

**MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION**

Wednesday, May 11, 2016 – 5:30 p.m.

The regular meeting of the Burlington Electric Commission was convened at 5:36 p.m. on Wednesday, May 11, 2016 at the Burlington Electric Department at 585 Pine Street, Burlington, Vermont.

Commissioners Spencer Newman, Scott Moody, Bob Herendeen, and Tim Perrin were present.

Staff members present included Neale Lunderville, Paul, Alexander, Chris Burns, Mike Flora, James Gibbons, Mike Kanarick, David MacDonnell, Ken Nolan, Jim Reardon, Destenie Vital and Ilir Hassa

Other staff members present included Laurie Lemieux, Board Clerk.

Channel 17 was present to tape this meeting.

1. Agenda

There were no changes to the agenda.

2. Minutes of the April 13, 2016 meeting

Commissioner Moody made a motion to approve the minutes of the April 13, 2016 meeting; the motion was seconded by Commissioner Perrin and approved by all Commissioners present.

3. Public Forum

No one from the public spoke at this time.

4. Commissioner's Corner

Commissioner Moody stated that the "We Love Burlington" kickoff was well attended by many local businesses.

Commissioner Moody wanted to thank Jon Clark for graciously giving a tour at Winooski One to Commissioner Moody and some associates. Commissioner Moody stated that BED customers may not be aware that their Electric Department is doing a lot work in wildlife conservation and working hard to maintain the fish population along with the facility.

6. General Manager's Update (Oral Update)

Mr. Lunderville thanked Commissioner Moody for attending the "We Love Burlington" kickoff and reminded the Commissioners that the public portion of the contest is to show that Burlington is the most sustainable city in the US and as of 2 days ago Burlington has received 620 votes. Burlington also had several hundred tweets, Instagram and Facebook postings and now other City Departments are getting involved. Mr. Lunderville thanked Mike Kanarick and Destenie Vital for all the great work in putting everything together.

Mr. Lunderville informed the Commission about an event at UVM to unveil the EV car charging stations. Burlington Electric has been working with the Department's largest customer (UVM) to unveil these 4 charging stations around campus. Over the course of the next year more stations will be rolled out around the city and by the end of the calendar year there will be 14 EV charging stations with 25 ports.

The Department is trying to do more with the schools and in the past couple weeks BED had two events

which highlights this. BED was at the Sustainability Academy on April 29th and had a line truck at the school so kids could learn about electricity and what our line workers do. Also, BED was at Champlain School for a “Pre” Green Up Day event and was out picking up trash with 4th graders.

BED was also at Kids Day at the Waterfront last Saturday with two bucket trucks giving the kids bucket rides and the BED Team did a great job.

Mr. Lunderville, along with Mr. Nolan and Mr. Kanarick gave an update on the S.230 Siting Bill. Mr. Lunderville stated that this bill will put more power in regional planning commissions and municipal planning endeavors. Mr. Lunderville feels that the bill raised new hurdles for renewable development and in some cases will make it more confusing for Vermonters to roll out renewable projects and to make sure that these projects are in compliance with the law. This bill will also require property owners to attach their certificate of public good to their property deed, which could unnecessarily complicate transactions, increase costs for property owners, and slow renewable development. This bill also addresses the concerns regarding the need for a public advocate separate from the DPS, but Mr. Lunderville feels this will only put up hurdles, especially for a municipal utility that already is governed by City structure.

Mr. Kanarick stated that the sound standards for wind generation will take effect upon the passage of the bill and will create temporary rules for 45 days with the Board adopting the final rules by July 1, 2017.

Mr. Nolan stated the standard offer program was changed by carving out 1/6th of the standard offer of megawatts that are available and will require that megawatts be given to preferred siting, i.e. roof tops, parking lots, etc.

Mr. Lunderville stated that H.577 Bill was introduced to correct a Legislative oversight in regard to application for certificate of public good thresholds. This bill corrects the oversight and realigns the thresholds which apply to municipal and cooperative utilities to be the same as other utilities. It also sets up a mechanism to look at the purchase of the hydro-electric dams and authorizes money to continue this study.

Mr. Lunderville believes both these bills will become law and BED will work hard to meet the standards in both bills.

Commissioner Newman asked what the key items were that affect Burlington in this legislation. Mr. Nolan stated that BED would be affected by a process that has been set up for municipal planning departments and regional planning commissions to get their energy plans approved and certified. If these plans are approved, planning commissions may take on a greater role in the PSB process.

