

**MINUTES OF REGULAR MEETING  
BURLINGTON ELECTRIC COMMISSION**

**Wednesday, September 13, 2017 – 5:30 p.m.**

The regular meeting of the Burlington Electric Commission was convened at 5:32 p.m. on Wednesday, September 13, 2017 at the Burlington Electric Department at 585 Pine Street, Burlington, Vermont.

Commissioners Sabina Haskell, Scott Moody, and Tim Perrin were present. Gabrielle Stebbins was present via conference call.

Staff members present included Neale Lunderville, Paul Alexander, Mike Flora, James Gibbons, Munir Kasti, Mike Kanarick, Jim Reardon, Darren Springer, 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 July 12, 2017 Meeting**

Commissioner Haskell made a motion to approve the minutes of the July 12, 2017 meeting; the motion was seconded by Commissioner Stebbins.

At this time the Board Clerk conducted a roll call vote by calling on the following Commissioners:

Commissioner Haskell: Aye

Commissioner Moody: Aye

Commissioner Perrin: Abstained. Commissioner Perrin participated in the July meeting via conference call and due to the poor connection and the inability to hear large portions of the meeting Commissioner Perrin abstained from the vote.

Commissioner Stebbins: Aye

Results: 3 Ayes, 0 Nays with 1 Abstention, the motion carries.

**3. Public Forum**

There was no one from the public who wished to speak.

**4. Commissioners' Corner**

Commissioner Perrin stated that there was a great article in the North Avenue News regarding the success of BED's Solar Shopper Program and praised the BED team for this success.

Mr. Lunderville stated that BED has received inquiries from other utilities regarding the Solar Shopper Program expressing interest in replicating this program as this is a fairly unique endeavor.

Commissioner Stebbins stated that the monthly report touched on the request from the DPS for four (4) items in the next IRP and asked what items the DPS is looking for. Mr. Gibbons stated that one request is to get into the economics of McNeil, another is to look at the relative economics of other Tier III options, the DPS wants to make sure BED continues with demand response pilot efforts in regards to Tier III, to make sure BED is looking into the load control of Tier III measures, and to consider rates that would be

incentivized.

Commissioner Stebbins asked what the status is of the binder of information that was worked on at the Commission work sessions. Commissioner Stebbins stated that it would be helpful to have this binder at the meeting so people can look at it. Mr. Lunderville stated this binder is still a work in progress and will have an update at the next meeting.

## **5. Monthly Primer: Utility 2.0**

Mr. Springer began the PowerPoint presentation by discussing the current trends now facing utilities. Mr. Springer spoke about the definition of the “utility death spiral” stating that the utility death spiral means that the old model for utility growth is in danger due to the new trends in the industry. Mr. Springer explained that current load growth has flattened and although there is new power generation, it’s coming from things like roof top and community solar. Mr. Springer stated that building and running solar, is not always run by the utility but sometimes by a third party. If it is a third party capital investment in power generation and the utility who is serving that customer cannot earn any return on that investment which is also resulting in a declining load.

Mr. Springer stated that there is no common definition for Utility 2.0. When people talk about Utility 2.0 it is a move toward lower carbon and distributed generation. Also, you will hear about Distributed Energy Resources (DER) which includes solar, batteries, electric vehicles, and all the new things that are hooking into the system. This now raises the question: what is the utilities’ job going forward, is it a service provider, is it the role of a facilitator, is it a manager of the distribution system with third parties plugging in and what is the proper role of the utility?

Mr. Springer stated that many studies have been done and touched on a study completed by the Navigant Group. Navigant has different scenarios that they see when looking into the future. One scenario is “a *business as usual*” scenario, one is a “*moderate grid reform scenario*”, and the last is an “*aggressive energy cloud scenario*”.

Mr. Springer reviewed the chart on the Navigant Future Value Proposition, highlighting the “Business as Usual” scenario which shows all the value in the big power plants, poles and wires; in the “Energy Cloud” scenario everything shifts downstream with most of the investment is in utility sector headed out to the customer with end use technology.

The Brattle Group 2016 report did an analysis of the electrification effort for heating and transportation coupled with 100% clean grid. This analysis found a reduction in emissions of more than 70% by 2050 and an increase in sales for electric companies nationwide of 75% by 2050. Mr. Springer reviewed the graphs that depicted the sales due to electrification, the graph on projected electricity sales with full electrification, and the graph on U.S. Energy-Related GHG Emissions with full electrification in 2050.

Mr. Springer closed the presentation by explaining what Utility 2.0 means to Burlington Electric. Utility 2.0 involves a lot of change for Burlington Electric and the Department’s Strategic Plan reflects movement towards a lot of the areas that were discussed in the presentation. The Department needs to be a proactive utility and the programs like Solar Shopper, Tier III, EVs, and E-buses fit really well with being a proactive Utility 2.0 type of provider. The Department is moving in the right direction but the challenge is how to scale these programs up in a meaningful way and in a way that still takes care of all BED customers.

