

**MINUTES OF REGULAR MEETING  
BURLINGTON ELECTRIC COMMISSION**

**Wednesday, April 13, 2016 – 5:30 p.m.**

The regular meeting of the Burlington Electric Commission was convened at 5:34 p.m. on Wednesday, April 13, 2016 at the Burlington Electric Department at 585 Pine Street, Burlington, Vermont.

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

Staff members present included Neale Lunderville, Chris Burns, Mike Flora, James Gibbons, Mike Kanarick, Munir Kasti, Tom Lyle, David MacDonnell, Ken Nolan, and Jim Reardon

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 March 9, 2016 meeting**

Commissioner Moody made a motion to approve the minutes of the March 9, 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**

There were no items to discuss at this time.

**5. General Manager/Commission Information Items (Oral Update)**

Mr. Lunderville informed the Commission that Trans Canada, which owns 13 hydro dams on the Connecticut River, is selling these assets. Back in 2005 when Trans Canada purchased these dams the state of Vermont was also interested in the purchase. The State did a study and along with partners put out a bid but the sale was awarded to Trans Canada for \$528M. These dams are now being sold and the State has again expressed interest. The Governor has convened a study committee of 7 individuals to investigate this possibility. This sale will take place rather quickly and within the next 6-8 weeks the bids will be put together and Trans Canada will award the winning bid by this summer. Mr. Lunderville stated that there may be some value in utilities looking at these dams and BED has completed some preliminary studies. BED is looking at this sale with other utilities and there may be a cooperative consortium to do some kind of deal. If there are any updates before the next meeting Mr. Lunderville will let the Commission know the details.

Mr. Lunderville asked Mr. Nolan and Mr. Kanarick to update the Commission on S.230, the Solar Siting Bill.

Mr. Kanarick stated that S.230, the renewable energy siting bill, is pending in the House Natural Resources and Energy (HNRE) Committee and, after many weeks of review by the Senate Natural Resource and Energy Committee, the House committee is completely rewriting the bill. Mr. Kanarick

stated that Margaret Cheney, a member of the Public Service Board and former Vice Chair of the House Natural Resources and Energy Committee, testified yesterday stating that the Senate version of the bill would create confusion, add red tape, and not add much of a positive nature to energy siting. The shared goal of this bill is to do better for our environment and to keep an eye on energy siting to ensure it works in conjunction with town plans. The heart of the bill would allow substantial deference to towns to carry out municipal plans that identify appropriate locations for renewable energy projects. There were different iterations of whether “certified plans” as set forth in the Senate version of the bill would be required to identify renewable energy project locations. The idea was that a certified plan would receive substantial deference and if a town plan was not certified, that plan would be subject to less scrutiny. The House Committee threw out the Senate version requiring a certified plan – the theory is that the House Committee will come back and allow some kind of substantial deference to remain in the bill, but without a certified plan. Other provisions include a public assistance officer, aesthetic standards, and increasing review of projects. The House Committee has an internal deadline of Monday and the feeling is that there would be tremendous debate on the floor and this may not be ready for debate.

Regarding the net metering docket, Mr. Nolan stated that BED still has concerns about giving preference to siting that doesn’t bring real value to consumers, although BED can support the pricing that has been put forward. There are concerns that there is no language in the net metering rule allowing BED to file rates for wire charges and the only spaces available for net metering are spaces that qualify for top tier. This means that BED will be paying the highest incentives for all net metering while other utilities are able to spread that cost over some sites that have the lower value. BED will see higher rate pressure from net metering constructed than other utilities. BED will put in comments around those areas, but in general BED supports the rule.

Commissioner Newman asked what the impact would be on someone wanting to install solar panels on their roofs. Mr. Nolan stated that residential roof top installations are preferred locations and would still go through the license process to get a permit. The difference would be instead of getting paid the .20 per KWH it would be closer to .177 per KWH if the REQ’s were given back to the utility and closer to .116 per KWH if the resident decided to keep the RECs.