Mr. Lunderville asked Mr. MacDonnell to update the Commission on the McNeil yearly outage. Mr. MacDonnell stated that the outage is always scheduled for two weeks in April due to the low energy prices and wood harvesting is slow due to the wet wood. The outage is done each year to take apart machinery and equipment to inspect and repair as necessary. This year the outage was scheduled for April 16-May 1, but was forced to shut down two days early due to the failed ash removal system. Also, part of the outage included the repairs done on the ID fan. This fan was found to be out of alignment and these repairs resulted in an additional five days being added to the overhaul. The plant came back on line May 7th and the plant has been running around the clock with no problems.

Commissioner Newman thanked Mr. MacDonnell for his hard work and commented on what a great job Mr. MacDonnell has been doing since he has taken over at McNeil.

Mr. Lunderville updated the Commission on the remodeling at 585 Pine Street. The IT Department has been opened up and is complete with new desks, carpet and paint. The eastern half of the Department is now open and the Finance area is ready for the next phase. The next area will be Customer Service, which will include a glass wall that separates the customer service area from the lobby. This will not only open up the Customer Service area and will allow for more privacy when dealing with customers, it will also add

security to the building. After completion of Customer Service area, Distribution, Engineering and Resource Planning will follow.

Mike Kanarick introduced Ilir Hassa to the Commission. Mr. Hassa is BED's AmeriCorps member and comes from the "We All Belong" program that is run by CEDO. Mr. Hassa has been with the Department for 2 weeks and BED is excited to have him.

7. Strategic Plan

Mr. Lunderville presented a PowerPoint presentation on the Strategic Plan emphasizing the changes made to the Plan. Mr. Lunderville stated that not much has changed with the exception of the 10 Year Vision definition. Mr. Lunderville and Mr. Nolan met with Commissioner Herendeen to establish a draft definition and these are the only changes that are being presented at this meeting. Mr. Lunderville reviewed the new 10-Year Vision and noted the changes made from the previous version. Commissioner Herendeen asked that the wording on sourcing be changed to say "*sourcing at least as much renewable energy as consumed*". Mr. Lunderville agreed and will change the 10-year Vision to reflect this change. Mr. Lunderville explained that this Strategic Plan would be reviewed, refreshed and updated every year to ensure that the Department budget is matching BED's initiatives and continues to point towards the vision. Mr. Lunderville stated that this Plan will be brought to the Commission yearly for renewal and approval.

Commissioner Newman asked what would put that renewal in motion to ensure that this is done every year. Mr. Lunderville stated that this would be done every January / February during the budget process.

Commissioner Herendeen made a motion to approve the Strategic Plan as amended; the motion was seconded by Commissioner Moody and approved by all Commissioners present.

8. Floyd Recommendations Overview

Mr. Lunderville presented the report on the Floyd recommendations highlighting the savings achieved by implementing these changes. Approximately 300 recommendations were suggested and the Department is pursuing 260-270 of these changes which is keeping the company very busy. Mr. Lunderville noted that a lot of these savings are quantifiable, but there are also soft savings that are not quantified in the report. These savings fall into three categories: 1) not filling positions; 2) changes in process and scheduling and 3) changes to how BED administers penalties and collection for overdue accounts. Mr. Lunderville explained that approximately \$250K would be a one time savings and the remainder would be ongoing annual savings.

Commissioner Moody noted concern about the collection portion of savings. Commissioner Moody stated that he appreciates how great BED is about customers in a position of having to work out payment issues. Mr. Lunderville stated that any implementation of this would require Commission and regulatory approval before any changes could be made so there is plenty of time to work on this issue. Mr. Lunderville stated that BED does have the capacity to implement work order collection without approval; an example would be the Department doing work for other people who have not paid. Mr. Lunderville will continue to update the Commission on BED's progress on the implementation of the recommendations.

9. 2015 DSM Report

Mr. Burns stated that every year BED is required to file an annual report on the energy efficiency utility activities. The process begins with the demand resource plan proceeding conducted every two years by the Public Service Board and the Department of Energy Services. The purpose is to study energy efficiency potential and delivery cost over the next 20 years. This process culminates in an order that sets BED's EEU budgets and savings targets for the next 3 years. Mr. Burns presented a PowerPoint presentation highlighting the Departments achievements and budget savings, costs, etc. Mr. Burns stated that by mid-May all the saving claim figures will be submitted to the DPS for measurement and verification. The DPS

works with local engineering firms to create an independent third party view of BED's savings claims. A random sample is taken of BED's projects, the engineers are sent on site to do sub-metering and then try to recalculate BED's savings to validate the claims. A realization report is generated and BED's savings are either decreased or increased by sector based on the results. This concluded Mr. Burns' presentation.

