

*****DRAFT*****
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 for putting electric service in a landlord's existing account 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 Burlington Water Department.

Of the 17 electric utilities in Vermont, only 3 charge a fee to transfer power into a landlord's account pursuant to a standing order. Mr. Bjerke stated that as a result of his inquiries, 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 4 utilities that do not offer a standing order option, 3 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 they the department has looked at this fee and our Director of Customer Care, Mr. Andi Higbee did provide documentation on different scenarios relative to new customer standing orders, returning customers, how many minutes a Customer Care Rep. would spend doing the different processes and the overhead related to this. 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. Gibbons regarding coordination between our Customer Care group and our Policy and Planning group. Mr. Springer stated that there has been a long-standing desire to update the fees, it is a huge undertaking and would likely be done with a future rate case.

Commissioner Stebbins thanked Mr. Bjerke for coming in 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 wrapped up 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 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. that 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 day might be a potential solution rather than more technology. This is not a question Commissioner

Herendeen needs answered tonight but presented as an option to think about.

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 2 Commissioners were in attendance then this meeting would have to be warned as a special commission meeting.. Commissioner Moody stated he would be interested in attending, Commission Chagnon stated that he would let Commissioner Stebbins know this week if he could attend. Due to 3 Commissioners attending this 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, talk with them, see their facilities, and have conversation about some of 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 Turbines. We met ARC through the DeltaClima process, and this turbine represents an interesting potential additional rooftop renewable option which potentially generates 7.8 MWH per year. We are eager to learn more and see if this can be a success and if they can lower their price, we have the option in a year to purchase the unit or revisit the terms of the agreement.

The district energy project work has been picking up pace. We had the Ever-Green team in town last week and we had a chance to meet with them and VGS. The 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 Vita-Learn at the state level. We are also 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 will also 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 asked in terms of monitoring the receivables in response to COVID, and arrearages greater than 60 days, are we past the point of being able to get any federal support and are we trying to follow up with customers?

Mr. Kanarick stated we are following up with customers and to date we have visited about 5 customers. Commissioner Stebbins asked what the date is to start power cut offs. Mr. Kanarick stated that winter verbal cut off start in November and is also temperature dependent. Our goal is to try to communicate and come up with payment plans.

6. 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 actually been issued although we do expect them to be issued tomorrow. What is being presented this evening is marked "draft" because they are in draft form. However, we do expect issuance soon and do not expect the numbers to change. If for whatever reason the numbers change, 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.

The department has spent approximately 65% of the capital budget. Most of the budget spent was on generation and distribution. General includes IT Forward and also IT and General Services as some of the items were affected by supply chain delays in IT equipment and an electric bucket truck.

In cash and investments, we are reporting \$8.4M ending cash balance, 120 days cash on hand as of June 30. The debt service coverage ratio as of June 30 is 4.61, well above the 1.25 we are required to maintain.

At this time Ms. Stebbins-Wheelock thanked each member of her Finance Team as they worked extremely hard to get this done and wanted to convey her appreciation and gratitude.

For fiscal year ended June 30, 2022 we had a positive net income of almost \$2M which was favorable to budget by \$1.129M. The major contributors were the rate increase and increase sales to customers. Power Supply Expense was favorable, mostly due to the strong winter energy prices.

Ms. Stebbins-Wheelock began with the balance sheet or Statement of Net Position. BED's capital assets decreased by \$51,680 for FY22 compared to FY2021. Cash and cash equivalents were significantly up by \$2.4M which is approximately 24% compared to FY21. Under non-current assets, Restricted Investments with bond trustees, that number did increase because we issued the 2022 revenue bond, so you will see the additional \$20M on the balance sheet. Regulatory assets increased \$218K for FY22 compared to FY21. One reason was the department received approval to book as regulatory assets in the 2021 rate increase and we amortize the IBEW pension back payment over a number of years. Another reason was we amortized the Triennial Consulting Engineer review that we are required by the bond resolution to have performed on the electric system and the McNeil Station which is a triannual expense.

Ms. Stebbins-Wheelock noted that 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.

