MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION

Wednesday, November 12, 2014 – 5:30 p.m.

The regular meeting of the Burlington Electric Commission was convened at 5:35 p.m. on Wednesday, November 12, 2014 at the Burlington Electric Department at 585 Pine Street, Burlington, Vermont.

Commissioners Spencer Newman, Scott Moody, Bob Herendeen, Mark Stephenson, and Gabrielle Stebbins were present.

Staff members present included Neale Lunderville, Daryl Santerre, Ken Nolan, John Irving, Paul Alexander, Tom Buckley, Munir Kasti, and Charlie Willette.

Other staff members present included Laurie Lemieux, Temporary Clerk.

Channel 17 was present to tape this meeting.

Commissioner Newman called the meeting to order at 5:35 p.m.

Commissioner Newman asked for a motion to elect a Temporary Board Clerk. Commissioner Herendeen moved to elect Laurie Lemieux as Temporary Board Clerk, seconded by Commissioner Moody and approved by all Commissioners present.

1. Agenda

Commissioner Herendeen moved to approve the Agenda, seconded by Commissioner Moody and approved by all Commissioners present.

2. Minutes of the October 8, 2014 meeting:

Commissioner Moody moved to accept the minutes for the October 8, 2014 meeting. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

3. Public Forum

Gregory Roy, Megan Sullivan, Geoff Rinebold, and Tiki Archambeau were present from public.

Commissioner Herendeen introduced Ms. Sullivan and Mr. Rinebold. These individuals are students at the University of Vermont working on Street Lighting issues.

Mr. Tiki Archambeau addressed the Commission regarding street lighting issues on Crombie Street.

Mr. Archambeau lives on Crombie Street and wanted to express his concerns on additional lights or higher light levels outside his residence. His understanding is that one aspect of the lighting plan is to put an additional light outside his house and he has concerns with the light drowning resident's windows. He recognizes the Commission's struggle with safety but would like light management to be considered.

Commissioner Moody asked how the light study would take place and if the crews would install these lights at night so the crews could see where the lights would be directed. Mr. Willette indicated that Engineering would do a study which would indicate where the light would be positioned on the pole and the crews would install these lights based on the Street Lighting Study done by Engineering. Lights are required to be level with the street; some minor adjustments could be made but indicated that many of these concerns are looked at when completing the lighting design; such as what type and size of light, what height they should be mounted at on the pole so most of the light would be directed onto the street and sidewalk with as little light as possible onto private property.

Commissioner Herendeen asked if there was any type of shield that could be put on the light. Mr. Archambeau indicated that Mr. Willette and Commissioner Moody met with some of the residents in October and stated that shields were not an option due to insurance reasons. Mr. Willette indicated that the Crombie Street lighting design was in the queue to be done and Commissioner Moody indicated that he would like Mr. Archambeau to receive a copy.

4. Commissioners' Corner (Discussion)

Commissioner Herendeen asked about dog bite issue that was brought to his attention by one of his constituents and he inquired if the individual that was bitten was a BED Employee. Mr. Lunderville confirmed that it was indeed a BED employee and the employee is ok.

Commissioner Herendeen stated that he spoke with Gioia Thompson regarding the district heating concept and was informed that most of UVM runs on high pressure steam. It's a lot more expensive to bring up high temperature steam and it seems to Commissioner Herendeen that as long as BED stays with the current approach the needs of UVM are not being met. Mr. Irving indicated that it would take many modifications to get UVM off steam entirely and it would not be cost effective.

Commissioner Moody asked about the hospital expansion project and what is forecasted for additional load.

Mr. Lunderville stated that Engineering is working on this expansion and referred the questions to Mr. Kasti. Mr. Kasti indicated it looked like the expansion would involve approximately 1.2 MW. Mr. Nolan stated that until the design and construction has begun the load projections are not put into the forecast. Mr. Buckley informed the Commission that Energy Services are presently working with the hospital on equipment choices and design perimeters. Commissioner Moody asked if there would be incentives, which Mr. Buckley stated there would be at various times, but there are no specifics yet.

5. General Manager's Update/Commission Informational Items (Oral Update)

Mr. Lunderville reported that as a follow up from our last meeting, BED is working on one of the recommendations received from KPMG. This recommendation was to look at BED's IT structure and align all places where its entire advanced metering infrastructure touches. BED now has nine (9) IT employees working across four (4) departments which KPMG noted is causing BED to not take full advantage of opportunities. Mr. Lunderville has initiated an internal process to bring the IT staff together to discuss how best to restructure IT. One of the options proposed is bringing the IT department under a Director of Technology. One of the key goals is utilizing technology to offer the best service to our customers and maximizing our efficiency to reduce pressure on rates. Ken Nolan is leading the effort and building a consolidated IT plan for our FY16 budget. Mr. Lunderville will have an update at the next Commission meeting.

Commissioner Newman asked where the consumer website stands and wanted to make sure that the website remains user friendly. Mr. Lunderville explained that the website now resides in the Information Service but the content side of the website is presently managed by Mary Sullivan. BED's online presence is one of the utility's critical links; the work on IT will advanced BED's ability to deliver better information to customers.