10. Fiscal Year 2017 Budget

Jim Reardon, Interim Director of Finance, presented an overview of the FY 2017 budget.

Mr. Reardon asked if any of the members had any questions from reviewing the detailed budget information sent to them last week.

Burlington Electric Department (BED) did receive the City indirect allocations. BED has thoroughly reviewed these allocations and has a few insurance questions outstanding but those do not materially affect the FY 2017 budget. The indirect allocations from the City are now reflected in the FY 2017 budget. Operating and Maintenance decreased by \$9,000 and Taxes \$2,000. \$4,300 was added to the Capital budget based on a revised estimate for the Pine Street Emergency Generator and Switchgear.

BED will achieve a balanced budget without raising customer rates. Mr. Reardon pointed out that FY 2017 would be the eighth consecutive year without a rate increase.

On the expense side, the Net Power Supply costs are up \$1,365,000 in FY 2017. The primary reason is due to wholesale market prices being depressed by low natural gas prices. Mr. Reardon also pointed out that capacity prices have more than doubled in recent years and transmission costs have tripled since FY 2007. BED has reduced controllable Operations and Maintenance (O&M) to pre-FY 2015 levels, after what FY 2015 would have been without the Voluntary Buyout expense of \$2,069,000 and the added expense related to Winooski One Hydro, \$423,000.

Mr. Reardon then discussed the Capital Budget. Capital Spending, net of Customer Contributions of \$2,615,489 is proposed at \$8,803,000. This major investment in capital improvements is designed to improve safety and reliability of our grid, aerial and underground distribution systems, as well as investments in critical information technology systems. BED will also be making an additional investment of \$2,862,000 in VELCO, which pays a very good return on investment.

The estimated beginning cash balance for FY 2017 at July 1, 2016 is \$10.8 million. The estimated ending cash balance for FY 2017 at June 30, 2017 is \$5.7 million and the budget assumes no additional borrowing other than the \$3.0 million from General Obligation Bonds. BED has designed the FY 2017 budget to meet Moody's "A" bond rating criteria for days cash on hand (greater than 90 days), debt service coverage (greater than 1.25) and adjusted debt service coverage (greater than 1.10).

11. March 2016 Financial Update

Jim Reardon, Interim Director of Finance, presented a brief review of March 2016 year-to-date financial results.

This presentation included a brief discussion of the \$1,144,000 Operating Income year-to-date and the \$2,587,000 Net Income year-to-date. Mr. Reardon pointed out that Other Income for the nine months ending in March was below budget due to billings/contributions for a significant University of Vermont Medical Center project being less than budgeted (\$1,767,400 versus actual \$1,056,200). Interest Expense is in line with budget.

Sales to Customers and Power Supply Revenues are relatively on target. Other Revenue for the month and year-to-date was below budget due to Energy Efficiency Program costs reimbursements less than planned. Mr. Reardon pointed out that this also means Burlington Electric Department (BED) incurred less expenses for Energy Efficiency Programs than planned which offset this loss of revenue.

On the expense side, Power Supply Expenses are up \$331,000 year-to-date. Purchased Power Supply was above budget year-to-date by \$860,000 due to excess energy sales at lower prices and lower volume than estimated in the budget. Higher Purchased Power Supply was partially offset by year-to-date Fuel Costs lower than budget. McNeil production and woodchip costs (per ton) are six percent lower year-to-date than budget. Operating Expenses year-to-date is relatively on target and within one percent of budget. Taxes were up \$132,000 year-to-date as the budget was a preliminary estimate provided by the City and did not reflect final asset values from BED. Depreciation was up \$383,000 year-to-date due to actual loss on retirement of meters which was higher than estimated in the budget and the depreciation on Winooski One was higher than projected. Mr. Reardon pointed out that this variance will unfavorably increase thru FY 2016.

Mr. Reardon then discussed Capital Spending. In total, year-to-date ending April 30, capital spending was thirty-five percent (\$3,001,000) of the \$8,458,000 budget. McNeil/GT Production Capital is relatively on target year-to-date. Solar and General Plant Capital will not be fully expended in FY 2016. Mr. Reardon pointed out \$528,121 of the Solar and \$248,000 of the General Plant capital budget has been reallocated to the SCADA (supervisory control and data acquisition) project. Distribution and General Plant capital spending is due to timing. Other Production will be fully encumbered in FY 2016.

