MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION

Wednesday, March 11, 2015 – 5:30 p.m.

The regular meeting of the Burlington Electric Commission was convened at 5:30 p.m. on Wednesday, March 11, 2015 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, Paul Alexander, Tom Buckley and Munir Kasti.

Other staff members present included James Gibbons and Laurie Lemieux, Temporary Clerk.

Channel 17 was present to tape this meeting

Commissioner Newman called the meeting to order at 5:40 p.m.

1. **Agenda**

The agenda was revised to include the addition of Agenda Item 8.5; a discussion on current renewable portfolio standards in the legislature and Agenda Item 7, Street Lighting Standards has been postponed until the April Commission meeting.

2. Minutes of the February 11, 2015 meeting

Commissioner Stephenson moved to accept the minutes for the February 11, 2015 meeting. The motion was seconded by Commissioner Moody and approved by all Commissioners present.

3. Public Forum

No one from the public was in attendance.

4. Commissioners' Corner

Commissioner Herendeen thanked Mr. Buckley for providing the information on the in-house meter monitoring devices. Commissioner Herendeen informed the Commission of a new program involving batteries directed by Mr. Ken Stevens at UVM and suggested that Mr. Buckley speak about this program at another meeting.

Commissioner Newman informed the public that the Department is conducting interviews for the permanent position of General Manager at Burlington Electric. On Friday, March 13, 2015 the

Commission will be conducting several interviews including one with Interim General Manager, Neale Lunderville. From this interview process the Commission will send a few candidates to the Mayor and the hope is that there will be a final candidate sometime late this month or early April.

Commissioner Newman stated the General Manager is appointed every year by the Mayor and the City Council, with input from the Commission and the Commission is required to provide an evaluation of the GM as part of that process. Since the department is going through the interview process for the permanent General Manager, the Mayor asked the Commission to provide an evaluation of Mr. Lunderville. The Commissioners put together an evaluation for Mr. Lunderville and as part of the public record Commissioner Newman read the evaluation.

Commissioner Stephenson stated that there was good news about the department on Front Porch Forum, someone placed an article on the results of our survey and it was nice to see positive comments about Burlington Electric Department.

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

Mr. Lunderville passed around a recent photo of the Airport Solar Project taken by John Irving.. The Department is able to observe on a desktop computer, hour by hour, how much electricity is being made. This is accomplished as part of a software program that is monitoring the devices at the Airport. The Department hopes that in the future that this monitoring can be part of a dashboard for the Department webpage, not only for the Airport, but for Winooski One and McNeil.

Mr. Lunderville stated that in February the McNeil Generating Plant produced the most power with a capacity factor of 99.2%; the plant ran every hour during the month of February and beat the record set in November 1984. Mr. Lunderville thanked John Irving and his staff who did an exceptional job in keeping the plant running and Ken Nolan and his staff for not only ensuring that the plant is running, but that it is making good money and is bringing in revenue for our rate payers. Mr. Lunderville stated the final numbers are being worked on and there would be a report on the financial impacts at the next meeting.

McNeil has made some changes to the NOx scrubber and discovered that it can be run without using natural gas. By running the NOx scrubber without natural gas there has been an efficiency improvement which has resulted in a cost savings on our natural gas consumption at McNeil.

Evergreen Energy is working on the district heating model and working with La Capra as the independent eyes that will be reviewing Evergreen's model. Mr. Lunderville stated there will be a more detailed report next month.

Mr. Lunderville informed the Commission that the department is in the process of budget reviews and round one has been completed and round two will be in the coming weeks. The

department hopes to have the budget before the Commission for a preliminary review at the May meeting with a special Commission Meeting in June to approve the budget.

6. January 2015 Financial Update

Mr. Santerre presented a brief review of January 2015 year-to-date financial results.

This included a brief discussion of the $600,000 Net Income for the month and $1,829,000 Net Income year-to-date. It also included discussion of the Debt Coverage of 4.48 for the twelve months ended January 2015, and Cash and Construction Fund balances as of February 28, 2015. Mr. Santerre then provided a more detailed review.