Commissioner Newman also asked about the wires charge when installing solar panels.

Mr. Lunderville stated that BED is not proposing a wires charge or grid service fee. What BED is proposing is that all utilities should have the right to petition the PSB to put such a charge on in the future.

Mr. Lunderville updated the Commission on some of the upcoming construction projects at BED.

BED is working with Burlington Telecom to install fiber in the Department’s electrical conduit. The crews are working on re-conductoring a line at Red Rocks and BED is able to pull the BT fiber in the underground conduits and will be connecting the residents in that area. Mr. Lunderville noted that BT is treated like every utility and is charged for any work that the Department does along with a conduit charge.

BED is doing street light replacement on Riverside Avenue. These fixtures are being replaced with similar fixtures as the Department is no longer able to get parts for the original lights.

The Department is rebuilding a couple sets of lines: Queen City Line 4 and the line on Pine Street and Lakeside Avenue.

The largest project is relocating underground cables for the new UVM Chiller Plant.

Mr. Kanarick informed the Commission on exciting media opportunities and public engagements.

Burlington has been named by the World Wildlife Fund (WWF) as an Earth Hour City Challenge Finalist. Years ago the WWF started the idea of observing Earth Hour which is one hour on a Saturday where the

lights are dimmed to bring attention to energy conservation. Due to the success of this one hour the WWF wondered what more could be done in this area. Over the years cities around the world have been reporting to the WWF the many steps these cities are taking to do more in terms of energy efficiency and sustainability. Burlington has many accomplishments in these areas and has caught the attention of the WWF. This year Burlington is one of three finalists along with Boulder, Colorado and Evanston, Illinois for the title of US Earth Hour City Capital. There is a campaign that launches on April 26<sup>th</sup> called “We Love Cities”. This competition was developed to get communities to look at what more can be done when it comes to looking out for the environment and sustainability. A social media campaign will begin on April 26<sup>th</sup> and although the winner is not determined by the social media activity, the judges will look at the level of engagement of that particular community. So between April 26<sup>th</sup> and June 22<sup>nd</sup> BED will have the link to “We Love Cities.Org” on the website so individuals can vote for their favorite City. Mr. Kanarick stated that the plan is to drum up excitement and to get the community engaged regarding this competition. Mr. Lunderville stated that this is not about Burlington Electric; this is about the City of Burlington and will be asking our friends in other towns to vote for Burlington as the most sustainable city.

Mr. Kanarick extended an invitation to the Commission to join the Department in celebrating Burlington Electric’s 111<sup>th</sup> Birthday on Friday, April 29<sup>th</sup> at 2:00 pm. Part of the celebration will include a group photo taken from a bucket truck along with a cake.

Also, May 3<sup>rd</sup> there is will be a “Lunch and Learn” on the Intervale Food Hub with Travis Marcotte and all Commissioners are welcome.

## **6. Strategic Plan**

Mr. Lunderville presented the updated Strategic Plan. Over the last month Mr. Lunderville has received feedback from staff and Commission and updated the plan based on the comments received. Mr. Lunderville stated that a series of employee meetings were held after the last Commission Meeting that included the Strategic Plan. Mr. Lunderville noted that these employee meetings were the highest attended since Mr. Lunderville started at BED and employees were very engaged and provided great feedback. Mr. Lunderville took the feedback, made some changes and is hoping to get the Commission’s approval that this will be the Department’s formal Strategic Plan for the next year.

Mr. Lunderville stated that the Mission Statement and Values have not changed since it was introduced last year but changes have been made to the Vision Statement.

Mr. Lunderville reviewed the new 10-Year Vision Plan with the Commission:

*“Transition Burlington to a “zero net energy city” across electric, thermal, and transportation sectors by reducing demand, realizing efficiency gains, and expanding local renewable generation, while increasing system resiliency.”*

Mr. Lunderville discussed the Vision Plan in detail by stating that “*Transition*” means the Department recognizes that full zero net will take longer than 10 years.