In other non-current assets is the Moran Frame project. It is the other side of the Moran Frame liability that is the uncorrected audit difference. We 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 projective investment earning, and the pension. BED's current liabilities increased approximately \$12.8 million for FY22, that is an increase of about \$2.7M compared to FY21, this was largely driven by an increase in accounts payable. Our non-current liabilities increased \$1.2M compared to FY21. This occurred because we took out an equipment financing note to help finance the new meter data management system which was executed in July 2021 and the other being the Moran Frame liability. The net pension decreased by \$5.8M, these changes were actuarially driven. Ms. Stebbins-Wheelock stated that it is important to note that the total net position increased by \$1.94M compared to FY21.

Ms. Stebbins-Wheelock next presented the income statement, or Statement of Revenues, Expenses, and Changes in Net Position. Under operating revenues, sales to customers were up by \$3.7M compared to FY21 which was 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. Under operating expenses, production expense increased by just under \$500K compared to FY21. Transmission costs increased \$900K most of that was driven by higher ISO New England transmission rates and Distribution expenses were in line with FY21. Customer accounting, service, and sales was up \$590K compared to FY21. Ms. Stebbins-Wheelock stated that this line includes several elements, but 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 was down significantly at about \$1.159M, largely due to pension and benefit costs. Depreciation and amortization was up \$719K. The Department saw a positive operating income of \$1.9M, the department also restated expenses for FY21. The department saw a positive operating income of \$30K compared to a net operating loss of \$100K in FY20.

Ms. Stebbins-Wheelock then presented the cash flow statement, which showed net cash from operating activities were up by \$2.9M compared to FY21. Capital and related financing increased by \$19M due to issuing the bond with the Department, showing a year-end cash balance of \$12.2M compared to \$9.8M in FY20.

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 increase approximately \$500K, there was a slight increase in net position for the EEU fund of approximately \$300-400K.

7. September FY23 Financials

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

The Department's net loss for the month and year to-date is \$1.0M compared to a budgeted net loss of \$817K.

Sales to customers are relatively 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 was favorable as McNeil was offline, so therefore production was far less than budgeted. Capacity was favorable by \$13K, purchase power was unfavorable due to offsetting variations from budget because wind and McNeil production were under budget, therefore the ISO exchange expense was higher than budget. O&M expense was unfavorable mostly due to timing.

Capital spending overall is 23% of budget.

The Department's cash position as of September 20 is \$6.6M, that's 106 days cash on hand with a debt service coverage ratio of 2.56 and adjusted case ratio of 1.01.

8. BED 2022 Property/B&M Renewal

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

Our insurance agent (Hickok & Boardman: H&B) has worked diligently with our existing 4 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)'s 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 4 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 FY'23 budgeted amount of \$675,120 (produced in January 2022 and adopted in June 2022) was

calculated using 5 months at the “current/known” premium amount (\$663,508.14) and 7 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 FY’23 budget and a 3% increase (as planned) over our expiring premium of \$663,509.

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

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.

9. Winter 2022/2023 Update

Mr. Gibbons stated that he would like to update the Commission regarding what we are seeing in the wholesale market. Although we are not as impacted by the wholesale market as others but 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.

Mr. Gibbons stated that there is a strong relationship between natural gas prices and electric prices and when you hear about increase natural gas prices, it is also affecting the electric market. Mr. Gibbons stated that we are not heavily impacted directly because we have a renewable resource mix. The only two of our resources that really have any component with the wholesale market and natural gas is Hydro Quebec and McNeil, which is indirectly impacted due to transportation costs of wood. Mr. Gibbons stated that this is not a problem for use because the cost of our resources are going up, it’s a different issue for us. We have excess resources, and we have excess resources from renewable resources for the next several years. We are coming into this market with net resources to sell as long as our resources produce as expected. We are more of a net seller of energy in the winter, which means a lot of money at this point but a lot of volatility.

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. Mr. Gibbons stated that the highest historical prices in January was just short of \$150 MWH which is \$0.25 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 from about \$0.6 to about \$0.25 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 generating plants.

Mr. Gibbons stated that this is not a small problem which he doesn’t see going away in the next

couple of years and because of this it has turned into rate case around New England. Obviously, it has not turned into a rate case at Burlington Electric, but it has turned into exceptionally large rate cases in areas that deregulate the electric industry.

Mr. Gibbons cited some of the numbers:

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 these affects.

Mr. Gibbons stated that Vermont is looking good at this time but suspects some Vermont increases for utilities who are short and were planning to buy energy on the spot 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, which significantly increased after the rate filing. It has now decreased to where it is below the rate filing which has fluctuated by \$4M.

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


10. 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, Board Clerk