Mr. Lunderville gave an update on Airport Solar Project. Mr. Lunderville feels that BED is making strong progress and expects that it will be operational by mid to late December, with an official opening in early January 2015.

Mr. Lunderville asked Ken Nolan to discuss Connecticut REC. Mr. Nolan stated that BED has not heard anything from CT since the last meeting but a couple of issues have arisen. Opponents who are trying to get the REC's thrown out of CT have made two (2) more filings with CT PURA arguing that BED is double counting renewable energy credits in CT. BED has countered those filings and asked for a status conference. BED was contacted by Northeast Utilities and Mr. Nolan spoke with them regarding a meeting that the Environmental Marketing Organization is holding on November 20th in New York City. The main topic is CT and Vermont Speed interaction, Mr. Nolan is planning on attending to act as counter on that panel. Mr. Lunderville added that BED has met with the DPS concerning an RPS standard and also spoke about the REC situation and the DPS is very supportive of our position. They understand the rate impact that this would have on all Vermont customers.

Commissioner Moody asked how many Vermont utilities CT is claiming are double dipping.

Ken Nolan stated it wasn't about specific utilities but rather the speed legislation in VT and therefore implicates all utilities. BED is in the strongest position because BED buys back class 2 REC's and in doing so can prove that BED is not double counting anything. The reason that BED and GMP are in the forefront is because these are the two (2) utilities that are actively involved in the CT process.

Commissioner Moody asked if BED and GMP are looking in the long term on how to generate revenue.

Mr. Lunderville stated that BED is working on the 5 Year Forecast and have decided to run analysis on different scenarios. This is in the process and plans to bring this to the Commission in December. BED is going to see less money from RECs in the future and plans need to be made for this. BED will have time before the RECs go away so that investments can be made that will give BED savings or plan in other ways to minimize the impact on our Customers.

Mr. Lunderville gave an update on the McNeil Railroad Contract and stated that the Council passed the contract on the consent agenda at Monday's meeting.

6. General Manger Billing Update/60 Day Update (Discussion)

Mr. Lunderville reported that BED has made significant progress in the past 60 days and the BED staff and management have been fully engaged.

Staff and management have been meeting weekly to see how the KPMG recommended changes are going to be implemented. Some of these changes will take more time, but plans are in place to work on the 14 recommendations, tackling the highest priority items first.

BED has finished their review of 522 CT/PT meters and has found 5 additional errors. Presently internal controls are being built so that these errors would be significantly minimized in the future.

Work has continued on the city street lighting issue and a number of changes will be implemented by the end of the year.

Presently BED's leased lighting is being reviewed. This is a priority for us but will take time and some work with the Public Service Board.

Commissioner Stephenson asked about the eMeter User's Advisory Board in Fort Collins, Colorado and if Mr. Nolan found it useful.

Ken Nolan and 2 BED staff members (Mike Leach and Brian Howard) attended. Approximately 30 utilities, all of which are using eMeter products, were present. Mr. Nolan indicated that they

met with Fort Collins staff on site to share ideas and discussed how they were setting up their smart grid. They made many contacts there and have already reached out to them.

7. September 2014 Financial Update (Discussion)

Mr. Santerre presented a brief review of the September 2014 year-to-date financial results.

This included a brief discussion of the $137,000 Net Loss for the month and $2,177,000 Net Income year-to-date. It also included discussion of the Debt Coverage of 6.10 for the twelve months ending September 2014, and Cash and Construction Fund balances as of October 31, 2014. Mr. Santerre then provided a more detailed review.

Sales to Customers were down $190,000 (within 1.5% of budget) for the year and $130,000 for the month. Other Revenues were below budget by $188,000 for the year. This was primarily due to the Newport Electric buyout payment of $162,000, which was budgeted for July (1st of the month) and came in June. In addition, these revenues (DSM/State EEU) are driven by customer demand and timing of billings to the State.

Power Supply revenue, primarily REC sales, was down $932,000 year-to-date. McNeil REC revenue was down $1.1 million ($482,000 as compared to $1.6 million budgeted) as a result of the Department's position of holding off on future sales due to the Connecticut market exposure.

On the Expense side, power supply costs, year-to-date, were lower than budget by $48,000 on a budget of $7,681,000 (half a percent). Operating Expense year-to-date was down $277,000. The budget assumed expenses for Winooski One ($125,000) starting in July. The purchase was delayed until August 29th.

Taxes were down $103,000 year-to-date. The budget assumed Property Taxes for Winooski One starting in July. Also, for PILOT we assumed a tax rate of $2.60 per thousand and it came in at $2.52. Likewise, Depreciation & Gain/Loss on Plant was lower than budgeted by $131,000 for the year as the Budget assumed depreciation for Winooski One starting in July.

Other Income was down $158,000 for the year due to assumed contributions for the City's Waterfront North Access Project of $235,500.