Sales to Customers were down $75,000 from a $28,432,000 budget (0.25%) for the year and up $86,000 (2%) for the month. Other Revenues were above budget by $81,000 for the year due to several large billings. Power Supply revenue was down $1,215,000 for the month and $3,147,000 year-to-date. McNeil REC revenue was down $3.1 million ($1,168,000 compared to $4.3 million budgeted) as a result of the pending Connecticut ruling.

On the Expense side, power supply costs were down $484,000 for the month and $125,000 year-to-date. This is a 0.5% variance on the $18,871,000 budget. Operating Expense year-to-date was down $53,000 (0.5%). Taxes were down $161,000 and Depreciation $348,000 year-to-date as the Budget assumed Winooski One starting in July rather than September 1st.

Other Income was down $307,000 for the year due to assumed contributions for the City's Waterfront North Access Project of $508,000 and Interest Expense for the year was down $184,000 as a result of timing of the Winooski One Revenue Bond.

Mr. Santerre then discussed Capital Spending. In total, through February, capital spending was 51% ($5,250,000) of the $10,262,000 budgeted for fiscal year 2015. Production capital was less than budget ($570,000 of $1,338,000) as the Gas Turbine control upgrade ($1,372,000) has been delayed until mid-April. Distribution spending was under budget ($2,809,000 as compared to the budget of $4,781,000) and General Plant was below budget ($153,000 of $1,150,000 budget) due to the timing of various capital projects.

On the Cash side, we closed the month of February with $5,595,700 in the Operating Fund (budget was $7,035,000). The difference was largely due to the variance in the amount of REC revenue. The Construction Fund 2009 balance of $939,700 will be used for the solar project at Pine St and other capital. The Operating Fund Reserve remained at $1,908,000, and the GOB 2015 Fund ($3 million) closed at a balance of $500,000.

Mr. Santerre then presented the three Moody's bond ratings indicators. The Adjusted Debt Service Coverage Ratio was 1.46 for the month (just below the 1.50 required for an "A" bond rating) and the three year average was1.38. The Days Cash On Hand showed an 86 day position and a three year average of 64 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 Debt Ratio showed us at

a 48% and the three year historical average at 49%, both considered an "A" rating, which is below 75%.

7. Strategic Planning Work Session

At the February Commission meeting the survey results and the Strategic Planning process were discussed. Included in the March Commission packets was the detailed survey information for both the employee survey along with the leadership survey. Mr. Lunderville brought the Commission up to date on where BED is today regarding the Drafts of the Burlington Electric Department Mission Statement, Values and Vision. The Department's plan is to get some consensus on these so that the Department can then plot the strategic objective. The goal of this effort is to give a unified focus using the information of what our employees are saying, what customers are saying and what the industry looks like and what the Commission thinks about what direction the Department should head in. The Department will take into consideration the feedback from employee meetings, customer focus group meetings, BED wide surveys and industry trends.

Mr. Lunderville presented the survey results from the focus groups from our customers. These results indicate where BED excels and what areas BED needs to work on, such as customer connection. Other than providing electricity, the customers are unaware of the other service BED provides which shows a direct disconnect. Although BED is a well-known, strongly trusted organization, the customers do not have a sense of all that BED does. One of the results from these meetings is that BED's online presence is weak and while the customers were not happy with what BED had on line, they were more focused on how BED could work with them directly at a personal level.

Mr. Lunderville then presented the survey results from the employees. What stands out is that BED employees are proud to work for this department. There are a few areas that BED needs to work on:

- Strengthen the relationship between management and staff and between departments.
- BED needs to work on how are management is communicating and interacting as a management team.
- Developing Employees
- Technology

After careful review of all the raw data, the Management Team created drafts of the BED Mission Statement, Core Values and Vision. Last week 2 of 3 employee meetings were held and these drafts were presented to the employees and a lot of great feedback was received.

The survey told us where the employees feel we are today, the mission tells us what we do as a company, the values tell us how we are going to do that, and the vision is that point in the future,

where we want to get to. Following is the Draft Mission Statement, Core Values and Vision and looking for feedback from the commission.

