

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

Wednesday, November 10, 2021, 5:30 pm

The regular meeting of the Burlington Electric Commission was convened at 5:36 pm on Wednesday, November 10, 2021 via Microsoft Teams Video Meeting.

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

Commissioners Herendeen, Moody, Stebbins, and Whitaker participated via Microsoft Teams. Commissioner Herendeen joined the meeting at 5:45 pm.

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

1. Agenda

There were no changes to the Agenda.

2. October 13, 2021 Meeting Minutes and October 27, 2021 Special Meeting Minutes

Commissioner Moody made a motion to approve the minutes of the October 13, 2021 Commission Meeting; the motion was seconded by Commissioner Whitaker.

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

Commissioner Moody. Aye
Commissioner Stebbins. Aye
Commissioner Whitaker. Aye

Results: 3 Ayes with 0 Nays, the motion carries.

The October 27, 2021 Commissioner Meeting Minutes will be presented at the December meeting due to Commissioners Moody and Herendeen abstaining from the vote as they were not present at the October 27, 2021 meeting. Commissioner Chagnon was not present at tonight's meeting, preventing a quorum for the vote.

3. Public Forum

No one from the public was present for the meeting.

5. Commissioners' Corner

Commissioner Herendeen is having difficulties finding the meeting link each month and asked that the link be sent out a second time at least 24 hours before the meeting.

Commissioner Herendeen stated that at the last meeting he requested information from various BED staff members and received all the information in short order. He thanked Chris Burns, Freddie Hall, and Munir Kasti for their quick responses.

Commissioner Whitaker, who is an e-Bike enthusiast stated that she was invited by Jen Green to participate in a BED podcast about e-Bikes and Net Zero Energy. Commissioner Whitaker stated that this was a great experience and, as part of the podcast, discussed the bike lane project and asked if BED had weighed in on this project given the Net Zero Energy Roadmap.

Mr. Springer thanked Commissioner Whitaker for her participation in the podcast and stated that BED's first podcast episode focused on the Net Zero Energy Revenue Bond with another podcast coming out soon featuring Commissioner Stebbins that will focus in part on the revenue bond, heat pumps, and other technologies.

Mr. Springer stated that, as part of the Net Zero Roadmap, the Department has focused on supporting all means of alternative transportation. As part of the update earlier this year with Synapse, the Department made an effort to communicate with the public about these issues, and is making sure we continue to support walking, biking, and transit as ways to decrease emissions. We defer, from an expertise standpoint to the Departments of Public Works and Planning, the Departments that are leading the City's efforts on the bike lane planning and infrastructure projects. Jen Green is engaged as well on these projects and does a great job maintaining the interdepartmental partnerships.

Commissioner Whitaker asked if Mr. Springer could speak about staffing issues and any impacts to BED.

Mr. Springer stated that it is a very challenging environment in which to hire, and we are experiencing this challenge in some of BED's search processes. The Department has experienced some turnover, and we are addressing and are presently posting four (4) positions. BED moved a packet through the City Council this past week that made some organizational changes to key positions. Each time the Department has a vacancy, we review the position to ensure that the salary is competitive for the marketplace and to see if we need to update the job qualifications and requirements. We will have another packet going before the City Council next week to convert an IT position that will be vacant in December to a position of great need. We are trying to adapt

organizationally to the greatest needs and are working with HR to make sure we are being competitive with our offers. BED is not unaffected by these challenges and in some cases we are not losing employees to local organizations, but rather are losing them to remote work opportunities with out-of-state companies, which is something we have not had to deal with in the past.

Commissioner Moody stated that he read in the monthly report about the White Accountability Group for City employees sponsored by the Racial Equity, Inclusion and Belonging (REIB) Office and asked Mr. Springer to explain what this group entails.

Mr. Springer stated that BED will be participating in a racial equity training that REIB is setting up for the entire City workforce. We are in the process of scheduling these trainings, which will run for 16 to 20 hours over the course of approximately 16 weeks.

Ms. Stebbins-Wheelock stated that addressing structural racism is a key priority of the Mayor, and as part of that initiative, the Mayor, Human Resources, and REIB created opportunities for all City employees, whether identifying as white or as people of color, to participate in affinity groups. This group started in March 2021 and will continue for a year, and at this time is reading a book (White Fragility by Robin DiAngelo) about structural racism and white identity and discuss a chapter each month. Ms. Stebbins-Wheelock is a volunteer peer facilitator in this group.

