

**MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION**

Wednesday November 9, 2016 – 5:30 p.m.

The regular meeting of the Burlington Electric Commission was convened at 5:31 p.m. on Wednesday, November 9, 2016 at the Burlington Electric Department at 585 Pine Street, Burlington, Vermont.

Commissioners Sabina Haskell, Bob Herendeen, Scott Moody, Tim Perrin, and Gabrielle Stebbins were present.

Staff members present included Neale Lunderville, Paul Alexander, James Gibbons, Mike Kanarick, Munir Kasti, Tom Lyle, Dave MacDonnell, Jim Reardon, and Destenie Vital.

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 October 19, 2016 meeting

Commissioner Moody made a motion to approve the minutes of the October 19, 2016 meeting; the motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

3. Public Forum

Darren Springer was present for the meeting.

4. Commissioner's Corner

Commissioner Herendeen asked if the water flow issue at Winooski One was better. Mr. MacDonnell stated that last month Winooski One generated 250 KW and this is now up to 2.5 MW which is a significant increase from last month.

Commissioner Perrin asked if the ground water for the cooling tower at McNeil improved. Mr. MacDonnell stated that it has improved but McNeil is still struggling.

5. General Manager's Update

Mr. Lunderville informed the Commission that Governor Elect Scott has asked Mr. Lunderville to chair the budget advisory committee on a voluntary basis. This is not a full time or part time job, this is an advisory position and with the Mayor's permission Mr. Lunderville will be offering expertise in the area for a couple months.

Mr. Lunderville stated that the UVM Board of Trustees unanimously approved the 600 KW solar project that Burlington Electric was working on with UVM.

Mr. Lunderville informed the Commission that not too much has happened with the District Energy Project since the last Commission Meeting, although the City Council approved the MOU with Corix, BED's partner and the Department is preparing for a kick-off meeting.

Last week was the kick off on the billing change, using an outside vendor. Paul Alexander led the process internally and it's been a tremendous success. The full on-line payment suite will be up and running soon.

Mr. Lunderville stated that the launch for the Energy Champ Whole Home Efficiency Program with Vermont Gas was originally schedule for November, but after going through the project closely with the team it was decided that it would be better with more time. In a normal season this could be launched in a month's time, but this would fall between Thanksgiving and Christmas and would compete with the shopping holidays. It looks like January will be the launch date. Mr. Lunderville stated that it would be great if the Commissioners could be part of the beta testers and walk through the site to see if everything makes sense.

Commissioner Stebbins asked what happens when a resident is not a Vermont Gas customer. Mr. Lunderville stated that a part of the website asks residents what kind of thermal energy is being used. When a resident indicates something other than gas, it's a great opportunity for the Department to reach out to them. Although these customers will not be eligible for any Vermont Gas rebates it will present a great opportunity for the Department to help get customers off oil or propane.

Last week the Department held the yearly Employee Appreciation Luncheon and Mr. Lunderville thanked Commissioner Moody for attending. One of BED's employees, Scott Rainville celebrated 35 years of service as a Station Operator at McNeil Plant. There were several other years of service celebrations but it's the long ones that show the dedication and commitment that employees have to the Department.

6. SCADA Update Presentation

Mr. Kasti presented a Power Point presentation on BED's SCADA Upgrade Project. Mr. Kasti stated that completing the SCADA rollout is one of BED's Strategic Initiatives to improve reliability, and lower operating costs. Mr. Kasti presented a history of the SCADA System dating back to the original system that communicated with equipment in the field by radio. In 2010 the Department began the upgrade to SCADA 2 with an expected completion date by the end of calendar year 2012. Mr. Kasti informed the Commission that in 2012 and through 2015 the software upgrade was completed, the video wall display was installed and the new fiber optic cable network loop was installed. Only some of the field devices connected with the new fiber network and SCADA 2, System Operators were operating both SCADA 1 and SCADA 2 at the same time, too many false SCADA alarms occurred, and the video wall representation of field devices (switches, breakers) often did not match actual status of those devices in the field. In January 2016 BED hired ARC Business Solutions to complete the SCADA project including development of display design standards, a database, alarm functionality test plans, upgrade of remaining field devices for fiber connection, training, and documentation. Mr. Kasti stated that all field devices, with the exception of the McNeil Substation, have been transferred to SCADA 3 and the remaining tasks for the completion of this project include connecting McNeil substation to SCADA 3, final documentation, de-commissioning of SCADA 1 and SCADA 2, connection of the Pine Street back-up generator, and connection of additional capacitors to SCADA 3. The additional capacitors are under a separate project in FY17.

Mr. Kasti then presented an outage comparison between an outage in October 2015 and a similar outage in October 2016. In October 2015 the outage duration before implementation of the SCADA 3 Project lasted over 2.7 hours with the outage duration in October 2016 lasting 9 minutes.

Mr. Lunderville informed the Commission that SCADA was not under Mr. Kasti's direction from 2010 to 2015 and commended Mr. Kasti and his team for the excellent work in completing this project.

Mr. Kasti closed his presentation informing the Commission on the next steps needed for this project which include a disaster recover site, upgrading the SCADA network switches bandwidth and implementing the SCADA historical data archiving.