Interest Expense for the year was down $96,000 as a result of timing of the Winooski One Revenue Bond. The bond closed on August 28th.

Mr. Santerre then discussed Capital Spending. In total, through October, capital spending was 16% ($1,611,000) of the $10,262,000 budgeted for fiscal year 2015. Production capital was less than budgeted ($74,000 of $1,127,000) as the Gas Turbine control upgrade ($1,000,000) has been delayed until November-February. Distribution spending was under budget ($1,452,000 spent as compared to the budget of $3,445,000), primarily due to the timing of Airport Solar project ($939,000), which began around October 1st and the GIS Outage Management System ($600,000) which is on hold pending a broader review of our software needs. Finally, General

Plant (585 Pine St) was below budget ($85,000 of $941,000 budgeted) due to the timing of various IT projects including the Field Area Network which is on hold ($276,000).

On the Cash side, we closed the month of October with a $6,400,400 balance in the Operating Fund (the budget was a balance of $6,073,000.

In other cash accounts, the Construction Fund 2009 (unused monies from the $36.6 million general obligation bond) was at $1,658,600. The remaining balance will be used for the Airport solar project and other solar projects with the Department.

Mr. Santerre also reported that as of October 31, 2014 the Operating Fund Reserve was at $3,625,200. We will be using $1,815,000 of this balance for VELCO stock in December. Finally, our $5 million Line-Of-Credit (LOC) with Key Bank is available, but remains at a $0 balance.

Mr. Santerre then presented the three Moody's bond ratings indicators, for both the current month and three year historical averages. (Moody's uses three years of historical information in their ratings reviews.) The Adjusted Debt Service Coverage Ratio was 2.15 for the month (above the 1.50 required for an "A" bond rating). The three year average, however, remains at 1.33, below the requirement. The second indicator was "Days Cash On Hand". This month showed a 76 day position and the three year average was 58 days, both below the 90 day required for an "A" rating. These numbers do include the $5 million line of credit (as available cash). The third and final indicator was the "Debt Ratio". An "A" rating requires a ratio lower than 75%. This month's calculation showed us at a 48% and the three year historical average was at 50%, both considered an "A" rating.

This concluded the presentation and discussion.

8. McNeil Joint Owner Budget (Discussion)

Mr. Irving was present for the draft McNeil calendar year budget discussion. Mr. Irving explained that the McNeil plant actually produces two budgets. McNeil produces a Calendar Year Budget because the Joint Owners operate on the calendar year and a Fiscal Year Budget because BED operates on a fiscal year. Mr. Irving stated that he was merely presenting the draft to the Commissioners for their review. He requested that a vote to accept the budget be put on the agenda for the December Commissioner meeting. If the Commissioners accept the budget at the next meeting it would then be presented to the Joint Owners.

Commissioner Stebbins asked about the large increases in the Outside Services line item. Mr. Irving stated that a large portion of these increases are consultant fees: every three (3) years McNeil is required to hire an outside company to do a Tri-Annual report for our owners. Also included in this budget is $50,000 allocated for additional studies for a district heating system.

9. EV Charging Station Rate (Discussion and Vote)

Ken Nolan discussed the EV Charging Station Rate and proposed KW hour charge. Mr. Nolan stated that the proposal is to implement an interim electric vehicle rate charge that was similar to our small commercial rate. This rate would be put in place for approximately one (1) year while a long term plan is developed. The rate in the draft Tariff is $0.17 per KWH.

Commissioner Herendeen asked if this low rate would be prejudicial.

Mr. Nolan didn't feel that this would be an issue. When BED goes to the State regulator they will look at the cost to provide the services. There are so few vehicles in Burlington that a low usage estimate is used however, as Burlington gets more vehicles connected, those assumptions will change.

Another fee being considered is a $1 per hour parking fee after 4 hours with the exception of those spaces linked to a hotel.

Commissioner Stebbins asked if in the future there would be a review process in the time of use rate structure.

Mr. Nolan stated that the contract that BED signed with Burns McDonnell specially includes looking at EV rates.

Commissioner Stephenson moved to approve the Electric Vehicle Charging Station Rate as proposed in the November 6, 2014 Memorandum by the Power Resource Department of Burlington Electric. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

10. Hancock Wind PPA Extension (Discussion)

Commissioner Moody moved that premature general public knowledge of the Hancock Wind Contract Extension would clearly place the Burlington Electric Department at a substantial disadvantage per Title 1, Section 313 (a)(1) of the Vermont Statutes. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

Commissioner Moody moved that the Commission go into executive session to discuss the Hancock Wind Contract Extension under the provisions of Title 1, Section 313(a)(1)(A) of the Vermont Statutes. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

Commissioner Stebbins moved to exit Executive Session at 7:20 p.m. The motion was seconded by Commissioner Stephenson and approved by all Commissioners present.

Commissioner Herendeen moved to adjourn the meeting at 7:20 p.m. The motion was seconded by Commissioner Moody and approved by all Commissioners present.

Attest:

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Laurie Lemieux, Temporary Clerk