On Cash and Investments, BED closed April 30 with \$9.7 million of unrestricted and reserved operating funds. In addition to the Operating Fund, there is the Construction Fund of \$3.3 million financed by the 2016 General Obligation Bond, which includes bond proceeds and premiums. As discussed in previous months, the internally restrictive reserve fund for the employee Voluntary Buyout Plan is now fully expended.

Mr. Reardon pointed out that the Rating Factors are in line to meet Moody's "A" bond rating.

Executive Session

Mr. Lunderville stated that the reason to enter executive session is to update the Commission on the following issues:

Per PSB Docket 8600 South Forty, BED is still in negotiations with the Public Service Department and premature public disclosure regarding these negotiations would put the Department at a substantial disadvantage with closing this contract.

In regard to the ongoing negotiations of real estate pertaining to hydroelectric facilities, the premature public disclosure regarding these negotiations would put the Department at a substantial disadvantage with closing this contract.

In regard to the Telecommunications Contract with Burlington Telecom and ongoing negotiations, the premature public disclosure regarding these negotiations would put the Department at a substantial disadvantage.

Mr. Lunderville is asking the Commission for a finding in these cases.

12. PSB Docket 8600 South Forty (Executive Session)

Commissioner Moody moved to find that premature general public knowledge of the PSB Docket 8600 South Forty Negotiations would clearly place the Burlington Electric Department at a substantial disadvantage per Title 1, Section 313 (a)(1) of the Vermont Statutes; this motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

Commissioner Moody moved that the Commission enter into executive session with BED Staff to discuss the PSB Docket 8600 South Forty Negotiations under the provisions of Title 1, Section 313(a)(1)(A) of the Vermont Statutes; this motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

13. Real Estate Pertaining to Hydroelectric Facilities

Commissioner Newman moved that the Commission enter into executive session with BED Staff to discuss the negotiation of real estate pertaining to hydroelectric facilities under the provisions of Title 1, Section 313(a) (2) of the Vermont Statutes; this motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

Commissioner Newman moved that the Commission enter into executive session with BED Staff to discuss the PSB Docket 8600 South Forty Negotiations under the provisions of Title 1, Section 313(a)(1)(A) of the Vermont Statutes; this motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

13. Telecommunications Contract (Executive Session)

Commissioner Herendeen moved to find that premature general public knowledge of a telecommunications contract with Burlington Telecom would clearly place the Burlington Electric Department at a substantial disadvantage per Title 1, Section 313 (a)(1) of the Vermont Statutes; this motion was seconded by Commissioner Moody and approved by all Commissioners present.

Commissioner Herendeen moved that the Commission enter into executive session with BED Staff to discuss a telecommunications contract with Burlington Telecom under the provisions of Title 1, Section 313(a) (1) (A) of the Vermont Statutes; this motion was seconded by Commissioner Moody and approved by all Commissioners present.

14. Commission's Recommendation to Mayor regarding an additional term for Neale Lunderville, General Manager (Executive Session)

Commissioner Perrin moved that the Commission enter into executive session with no BED Staff to discuss the reappointment of the General Manager under the provisions of Title 1, Section 313(a)(3) of the Vermont Statutes; this motion was seconded by Commissioner Moody and approved by all Commissioners present.

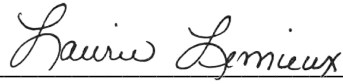
The Commission entered into Executive Session at 7:27 p.m.

Commissioner Herendeen moved to exit Executive Session at 8:54 p.m.; this motion was seconded by Commissioner Moody and approved by all Commissioners present.

Commissioner Herendeen made a motion that the Burlington Electric Commission unanimously recommends to the Mayor and City Council the reappointment of Neale Lunderville for FY17 stating that Mr. Lunderville has been an inspiration and dynamic force at Burlington Electric. This motion was seconded by Commissioner Moody and approved by all Commissioners present.

Commissioner Herendeen moved to adjourn the meeting at 9:00 p.m.; the motion was seconded by Commissioner Moody and approved by all Commissioners present.

Attest:

A handwritten signature in cursive script, reading "Laurie Lemieux", written in dark ink.

Laurie Lemieux, Board Clerk