7. Renewable Energy Standard 2017 Tier III Proposal

Mr. Lyle and Mr. Gibbons gave a Power Point presentation on the Renewable Energy Standard (RES), based on legislation passed during the 2016 legislative session. Mr. Lyle began by explaining the inter-related tiers (Tier 1, Tier 2, and Tier 3) and by sharing that the purpose of this standard is to encourage distribution utilities to support technologies that reduce fossil fuel consumption and greenhouse gas emissions. Mr. Lyle indicated that this presentation would focus primarily on Tier 3, or the energy transformation aspect of the RES.

Mr. Lyle introduced the concept of strategic electrification and spoke about new market opportunities in transportation and thermal space-heating, including the increase in electric vehicles (EVs), electric vehicle supply equipment (EVSE), also known as EV charging stations, E-Buses, and others. Mr. Gibbons added that Tier 3 and these new markets and products begin to create a business case opportunity for BED's strategic plan vision of transitioning Burlington to a net-zero energy city. Mr. Lyle continued by sharing BED's requirement under the RES to acquire the BTU equivalent of 2% of the MWh load beginning in 2017 with annual growth of that goal until reaching a 12% cap on January 1, 2032.

Mr. Gibbons also talked about the difference between RECs and Tier 3 credits. With Tier 3, credits that BED can claim are based on the expected fuel reduction and emissions savings derived from electro-technologies (i.e. EVs, E-buses, ccHP etc.) used to replace existing fossil fueled equipment. These credits equal the total MWh equivalent of all the fossil fuel reductions over the lifetime of the electro – technology. Such credits can be claimed in the first year of installation. On the other hand, the amount of RECs that can be generated is equal to the total MWh generated in a single year by an eligible facility, not the entire amount of RECs that are expected to be generated over the life of the eligible facility producing the RECs.

After presenting the Tier 3 plan to the Public Service Board in December, the proposed Tier 3 plan will begin to be implemented on January 2, 2017. The plan includes financial incentives and technical assistance to encourage the adoption of Electric transit buses, Electric Vehicles, Electric Vehicle charging stations, Electric Bikes, cold climate heat pumps and Passive House design training and construction.

8. September FY 2017 Financial Update (Discussion)

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

This presentation included a brief discussion of the \$3,022,000 Operating Income year-to-date and the \$3,090,000 Net Income year-to-date. Year-to-date Operating Income is \$748,000 higher than budgeted and year-to-date Net Income is relatively on target, just \$84,000 higher than budgeted. Mr. Reardon pointed out that Other Income was below budget year-to-date due to assumed customer contributions for a Micro grid project that has been delayed and lower customer contributions for the UVM Chiller project than assumed. Sales to Customers year-to-date and for the month are slightly higher than budget. Mr. Reardon stated that this is likely due to year-to-date average temperatures warmer than normal; KWH sales are up 3%. Other Revenue for the month and year-to-date was lower than budget due to Energy Efficiency Program costs reimbursements less than planned.

On the expense side, Power Supply Expenses are \$380,000 below budget year-to-date. Year-to-date fuel costs are lower than budget by \$702,000. McNeil production was 12% below budget and woodchip costs (per ton) were 21% under budget. Mr. Reardon pointed out that we are continuing to monitor the raw costs of woodchips and develop for implementation other performance monitoring Metrics. Purchased Power Supply year-to-date is above budget \$358,000. Independent System Operator (ISO-New England) purchases are higher due to below budget McNeil and Winooski One Production. The \$256,000 year-to-date favorable variance in Operating Expenses is due to position vacancies in the process of being filled, outside services and Demand Side Management (DSM) rebates lower than budgeted. Most of the \$274,000 unfavorable variance in Depreciation & Gain/Loss is due to loss on retirement of McNeil assets that was not planned.

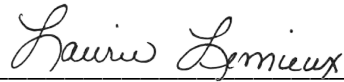
Mr. Reardon then discussed Capital Spending. In total, year-to-date ending October 31, Capital Spending is 42% (\$4,923,000) of the \$11,640,000 budgeted. The \$3,012,000 expended for Transmission represents Burlington Electric Departments (BED) purchase of its share of VTTRANSCO membership units (\$2,862,000) in September, 2016 plus BED additional membership shares purchased under “oversubscription” procedures (\$150,700) in October, 2016. The original purchase of membership shares (\$2,862,000) was budgeted to occur in December, 2016. The membership units pay a 12.5% return. All other Capital Spending is \$1,911,000 year-to-date which represents 22% of the \$8,778,000 budgeted. Most of the underspending in other capital categories is due to timing.

On Cash and Investments, BED closed October 31 with \$11.2 million of unrestricted and reserved operating funds. The projected October 31 balance for the FY 2017 budget was \$14.9 million. Most of the difference between actual versus projected is the \$3.0 million investment made in VTTRANSCO in September of which \$2.8 million was planned for December, the proceeds of the \$3.0 million from the General Obligation bonds expected in September but received in November, offset by higher than expected receipts from Renewable Energy Certificates (\$590,000), and \$2.5 million underspending for Capital Projects, exclusive of Transmission.

Mr. Reardon pointed out that the Rating Factors are in line to meet Moody’s “A” bond rating. Mr. Reardon stated that BED has not yet gotten feedback from Moody’s from our meeting with them in August.

Commissioner Herendeen moved to adjourn the meeting at 7:06 p.m.; the motion was seconded by Commissioner Haskell and approved by all Commissioners present.

Attest:

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

Laurie Lemieux, Board Clerk