The definition of a “*Zero Net Energy City*” is abundant and the Department is leaving that undefined for now.

“*Transportation*” will not include air travel for this first phase and “*local*” is now focused on renewable generation.

Mr. Lunderville went on to explain that “*Resiliency*” is a key part of preparing for the effects of climate change.

Commissioner Herendeen has reservations regarding the statement of “*transition Burlington to a zero net energy city*” and felt the term “*transition toward*” would be better language. Commissioner Herendeen feels that if asked the definition of “zero net City” it would be very difficult to explain. Commissioner Perrin and Commissioner Stebbins feel that it’s ok not to have an exact definition, but it will get people thinking about the various ways zero net energy could be measured and what it means to the individuals and the groups that they are involved in.

Mr. Herendeen stated that UVM will be coming out with a study on zero net in the next couple weeks and would like to hold off on supporting this Strategic Plan until after reviewing the study.

Mr. Lunderville will speak with Commissioner Herendeen after the UVM study is released, take the Commission feedback and incorporate this into the Vision Plan. Mr. Lunderville will bring the updated version back to the Commission for approval at the May meeting with the hope that this can be launched in late May or early June.

## **7. McNeil / Resource Management, Inc. Contract**

Mr. MacDonnell informed the Commission that only limited contractors can remove ash. Per the Vermont Department of Environmental Conservation, McNeil is required to remove ash from the site in order to continue day-to-day operations. The Department requires McNeil to contract with a company that has a Vermont Wood Ash Certification.

McNeil received two (2) bids and would like to award the contract to Resource Management, Inc. (RMI). RMI was the lowest bid received, has the required certification, and has also been recycling wood ash from McNeil since 2000.

In this contract, the price for removing fly ash has decreased from the present \$8.00/ton to \$5.00/ton and the price for removing bottom ash will decrease from \$9.75/ton to \$9.25/ton. This is a 5 year contract beginning on June 1, 2016. BED is requesting that the Commission approve the 5 year contract with RMI.

Commissioner Herendeen made a motion to approve the 5-year contract with RMI; the motion was seconded by Commissioner Stebbins and approved by all Commissioners present.

## **8. Rate Design Update**

Mr. Gibbons introduced the Rate Design Status Update with a PowerPoint presentation. Mr. Gibbons began with a project overview of the steps involved in the process and the completion status of each step.

The first step in the process was the rate research which was a review of BED’s existing rate structure and a survey of customer satisfaction, priorities and rate interest or preference and was completed last year. The next step is still in process and this includes reviewing the cost allocations for each of BED’s existing rate classes based on adjusted FY15 actual expenses as a “Test Year”. Mr. Gibbons went on to explain that a cost of service model has been developed to allocate detailed costs to individual customer classes based on how each class contributes to BED’s incurring of those costs. Mr. Gibbons stated that there are some primary issues to be aware of in cost allocation, such as the probability of rate impacts that affect customers and classes differently.

The final process is the rate design. This includes consideration of possible changes to the existing rate options, energy costs, demand charges, and customer charges. In addition, new rate options will be developed, such as peak time rebates. New rate options are intended to allow BED’s customers to help control their costs using data from the advanced metering system or to provide for emerging technologies.

Mr. Gibbons concluded the presentation by stating that the only option that is revenue neutral for all customers is to do nothing. Mr. Gibbons stated that if you change the energy charge relative to the customer charge, someone will be affected; if you change the costs allocated to the industrial versus the

residential class you will affect someone, etc. This is different than a normal rate decrease or increase where all charges to all customers change by the same percentage.

The rest of the rate design process will almost certainly take a couple of meetings with the Commission to go over and explain the rates but the tentative timeline looks like the cost of service rate will be provided to the Commission in May, ideally with approval of the cost allocation in June, followed by consideration of proposed rate designs in July or August.

