pieces that are in tension with each other, and we have been working to resolve these issues. Coming out of the pandemic, we want to keep the rate case number low for our customers. We understand customers are struggling in a challenging time and we are trying to keep the rate case as low as possible. Our Moody's rating metric for adjusted debt service coverage ratio, however, has not been as strong as we need it to be, and lowering the rate case to more than what we need will jeopardize that adjusted debt ratio.

Mr. Springer stated that BED has not raised rates for 12 years and when we present our rate case to the Department of Public Service they will fully scrutinize everything, and we are preparing for that. We are also conscious that there is more going on in Burlington than our rate case, including the City-wide property reappraisal and the Water Department's proposed rate restructuring. We are budgeting for a low-income relief program to help offset the rate case impact for FY22 for our customers who are enrolled in the State Fuel Assistance Program. We are also planning to develop a formal low-income rate that we hope could be in effect by FY23 to assist customers who need longer-term assistance. Mr. Springer stated that at last week's meeting the rate increase under consideration is in the mid-to-high single digits and this has not changed at this point. Our plan is to have a number and a final budget presented to you via a packet by Friday or Monday morning at the latest and will follow up with a public announcement about the rate case.

Going forward, the Department will present the final budget and rate case to the Commission on

May 19, present to the Board of Finance on May 20, and bring the rate case to the City Council and Board of Finance for their approval on May 24. Assuming we have that approval, we plan to file no later than June 15 with the PUC and then set up a surcharge that would begin appearing on bills for energy used after August 1. This surcharge would be a temporary rate impact subject to PUC fully reviewing, approving, or changing our rate as proposed. This could take several months or more and carry through to the end of the year.

Commissioner Herendeen asked whether the Department believed that sales to customers would recover and eventually increase after the pandemic due to strategic electrification. Mr. Springer agreed that the Department's long-term outlook for sales was still positive due to the Net Zero Energy strategy and major developments such as City Place becoming constructed and occupied, and that this load growth would act in the long-term to reduce rate pressure.

Commissioner Whitaker asked if there could be a calculator for customers that would show what this new rate would mean to them individually. This may help with the impact as it might result in a few dollars for most residential customers. Mr. Springer stated that is a great idea; we plan to communicate what the average residential bill impact will be, but if there is an opportunity to be more granular it will be more helpful. Also, Commissioner Whitaker stated that we want to reassure customers that this rate case is not a result of net zero but is a result of COVID and changes in energy sales.

Mr. Springer agreed that we will focus on the fact that BED has done a reasonable job with controllable costs and holding these costs lower than what were projected and it's the uncontrollable costs, such as COVID impacts and transmission, that have been a cost driver along with the cost of doing business (e.g., COLAs, healthcare, pension).

Commissioner Stebbins asked that the press release be shared with all five Commissioners which will allow Commissioners to ask questions, provide input, and be help share information with the public. Commissioner Stebbins also suggested that the Department communicate to customers why the rate increase is necessary and that future rate increases may also be necessary. Mr. Springer agreed that while this rate increase is projected to be in the mid-to-high single digits, in part because of the pandemic and in part because we have held rates steady for 12 years, the Department believes that smaller, more frequent rate increases as needed to keep pace with the cost of doing business would be better for both our customers and the Department's financial health. Commissioner Stebbins suggested that the Department consider including a question about the size and frequency of rate changes in its next customer survey.

Commissioner Moody asked the Department to comment on how the proposed rate increase positions the Department for its long-term financial health. Mr. Springer stated that the Department's proposed rate increase will be less than what can be justified according to the DPS's target metric, which is one measure of "what we need." We also have considered the rate increase in light of our Moody's metrics and to ensure we can continue to make necessary capital investments such as IT Forward. Ms. Stebbins-Wheelock added that in final analysis of all the considerations for the rate case, including impact on customers and the challenging economic conditions caused by the pandemic, management ultimately prioritized the Department's fiscal health in deciding on the amount of the requested increase. The FY22 budget will project credit rating factors in line with current levels, without deterioration. Ms. Stebbins-Wheelock further noted that the Department will continue to monitor several long-term uncertainties, chiefly sales to customers recovery post-pandemic, and will conduct further long-term planning for capital financing, including use of the revenue bond.

The Commissioners agreed to hold a special meeting on Wednesday, May 19 for a final discussion and vote on the FY22 Budget, 2021 Rate Case, and FY22 General Obligation Bond.

7. Commissioners' Check-In

There were no Commissioner check-ins.

Commissioner Moody made a motion to adjourn; the motion was seconded by Commissioner Herendeen.

The Board Clerk, Laurie Lemieux, conducted a roll call vote by calling on the following Commissioners:

Commissioner Chagnon. Aye
Commissioner Herendeen. Aye
Commissioner Moody. Aye
Commissioner Stebbins. Aye
Commissioner Whitaker. Aye

Results: 5 Ayes with 0 Nays, the motion carries.

The meeting of the Burlington Electric Commission adjourned at 7:00 p.m.

Attest:

Laurie Lemieux

Laurie Lemieux, Board Clerk