The Draft Mission Statement is:

> *Serving our customer's energy needs in a safe, reliable affordable in a socially responsible manner.*

The Draft Core values in order of importance:

> *Safety*
> *Integrity*
> *Community*
> *Empowerment*
> *Innovation*

The Draft Mission Statement:

> *BED is the nation's leader in the innovative provision and promotion of sustainable, decentralized energy. With the talents of our people and the support of our community, we empower our customers to do more with less. As a trusted advisor, we deliver to our customers a suite of energy services and concierge-level support built on a technologically-advanced distribution system. BED achieves its promise of safety and reliability through teamwork, professionalism, open communication, and the development of our people to maximize their limitless potential.*

Mr. Lunderville is looking for the Commission's feedback, working it in with the employee feedback, making the changes and sending out another draft.

Each Commissioner provided feedback, likes, dislikes and wording that the Commission felt should be included in the Missions, Values and Vision Statements. Mr. Lunderville will review all the feedback and suggestions and incorporate these changes and provide another draft for review.

8. Current Renewable Portfolio Standards in the Legislature

Ken Nolan, James Gibbons, and Tom Buckley jointly briefed the Commission on the pending Renewable Portfolio Standard ("RPS") bill being considered by the Legislature, H.40. Mr. Nolan started with a brief overview of the bill history and general goals. The individual RPS requirements were then discussed with details provided regarding the ramp schedules, start dates, and generator qualification requirements for each of the three tiers (Total Renewable Energy, Distributed Generation, and Energy Transformation). Mr. Buckley then provided detail on the legislative discussion underway regarding the Energy Transformation tier noting anticipated differences between the House and Senate portions of the bill. Mr. Nolan finished the briefing by describing the ancillary components of the bill relating to reporting, new biomass standards

development, and the overall Public Service Board process to follow, and reminding the Commission that this presentation related to the bill as it was passed by the House. The bill will now move to the Senate where further changes are likely. Staff will be monitoring developments closely.

9. REC Purchasing Strategy and Contracts

Mr. Nolan stated that the Commission should consider an Executive Session to discuss REC purchasing strategy and contracts. He stated that how BED is approaching the markets and its contract pricing strategy is confidential and could impact BED's position in the market.

Commissioner Stebbins moved to find that premature general public knowledge of the REC purchasing strategy and contracts would clearly place the Burlington Electric Department at a substantial disadvantage per Title 1, Section 313 (a)(1) of the Vermont Statutes. Commissioner Herendeen seconded the Motion. Motion passed and approved by all Commissioners present.

Commissioner Stebbins moved that the Commission enter into executive session to discuss REC purchasing strategy and contracts under the provisions of Title 1, Section 313(a) (1) (A) of the Vermont Statutes. The motion was seconded by Commissioner Herendeen. Motion passed and approved by all Commissioners present.

Commissioner Stephenson moved to exit Executive Session at 8:25 p.m. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

10. Contracts for Organizational Efficiency Improvements

Mr. Lunderville stated that the reason to enter Executive Session is to discuss negotiations of contracts for several organizational improvement efforts. He stated that these contracts are confidential and premature public knowledge would adversely impact BED's negotiating position.

Commissioner Stebbins moved to find that premature general public knowledge of the contracts for organizational improvement efforts would clearly place the Burlington Electric Department at a substantial disadvantage per Title 1, Section 313 (a)(1) of the Vermont Statutes. Commissioner Herendeen seconded the Motion. Motion passed and approved by all Commissioners present.

Commissioner Stebbins moved that the Commission enter into executive session to discuss the contracts for organizational improvement efforts under the provisions of Title 1, Section 313(a)(1)(A) of the Vermont Statutes. Commissioner Herendeen seconded the Motion. Motion passed and approved by all Commissioners present.

Commissioner Stephenson moved to exit Executive Session at 9:36 p.m. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

Commissioner Stephenson moved to adjourn the meeting at 9:37 p.m. The motion was seconded by Commissioner Stebbins and approved by all Commissioners present.

Attest:

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Laurie Lemieux, Temporary Clerk