## **9. Energy Efficiency Update**

Mr. Burns introduced the PowerPoint presentation on the future of energy efficiency touching on Act 56 (Renewable Energy Standard) which will change how BED has been providing energy services for a long time. Mr. Burns stated that the Department will begin to look at thermal energy, renewables and electric transportation.

Mr. Burns stated that BED shares approximately 99% of commercial customers and 85-90% residential customers with VGS. It was determined that BED and VGS were not doing a very good job getting into the rental market, which is approximately 60% of the residential class. By combining efforts the Energy Champ Challenge was developed and surpassed all expectations. BED and VGS are now exploring the idea of creating a joint “storefront” that will provide a “whole-home” Energy Efficiency Utility feel for all customers. The vision is to develop a one stop shop experience for all customers to include a contact for efficiency help, assistance with vendor choices, project management, financing, and a common website. The hope is to launch by this fall, if not sooner, when customers are really interested in efficiency.

Burlington Electric is also working on Passive House design by hosting workshops with local design professionals and local construction contractors. BED will be hosting an internal one day seminar with staff featuring a leading expert in the field of Passive House.

Work has also begun with Burlington Town Center (BTC) and the Department has held several meetings to discuss the internal design and efficiency options. BTC is also open to a broad range of options such as Passive House construction techniques, district heating for downtown, solar possibly coupled with storage and/or micro grid, and energy modeling of building loads to facilitate efficiency analysis.

The Department is also working on electrical vehicles and in-home devices to include expansion of the EV charging network and evaluating ways to incentivize transit bus adoption. BED is continuing to work with UVM to evaluate in-home device impacts along with hiring a UVM intern to work at BED this summer to begin developing data analytics capabilities.

BED and VGS will be working with Burlington High School students to develop tailored customer and energy efficiency service informational materials for our new American residents. These students will also assist in developing an “Energy Ambassador” training program.

Mr. Burns concluded the presentation by stating that BED is in the midst of a transition of its efficiency program, with future programs focusing on heating and transportation. BED will be partnering with VGS to move toward the whole home approach and will continue to expand efforts to reach underserved populations.

## **10. Fiscal Year 2017 Budget Presentation**

Jim Reardon, Interim Director of Finance, presented a brief overview of the DRAFT FY 2017 Budget.

Net Income for FY 17 is \$3,820,000 and Net Operating Income is \$1,192,000. The significant difference between Net Income and Net Operating Income is Grant Customer Income of \$2,615,000, which are customer contributions for capital projects. Dividend and Interest Income of \$3,494,000 offsets Interest Expense of \$3,517,000.

A large portion of the increase in Total Operating Revenues (\$952,000) is due to sales of REC (Renewable Energy Credits). The most significant increase in Total Operating Expenses is a \$2,110,000 increase in Purchased Power from FY16 to FY17.

Mr. Reardon then reviewed with the Commission the key assumptions for Revenue/Income and Expenses. The Net Power Supply costs are up \$1,365,000 in FY17.

REC sales and purchases were calculated using a combination of actual and residual sales and purchases. Residual sales and purchases were assumed at the following rates: where RECs have already been sold in advance, the contract price is used. Mr. Reardon provided the prices assumed for any expected production that has not yet been sold. Mr. Reardon discussed the significant reasons for the increase in Purchased Power Expense:

- Standard Offer energy (+\$400,000): Continued expansion of Standard Offer program.
- Higher capacity factor for Georgia Mountain Community Wind Energy (+\$600,000).
- Full year of the contract for Hydro Quebec Energy (+\$300,000).
- Start of South 40 Solar (+300,000).
- ISO-Exchange (+\$900,000): Excess energy sales at lower prices than assumed for FY16.
- Increase in Burlington Electric Department (BED) net capacity obligation (+\$300,000).
- Ancillary (-\$100,000): Increase in Forward Reserve Megawatts (MW) provided from Gas Turbine (GT).
- Decrease in Forward Reserve Market load costs (-\$200,000).

