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

**Wednesday, October 16, 2019– 5:30 p.m.**

The regular meeting of the Burlington Electric Commission was convened at 5:30 p.m. on Wednesday, October 16, 2019 at the Burlington Electric Department, 585 Pine Street, Burlington, Vermont.

Commissioners present included Jim Chagnon, Bob Herendeen, and Gabrielle Stebbins. Commissioners absent were Scott Moody and Bethany Whitaker.

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

Channel 17 was present to record this meeting.

**1. Agenda**

There were no changes to the Agenda.

**2. September 11, 2019 Meeting Minutes**

Commissioner Herendeen made a motion to approve the minutes of the September 11, 2019 Commission meeting. The motion was seconded by Commissioner Chagnon and approved by Commissioners Chagnon, Herendeen, and Stebbins.

**3. Public Forum**

Heather Kuney and Katelyn Michell from KPMG were present for the meeting. There were no public comments.

**4. Commissioners' Corner**

Commissioner Herendeen asked for clarification on the policy regarding use of the Department email assigned to each Commissioner. Mr. Springer stated that, for purposes of keeping public records, it is good practice for Commissioners to use their BED email address and stated that all communications from the General Manager's office will continue to be sent to both Commissioner Herendeen's personal and BED emails.

**5. KPMG Audit Presentation**

Ms. Michell and Ms. Kuney presented their "Report to the Board of Electric Commissioners." This included: 1) an overview of Fiscal Year (FY) 2019 audit results; 2) areas of emphasis during the

audit; 3) required communications under “Statement of Auditing Standards” (SAS) number 114; and 4) new accounting pronouncements affecting future reporting periods. Also, copies of the FY 2019 audit engagement letter and representation letter to be signed by management were included in the report distributed to the Board of Electric Commissioners.

KPMG reported that the audit opinion would be an unmodified opinion. No new accounting policies were adopted or implemented during FY 2019.

KPMG stated that: 1) there were no reportable deficiencies in internal control; 2) they had no disagreements with management; 3) they encountered no significant difficulties during the audit; and 4) as of October 16, KPMG proposed an unadjusted audit difference (unadjusted since KPMG determined that difference was not material to the overall presentation of the FY 2019 financial statements) related to an unreconciled inventory variance that reduced inventory and increased operating expenses by approximately \$145,000.

Mr. Reardon stated that, after the audit is completed, the Department will review current procedures, determine how to implement procedures and controls to correct this inventory variance, and report back to the Board of Electric Commissioners. Also, Mr. Reardon will present to the Board of Electric Commissioners at the December meeting an “Inventory Process Memo” that will outline the procedures to be followed in the future.

There are two new accounting pronouncements that must be implemented for FY 2021 (Statement No. 87, Leases, and Statement No. 89, Construction Period Interest). KPMG and BED expect Statement No. 87, Leases, to have no or very little impact on BED since we have very few operating leases. BED already complies with the requirements of Statement No. 87, Construction Period Interest, so there will be no impact.

Commissioner Stebbins stated that the best practice following an audit report is for the Commission to call an Executive Session to review any issues that auditors may not feel comfortable discussing with management present.

Commissioner Herendeen moved to find that premature general public knowledge of KPMG’s evaluation of BED’s management with the Commission would clearly place the Burlington Electric Department at a substantial disadvantage per Title 1, Section 313, Subsections (a) (1) and (a) (3) of the Vermont Statutes, because such information may risk contractual relationships with BED counter-parties in the regular sale and purchase of energy and is considered an evaluation of BED personnel. The motion was seconded by Commissioner Chagnon and approved by Commissioners Chagnon, Herendeen, and Stebbins.

Commissioner Chagnon moved that the Commission enter into Executive Session to discuss the KPMG information with the Commission under the provisions of Title 1, Section 313, subsection (a)(1)(A) of the Vermont Statutes. This motion was seconded by Commissioner Herendeen and approved by Commissioners Chagnon, Herendeen, and Stebbins.

The Commission moved into Executive Session at 5:52 p.m.

Commissioner Herendeen made a motion to exit Executive Session at 6:01 p.m. This motion was seconded by Commissioner Chagnon and approved by Commissioners Chagnon, Herendeen, and Stebbins.

Commissioner Chagnon made a motion to accept the KPMG audit report. This motion was seconded by Commissioner Herendeen and approved by Commissioners Chagnon, Herendeen, and Stebbins.

## **6. General Manager's Update**

Mr. Springer welcomed Emily Stebbins-Wheelock. Ms. Stebbins-Wheelock is the new Manager of Strategy and Innovation and has been on board for several weeks, and we are happy to welcome her to the team.

Ms. Bethany Whitaker was appointed to the Commission at the last City Council Meeting. Ms. Whitaker was unable to attend the meeting tonight due to business travel, and plans to attend the November meeting.

Mr. Springer stated that the keynote speaker at the REV Conference was the Executive Director of the Rocky Mountain Institute. BED hosted a panel on the Net Zero Energy Roadmap, and other BED staff participated on other panels. The Mayor joined the conference for a plenary session to make two announcements. First, the Mayor proposed a revenue-neutral carbon pollution fee based on a new analysis by Synapse that analyzed the economics and emission reduction associated with a statewide carbon price. Should the state go down this road, much of what the City wants to do with the Net Zero Energy Roadmap would be more competitive economically. Second, the Mayor announced that the City will use a \$100/ton carbon price to evaluate future fleet purchase and lease decisions, as well as all heating system replacements during major building renovations.

The BED team has participated in several NPA meetings to speak about the Net Zero Energy Roadmap and has received positive feedback.