## **6. General Manager’s Update**

Mr. Lunderville stated last week that the Council on Rural Development hosted a national conference in Burlington, “The Climate Economy Summit”. There were a lot of Vermonters in attendance but there were also a lot of out-of-state people who came to Vermont to think about and discuss how the change in the climate can be used as an advantage and how this can be done in Vermont. Also, Burlington was held out

as the City that is “*doing it right*” and was the first city in the country to be 100% renewable and has been on the forefront of several amazing projects.

Also it was exciting that the new Energy Business Accelerator program was announced at this summit. This program is an effort, lead in part by Burlington Electric, with the idea of getting early stage clean tech entrepreneurs to come to Vermont to start companies here. Mr. Lunderville stated that there are many accelerator programs in the country but Vermont is the only state where all the utilities are participating, which includes electric, gas, transmission, and efficiency. All the utilities have come together to sponsor this program and are willing to partner together and work directly with the clean tech entrepreneurs to make this work.

The electric vehicle program that BED offered with the \$1,200 rebate, along with Nissan’s \$10,000 rebate, has really made a difference. BED has seen an uptick in the charging and recently spoke with some of the car dealers in the area. The dealers stated that there has been a lot of excitement in selling these cars and the level of interest has far exceeded expectations. BED has challenged the Department to come up with ideas on how BED can proactively participate in getting EVs in customer’s hands. While challenging, BED, with the Commission’s help, will continue to push beyond just getting EVs in the hands of people who can afford it but more work will also be done on making programs meaningful to all customers regardless of their socioeconomic strata in Burlington.

District Energy is coming along and next month there will be a better sense to see if this project will move forward. The analysis needs to continue to make sure this project is good for Burlington and doesn’t put city resources at any risk.

Mr. Lunderville stated that unfortunately due to the weather Friday night’s Art Hop was slow, but had a great turnout on Saturday for Kids Hop. The Department also participated in Summervale at the Intervale Center and had a very successful eBilling promotion with the Vermont Lake Monsters.

Mr. Lunderville stated that Mr. Reardon will do a quick wrap up of the Department’s June financial which represents fiscal 2017 year end. In the past the Commission has only been presented with the budgetary aspects of the numbers which only tells one dimension of a multi-dimensional look at how well the Department is doing. Mr. Gibbons and Mr. Reardon have put together a PowerPoint presentation on how the Department looks at energy resources.

Mr. Reardon began with an overview of the FY12 June Financials.

#### Financials: June FY 2017

Mr. Reardon stated that the June Operating Income year-to-date is \$977,000 and Net Income year-to-date is \$2,207,000. Year-to-date Operating Income is \$392,000 less than budgeted and year-to-date Net Income is \$1,816,000 less than budgeted. The variance of \$1,816,000 in Net Income relates to Other Income below budget by \$1,841,000 due to assumed customer contributions for a Microgrid project and South Solar Forty that has been delayed and lowers contributions for the UVM chiller project than assumed. The assumed contributions for the UVM Chiller project of \$630,600 versus actual of \$372,300 is a timing issue. Since BED did not expend the Capital Funds for the Microgrid project and South Solar Forty, not receiving the customer contributions has no adverse impact on BED’s cash position but does cause Net Income to be less than planned. Most of the savings in Interest Expense year-to-date is related to the General Obligation Bond refinancing.

Sales to customer’s year-to-date are slightly below budget and are most likely due to average temperatures warmer than normal in the winter months. Other Revenues year-to-date are lower than budget due to Energy Efficiency Program costs reimbursements less than planned. Power Supply Revenues year-to-date is lower than budget due to lower prices received for Renewable Energy Credits (REC) than planned. It should be noted that forward sold REC’s reduced the impact of this downward trend in prices.

On the expense side, Power Supply Expenses are \$3,049,000 below budget year-to-date. Year-to date fuel costs are lower than budget by \$3,074,000. McNeil production was 12% below budget but the large contributor to this favorable variance is woodchip costs (per ton) were 24% under budget. We are continuing to monitor the costs paid for woodchips. Purchased Power supply year-to-date is \$421,000 below budget primarily due to the exemption from standard offer as of January, 2017. It should be noted that the lower fuel costs and exemption from standard offer have been assumed in the Fiscal Year 2018 budget construct. Actual Operating Expenses and Taxes year-to-date when compared to the budget are relatively on target. The \$906,000 unfavorable variance in Depreciation & Gain/Loss is due to a loss on retirements of McNeil assets that was not planned, an adjustment due to a change in accounting for transformers to comply with Federal Energy Regulatory Commission (FERC) accounting, and loss on asset retirements related to building renovations. It should be noted that this expenditure item has no immediate adverse impact on BED's cash position.