Mr. Reardon then discussed Capital Spending. Capital Spending, net of Customer Contributions of \$2,615,000, is proposed at \$8,798,714. This is slightly higher than the BED portion of capital budgeted in FY 16 (\$8,458,000). In addition, there is a proposed investment in Vermont Transco of \$2,862,000. This provides a good return on investment.

The estimated beginning cash balance for FY17 at July 1, 2016 is \$10.8 million. The average monthly balance is above \$5.7 million and the budget assumes no additional borrowing other than the \$3.0 million from General Obligation Bonds. Days cash on hand is 108 days for FY17, continuing an upward trend from FY16. Debt Service and Adjusted Debt Service Coverage ratios are met and continuing to trend upward.

Mr. Reardon stated that he would have a more detailed presentation at the May Board meeting prior to a vote. This budget will change some over the next month for such items as City Indirect Allocations that are not known at this time. Mr. Reardon stated individual members may contact him with additional questions or concerns, and he extended an invitation to meet with members if they want more information regarding the budget.

## **11. February 2016 Financial Update**

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

This presentation included a brief discussion of the \$2,028,000 Operating Income year-to-date and the \$3,470,000 Net Income year-to-date. Other Revenues for the month and year-to-date were below budget due to Energy Efficiency Program costs reimbursements less than planned (\$591,300). Power supply Revenue for February was \$536,000 above budget due to timing of REC (Renewable Energy Certificates) delivered in February but budgeted in January. Mr. Reardon stated that Power Supply Revenue year-to-date is now in line with budget estimates.

On the expense side, Power Supply Expenses are up \$545,000. Purchased Power Supply was above budget year-to-date by \$902,000 due to excess energy sales at lower prices and lower volume than estimated in the budget. Higher Purchased Power Supply was offset by year-to-date fuel costs being lower than budgeted by \$452,000. Woodchip costs (per ton) were 5.6% under budget.

Mr. Reardon then discussed Capital Spending. In total, year-to-date ending March 31 Capital Spending was 31% (\$2,581,000) of the \$8,458,000 budget. As in February, McNeil/GT Production Capital was above in March due to GT (Gas Turbine) control upgrade, which was a prior year project.

Other projects have been amended to cover this project. The Solar Capital budget is underspent and \$528,121 of the Solar has been reallocated to the SCADA (Supervisory Control and Data Acquisition) project. Other Production underspending is due to timing and all amounts should be encumbered by the end of FY16. Distribution and General Plant will most likely be underspent in FY16 due to timing of projects.

On Cash and Investments, BED closed March 31 with \$10.1 million of unrestricted and reserved operating funds. In addition to the Operating Fund, there is the Construction Fund of \$3.3 million and the internally restrictive reserve fund for the Voluntary Buyout Plan, which will be fully expended this fiscal year.

## **12. PSB Docket 8600 South Forty**

Mr. Lunderville stated that the reason to enter executive session is to update the Commission on South Forty and discussing the negotiations in public would put the Department at a substantial disadvantage and ask that this disadvantage allow the Commission to enter into Executive Session.

Commissioner Herendeen 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. Commissioner Moody seconded the Motion. Motion passed and approved by all Commissioners present.

Commissioner Herendeen moved that the Commission enter into executive session to discuss the PSB Docket 8600 South Forty Negotiations under the provisions of Title 1, Section 313(a)(1)(A) of the Vermont Statutes. Commissioner Stebbins seconded the Motion. Motion passed and approved by all Commissioners present.

Commissioner Moody moved to exit executive session at 9:12 p.m. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

Commissioner Herendeen moved to adjourn the meeting at 9:12 p.m.; the motion was seconded by Commissioner Moody and approved by all Commissioners present.

Attest:



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Laurie Lemieux, Board Clerk