BED held the second annual Innovation Cup with four great teams participating. The winning team's idea focused on implementing a smart controls pilot program for our LED Street Lights to save energy and reduce light intrusion in neighborhoods. While we had one winner, BED is implementing ideas from each participating team.

Commissioner Herendeen requested a copy of the presentation on the smart controls pilot program.

The Department is working on the next round of tiering with the goal of presenting the changes to the City Council in early 2020. The Department anticipates completing the tiering process in FY21, one year earlier than required by the current IBEW contract.

BED completed work on a new charging station for CarShare Vermont's new EV located near the

northwest corner of Main Street and St. Paul Street and a new public charging station at the same location. These charging stations are the first two of 20 proposed new charging stations announced as part of the Net Zero Energy Roadmap announcement.

The Department also is working with the state to administer the new state low- and moderate-income (LMI) EV incentive. This LMI incentive, combined with BED's rebate, would allow qualifying BED customers to receive up to \$6,800 off the price of an EV, plus the federal tax credit.

Mr. Springer stated that, during a conversation with Commission Stebbins, it was suggested that the Commissioners post Department information about the Net Zero Roadmap on Front Porch Forum, inviting residents to visit our website to read the Roadmap, share feedback, all in an effort to engage the community. Commission Herendeen and Commission Chagnon agreed that this suggestion was a great idea.

Commissioner Herendeen asked if BED's BTVStat reports to the Mayor are available for Commissioners to review. Mr. Springer stated that typically the City uses these statistics internally and that recently the BED staff talked about replacing the monthly dashboard with the BTVStat metrics that are being tracked.

Commissioner Stebbins stated that it would be helpful if, at the November Commission meeting, there was an overview of the items the Department tracks for BTVStat and a determination made as to whether the BTVStat metrics could replace the current monthly dashboard prepared for the Commission.

Mr. Springer stated that there was a Regional Department of Energy Test Center at the Global Foundries campus. This test site was one of only five in the country and was decommissioned because the land it was located on was going to be used for a different purpose. BED has been working with UVM, Vermont Technical College, Sandia National Laboratories, and Senator Sanders' Office to see if some of those resources could come to the McNeil Plant. The Department is in the process of putting together a cost estimate for the project that would be submitted to the federal government for reimbursement.

Commissioner Herendeen asked what involvement BED has with Packetized Energy. Mr. Springer stated that the Department is in the process of rolling out the project that would sign up 50 to 100 customers to have their electric water heaters connected to the Packetized device. This project would replace the Power Miser program previously administered through BED. Energy Services and Customer Care have been reaching out to customers who are on the Power Miser rate, asking them to switch to the new Packetized technology, and letting them know that the Power Miser program will be over by the end of the calendar year.

Mr. Springer stated that the Commission approved a sharing of the potential savings between Packetized Energy and BED. If 150 customers sign up and the Department is able to utilize those devices to reduce monthly or annual peaks, the agreement states that BED and Packetized Energy will share any savings associated with the pilot program.

Commissioner Herendeen asked if BED was paying anything to Packetized Energy. Mr. Springer stated that he believes this is a shared savings arrangement and will follow up with Mr. Gibbons to confirm.

Commissioner Stebbins asked if Mr. Springer knew why REC prices are improving and if he could share what the next year will look like. Mr. Springer stated that some of the movement could be related to projects that have been planned, such as offshore wind that may not be materializing within the expected timeframe. In addition, New York is moving aggressively on their plans for more renewable power with the sources that were feeding into the New England area and may be causing some pull back. Mr. Springer stated that further discussion might be best in Executive Session and will put this item on the Agenda for the November Commission Meeting.

## **Finance**

Jim Reardon, Director of Finance presented a brief review of August 2019 financial results.

August Operating Income is \$2,204,000, and Net Income is \$2,891,000. Year-to-date Operating Income and Net Income are above budget due to higher than expected REC (Renewable Energy Certificates) revenue and lower Operating Expenses due to timing of various items.

Sales to Customers are relatively on target, while Other Revenues are down \$341,000 due to Energy Efficiency Program costs reimbursements less than planned. The Transmission 1 contract budgeted in Power Supply Revenues was to start in July. Negotiations are in progress.

Power Supply Expenses are also relatively on target. However, Fuel Expense was \$225,000 higher than planned due to McNeil Production being 19% over budget while woodchip costs (per ton) were 2% under budget. Purchased Power was \$298,000 less than planned due primarily to Wind and Hydro production being below budget and a reduced price contract for Vermont Wind signed in August and retroactively applied for June and July.

Other Income is \$296,000 higher than budget due to various billable projects completed in July and August were billed. Interest Expense will be a favorable variance of \$33,400 per month for July to October, 2019 due to a revised schedule.

Mr. Reardon, then discussed Capital Spending. In total, year-to-date ended September 30, Capital Spending is 11% (\$834,000) of the \$7,920,000 budgeted in Fiscal Year 2020. We are underspent relative to the budget by \$902,000 which appears to be related to the timing of projects in Distribution and General Plant.

On Cash and Investments, BED closed September with \$8.5 million of unrestricted and reserved operating funds. We are relatively on target with the budgeted cash projection after taking into consideration we have not yet drawn down \$1.1 from the "Renewal \$ Replacement Fund".

The Adjusted Debt Service Coverage Ratio is a concern, and this metric will need to be reviewed carefully during FY 2020.

**7. Commissioners' Check-In**

There were no Commissioner check-ins at this time.

Commissioner Chagnon moved to adjourn the meeting at 6:45 p.m. This motion was seconded by Commissioner Herendeen and approved by Commissioners Chagnon, Herendeen, and Stebbins.

Attest:



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Laurie Lemieux, Board Clerk