While Operating Revenues were down \$2,619,000 when compared to the budget, total Operating Expenses in the aggregate (Power Supply, Operating, Taxes, Depreciation) were down \$2,227,000; negating most of the unfavorable variance of \$392,000 in Operating Income.

In total, year-to-date ending June 30<sup>th</sup>, Capital Spending was 89% (\$10,326,000) of the \$11,640,000 budgeted. For Fiscal Year 2017, BED underspent relative to the budget by \$1,314,000. In summary, the underspending can be attributable to the Microgrid project offset by more expended than planned for the 585 Pine Street office renovations. The Microgrid project, as discussed above, is one of the reasons for Other Income year-to-date below budget.

On Cash and Investments, BED closed June with \$9.9 million of unrestricted and reserved operating funds compared to a cash projection of \$11.8 million. Most of this \$1.9 million variance is due to Finance not projecting in the cash flow analysis the effect of downward market prices for RECs. This variance will affect the Fiscal Year 2018 budget since it was assumed that \$11.8 million would be available at the beginning of the new fiscal year. The current Rating Factors are in line to meet "A" bond rating.

Mr. Gibbons began the PowerPoint presentation reviewing key terms that are used in this presentation and giving a brief explanation on each.

Mr. Gibbons presented two resources as examples in the presentation and presented a chart showing Vermont Wind and Georgia Mountain Wind budgeted cost and actual cost for the month, and the year-to date rate and the variance on both. Mr. Gibbons explained the weaknesses of the current practice by providing examples of resource costs.

Mr. Gibbons went on to explain the following Metrics:

- The Production Metrics shows the MWh produced both monthly and year to date along with the variance. This example shows the accuracy in predicting the production of BED's resources.
- The Market Value Metrics talks about the value BED receives for owning a resource from the ISO New England markets. Mr. Gibbons stated that these numbers are currently aggregated in several different lines in Mr. Reardon's financials.
- The Per Unit Cost Metrics shows the accuracy in cost side projections per unit.

Mr. Gibbons closed his presentation by asking the Commission to think about what issues concern them and what level of detail would the Commission like in the presentations.

Commissioner Perrin stated that the information is great but would like to be careful about information overload. It would be helpful to share information regarding contracts in place that the Department has no control over and the ability to take a look at predicted versus actual values which can be very beneficial.

## **7. BED 2017 Property/BM Renewal**

Paul Alexander stated that BED's Property/Boiler and Machinery 2017 Insurance Renewal occurs October 1st of every year. Mr. Alexander presented the highlights of premium costs and budget comparisons. Mr. Alexander explained that due to the timing of the City meetings this renewal was already presented and approved by the Board of Finance and is scheduled to be presented to the City Council at the next meeting.

The AIG quote of \$243,200 is 5.67% lower compared to last year's premium with the same sub-limits and deductibles except that the "Hazardous Substances" limits have been increased from 100K/25K to 500K/500K and the "Miscellaneous Unnamed Location" limit has been increased from 50K to 1MM. The actual rate per \$100 of TIV decreased for the "regular" property rate (from \$0.08522 to \$0.07962) and the WIH rate remained the same (\$0.148761). The overall premium amount of \$243,200 is 8.42% lower compared to what was estimated in the FY'18 budget (\$265,546) at renewal. The Department is asking the Commission to approve the renewal of BED's Property/B&M Insurance with NU/Chartis/AIG for the time period 10/1/17–10/1/18.

Commissioner Perrin made a motion for the City Council to approve the renewal of BED's Property/B&M Insurance with AIG with a two (2) year rate lock period for the premium amount of \$243,200 for the time period 10/1/17 – 10/1/18 and with the same current rates with AIG for the time period 10/1/18 – 10/1/19 to be paid in fiscal year 2018. This motion was seconded by Commissioner Haskell.

At this time the Board Clerk conducted a roll call vote by calling on the following Commissioners:

Commissioner Haskell: Aye  
Commissioner Moody: Aye  
Commissioner Perrin: Aye  
Commissioner Stebbins: Aye  
Results: 4 Ayes with 0 Nays, the motion carries.

### **8. Commissioner's Check-in**

Commissioner Moody asked if the next monthly primer could be on poles and wires. Mr. Kasti will present this primer at the next meeting.

Commissioner Perrin asked how soon the Department would need suggestions on the monthly primer for upcoming meetings. Mr. Lunderville stated that the Department would need two (2) weeks prior to the next meeting to prepare.

Commissioner Haskell moved to adjourn the meeting at 7:09pm; the motion was seconded by Commissioner Perrin.

At this time the Board Clerk conducted a roll call vote by calling on the following Commissioners:

Commissioner Haskell: Aye  
Commissioner Moody: Aye  
Commissioner Perrin: Aye  
Commissioner Stebbins: Aye  
Results: 4 Ayes with 0 Nays, the motion carries.

Attest:

  
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Laurie Lemieux, Board Clerk