6. GM Update

BED finalized and issued financials for the 2021 audit, and Mr. Springer gave thanks to Ms. Stebbins-Wheelock and the finance team for their hard work on this.

The Department has closed the posting for the Director of Finance position and have interviews scheduled with potential candidates next week.

Mr. Springer stated that one of the major items on which BED is focusing is the December 7 vote on the Net Zero Energy Revenue Bond. We are engaged in communicating information about the Revenue Bond through the following communications channels: media outlets; presentations at the NPAs; FAQs, podcasts, Mr. Springer's commentary, and a link to the Live at 5:25 Town Meeting TV program on the BED website.

Mr. Springer stated that, through a collaborative process with IBEW, frontline employees, management, and HR, BED has developed a new performance review form that is clearer and more transparent, and focuses on our four key values: safety, reliability, community, and innovation. The form will go into effect starting in December and will be a significant improvement over the prior evaluation form.

6. FY21 Audited Financial Results

Ms. Stebbins-Wheelock presented the FY21 Audited Financial results and will discuss the balance

sheet, income statement, and cash flow and will cover the financial statements for the EEU Custodial Fund.

Mr. Stebbins-Wheelock began with the balance sheet and stated that BED's 2021 compared to 2020 capital assets were reduced by \$742K. This is mostly due to fewer capital additions offset by any increases in depreciation expense.

Cash and cash equivalents also were down compared to FY20 by approximately \$1.8M with the increase in customer arrearages being a major contributor as well as a decrease in customer contributions for capital projects.

In Accounts Receivable, we have made adjustments both in FY20 and FY21 for the allowance of uncollectible accounts to reflect that our arrearages are at unprecedented levels.

Total current assets in FY21 are down \$867K compared to FY20.

Ms. Stebbins-Wheelock stated that we did receive approval from the PUC to record regulatory assets related to non-capitalized labor. This is labor that BED had budgeted to spend on capital projects but was unable to spend due to the pandemic.

Deferred outflows of resources were up \$1.1M compared to \$20M. Most of this is due to changes in pension and other post-employment benefits liabilities and actuarial reports.

Overall, our current liabilities were up \$200K for FY21 compared to FY20. The largest increase is the net pension liability. This number comes from the City's actuarial report and is up \$2.4M. This number can often swing, and we don't have a lot of control.

Total net position for FY21 versus FY20 is a decrease of \$43K.

On the revenue side, sales to customers were up by \$122K compared to FY20. Other operating revenues were up by \$260K where we saw an increase in price and volume of RECs sold in FY21.

Production expense increased by just under \$1M compared to FY20.

Transmission costs were up \$146K with Distribution inline with FY20. Ms. Stebbins-Wheelock stated that the category "customer counting" has a lot of different pieces but overall this was up \$417K. One of the big drivers of that increase was higher Tier 3 expenses, compared to budget and A&G, administrative in general, is also a big category with a lot of components that was up about \$350K. A large portion was due to things that tend to increase every year, like salaries, pension benefit costs, property insurance. Depreciation and amortization were up slightly, but the loss was improved by about \$500K from FY20.

Non-operating revenue dividends are the dividends associated with our VELCO investment.

Interest rates were low, so we made a lot less in interest income. Grant income is up because of grants we were able to access, such as FEMA reimbursement and local government emergency relief aid.

There was a decrease in net position. We had a \$43K net loss for FY20 with improvement in FY21.

In January 2020, BED became its own fiscal agent for EEU funds, which previously were administered by another financial entity in the state. This means that BED collects the EEU fees and puts them aside for EEU projects. We then invoice ourselves and transfer the money spent on the project from the EEU account to BED's operating account to reimburse ourselves. We continue to submit the same monthly reports to the State to document and approve our EEU expenditures.

In FY20, we brought our EEU expenditures into BED's financial statements, but this year we were required to adopt a new accounting standard (GASB 84). This standard requires moving the EEU funds into a separate fiduciary or custodial fund, which means the funds are not BED's, but rather belong to the EEU program. Currently, there is \$3.2M, up slightly from FY20.

7. FY22 September Financials

On the revenue side, sales to customers were favorable to budget by \$333K. Residential sales were up \$400K, and commercial sales were also up \$400K. Other revenues were down \$188K.

Power Supply Revenue were up \$105K, Power Supply Expenses were up \$6K which are within budget.

Operating expenses were down \$247K. Other income is under budget for September, mostly due to customer contributions not arriving as planned. Year-to-date, we are on track with a variance of \$79K.

As of September, the Department has spent 11% of the FY22 budget and has an operating cash balance of \$6.9M or 127 days cash on hand. The debt service coverage ratio is 4.37, and the adjusted debt service coverage ratio is 1.09.

7. BED 2021 Property/B&M Renewal

Mr. Alexander stated that BED's current Property/B&M Insurance coverage with AIR/Starr Tech/Zurich/AEGIS was scheduled to expire on 11/20/21 for which BED pays a premium of \$644,506.

Our insurance agent (Hickok & Boardman: H&B) has worked with our existing four carriers and is still in negotiations with AIG to increase their "capacity" to 30% versus the current 25%.

The renewal premium is anticipated to increase from last year's amount of \$644,506 to \$676,755,

which matches our estimated 5% renewal premium for 11/20/21 in the FY22 budget.

Similar to last year, our Total Insurable Value (TIV) will be capped at \$175,000,000 of property versus our current fully scheduled TIV of \$264,312,000. The McNeil Station's TIV is listed at \$187,382,000.

H&B has appealed to AIG to increase its capacity by 5% by offering to raise our deductible for "Property/Equipment breakdown" from \$500K to \$1M.

The impact on the FY22 budget amount of \$663,318 was calculated using 5 months at the "current/known" premium amount of \$644,507 and 7 months at the projected amount of \$676,755. This would amount to 0.0% change in our FY22 budget and a 5% increase over our expiring premium.

Commissioner Whitaker made a motion to recommend to the City Council that Darren Springer, BED General Manager, or his designee, is authorized to renew BED's Property/B&M Insurance for the period of 11/20/21 through 11/20/22, with a not to exceed premium of \$676,755, as outlined, subject to review and approval of the City Attorney's office; the motion was seconded by Commissioner Herendeen.

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

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

Results: 4 Ayes with 0 Nay, the motion carries.

8. Market Update

Mr. Gibbons stated that there has been a lot in the news about prices for energy this winter and will present a PowerPoint to indicate what this will mean to BED.

Mr. Gibbons stated that within the presentation the term "Henry Hub" is used and represents a pricing point for natural gas in the Texas Gulf area. The term "Algonquin" refers to the natural gas pipeline that delivers into Massachusetts and is the pipeline that most of the generators in New England use to access natural gas. The differences between these two locations can be significant, particularly in the winter when there is a limitation on the pipeline to transmit the gas up to New England.

Mr. Gibbons stated that, for the first time in 12 years, we are entering winter with gas prices over \$5/MMBtu. We have had a long time of relatively inexpensive gas prices, and we are now seeing them increase for the first time.

Mr. Gibbons reviewed a graph showing prices going into winter and stated that the cost for peak energy for the month of January 2022 has not been this high since late 2020. We are not up to the point where trading for wholesale energy is at \$0.16, which is very close to our retail rates for residential and commercial customers. Mr. Gibbons stated that Burlington is not going to be exposed to that directly because we have contracts that protect us.

Higher gas prices in New England drive the higher electric prices. Mass Hub on peak is the cost of electric energy and Algonquin is the cost of natural gas delivered to New England. You can see on the graph how closely correlated they are (90%). The reason is that New England relies very heavily on natural gas generation.

The prices also have risen in the outer years, so right now the most price effect we've seen is for the next year to two years. These prices have pulled up in the outer years but are nowhere near as much.

The next graph indicates a line showing when BED would need to consider its next major energy purchase. The curve is not too problematic for BED, since the back end of the curve, where we would be needing to start to purchase power again, has not moved nearly as much. If the Department is looking to do a replacement for power, we're not likely to be looking at the prices that we're seeing today unless they continue to increase for that period of time.

Mr. Gibbons ended his presentation and answered questions from the Commission.

9. Commissioners' Check-In

Commissioner Herendeen stated that, when reading the monthly reports on efficiency measures, the question he asks is "are we making this more efficient with the burning of gas or in the use of electricity." Commissioner Herendeen proposed that more detailed information in the monthly reports on this issue could be added. Mr. Kanarick suggested that he would be glad to facilitate a phone call between Chris Burns and Commissioner Herendeen regarding the information he is looking for each month. Commissioner Herendeen said he would be happy to participate in the call.

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 Herendeen. Aye
Commissioner Moody. Aye

Commissioner Stebbins. Aye
Commissioner Whitaker. Aye

Results: 4 Ayes with 0 Nays, the motion carries.

The meeting of the Burlington Electric Commission adjourned at 7:02 p.m.

Attest:

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

Laurie Lemieux, Board Clerk