MINUTES OF REGULAR MEETING
BOARD OF ELECTRIC COMMISSIONERS

Wednesday, May 14, 2014 – 5:30 p.m.

The regular meeting of the Board of Electric Commissioners was convened at 5:34 p.m. on Wednesday, May 14, 2014, at the Burlington Electric Department at 585 Pine Street, Burlington, Vermont.

Commissioners Spencer Newman, Scott Moody, Jean O'Sullivan, Bob Herendeen, and Mark Stephenson were present.

Staff members present included Barbara Grimes, Daryl Santerre, Charlie Willette, Munir Kasti, Mary Sullivan, Paul Alexander, John Irving, and Ken Nolan.

Other staff members present included Laura Babcock, clerk, and James Gibbons.

Channel 17 was present to tape this meeting.

Commissioner Newman called the meeting to order at 5:34 p.m.

1. Agenda

Barbara Grimes asked that an item 8, McNeil Contract Approval, be added to the agenda for a discussion and vote.

The motion was approved by all commissioners present.

2. Minutes of the April 09, 2014 meeting:

Commissioner O'Sullivan moved to accept the minutes for the April 09, 2014 meeting. The motion was seconded by Commissioner Stephenson and approved by all Commissioners present.

3. Public Forum

Gregory Roy was present from the public.

3.5 Commissioners' Corner

Commissioner Newman gave an update regarding the General Manager search. The search committee has interviewed seven or eight candidates and plans to interview a few more next week. They will then send the eligible candidates to the Mayor for a final interview and decision.

Commissioner Moody noted that perhaps we might look into and consider renaming the hydro plant, Winooski-One. He agreed to look into how the Moran Plant and McNeil station came to be named as well as the history behind Winooski-One's name in order to determine if renaming the plant might be appropriate.

Commissioner Herendeen stated that he noticed that several UVM buildings can be found on Energy Engage but that he is unsure how to access the information. Ms. Grimes said that since no one from Energy Services was present she would look into it and get him the information.

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

Barbara Grimes noted that the department had added two charging stations on BED property. Ms. Grimes also mentioned that there are charging stations at Main and Church Street and in the parking garage at Cherry Street. She also mentioned that a charging station will be installed on South Winooski Avenue.

Ms. Grimes explained that BED's dispatch department would be moving into their new location and that their original pegboard display is now a digital display board. She invited the commission to come to the unveiling of the new location once a date is set.

5. Lighting Committee Update (Discussion and Vote)

Charlie Willette and Munir Kasti presented the BED's current street lighting policy:

Responsibility for Lighting City Streets:
Burlington Electric Department (BED) has been tasked by the Burlington City Council with the responsibility to light the accepted city streets of Burlington.

Street Lighting Standard:
Current street lighting practices at BED are the following: Street lighting has been designed to conform to the Illuminating Engineering Society (IES) recommendation for lighting levels (footcandles) and uniformity (contrasts between bright and dark spots).
All new non light-emitting diode (LED) street light fixtures shall be full cut off and energy efficient. All LED fixtures shall be rated with the Backlight, Uplight, and Glare (BUG) system with color temperature of 4,000 K. Street lighting fixtures are purchased based on performance, durability, workability and cost. When evaluating the performance of the street light fixture, BED creates a road template and evaluates the light level on the street, sidewalk, and beyond the sidewalks. The goal of the evaluation is to choose an energy efficient fixture that provides adequate lighting on the street and sidewalk with the "lowest" light spill beyond the sidewalks.

Standard Street Lighting System:
The street lighting system will consist of an LED cobra head fixture rated according to the BUG system and mounted at approximately +/- 30 feet on an existing utility pole or on a new 35 foot wooden/fiberglass pole. BED will supply power via aerial service for streets with aerial electrical circuits and via underground service where BED's electrical circuits are underground. Based on current technology, this standard system is the least-cost option available.

Non-Standard List of Fixtures and Poles:
The following non-standard fixtures and poles have been approved by BED:
1) Lumec L-70 Octogonal Lantern
2) Lumec Domus 50 series LED fixtures
3) Lumec Renaissance 20 series LED fixtures

Non-Standard Street Lighting System:
Occasionally the street lighting goals on certain city streets are not accomplished through the standard street lighting poles and fixture. In such situations an alternative system may be installed provided that the IES recommendations are met. In cases in which a customer (other than the City) or a group of customers request a non-standard street lighting system, the customer or the group of customers shall be responsible for the cost in excess of the standard system.

Existing Streets with Decorative Fixtures:
Existing decorative fixtures may not meet the "full" cut-off fixture requirement, may not be rated with the BUG requirement, may not be energy efficient fixtures, and may not be available for replacement. Also, the height of the poles and intensity of the lights may be too low to meet the IES requirement on the street. When preexisting decorative fixtures need replacement they are either replaced with the same fixture if available or, if unavailable, those fixtures/poles are swapped out for BED's standard 35-foot wooden/fiberglass poles and LED cobra head fixtures.

Street Lighting Process
BED follows the following street lighting process:
a) When a street light fixture fails on a street that doesn't meet the IES lighting recommendation, the fixture is replaced with an equivalent output LED full "cutoff' cobra head fixture.
b) When BED's electrical system rebuild/upgrade project is underway, BED will use this opportunity to change out all the lighting and bring the street up to the IES guidelines. This may include replacing fixtures on existing poles or adding new poles and fixtures.
c) When BED receives requests from customers to check the lighting levels on a street, BED will investigate the lighting request by performing a street lighting study. If the study indicates the lighting level on the street is below the IES recommendations, BED may upgrade by replacing fixtures on existing poles and adding new poles and fixtures. BED shall add this project to the street lighting capital plan and implement it as budget allows. If the study indicates the lighting level meets the IES recommendation, BED shall inform the customer that the street lighting is adequate and meets the IES recommendation. If the study indicates the size of the fixture needs to be reduced to meet IES recommendations, BED will replace lighting fixtures with lower wattage fixtures. BED shall add this project to the street lighting capital plan and implement it as budget allows.

d) BED maintains a street lighting capital plan that lists the streets where the lighting will be upgraded or new lights will be installed to meet IES recommendations. This plan includes street lighting projects specified by BED, projects driven by the City/State projects, and projects driven by BED's Customers requesting that lighting levels be checked.

Commissioner O'Sullivan then discussed the new policy as unanimously approved by the Lighting Committee:

Statement of Purpose:
This street lighting policy is to be followed by Burlington Electric Department and the City of Burlington when installing standard street lighting poles and fixtures, and making decisions about the location of decorative poles and fixtures and banners that are attached to the poles. When choosing street lighting energy efficiency will continue to be a very high priority. Burlington will continue to be aware of dark skies goals as a component of lighting policy. This policy will inform citizens of the standards, guidelines and procedures that Burlington Electric Department employs to safely illuminate Burlington streets, adjacent bikeways and pedestrian ways.

Responsibility for Lighting City Streets:
Burlington Electric Department (BED) has been tasked by the Burlington City Council with the responsibility to light the accepted city streets of Burlington.

Street Lighting Standard:
Street lighting in Burlington, Vermont, conforms to the Illuminating Engineering Society (IES) recommendation for lighting levels (footcandles) and uniformity (contrasts between bright and dark spots).

Street lighting fixtures are purchased based on performance, durability, workability and cost. When evaluating the performance of the street light fixture, BED will create a road template and evaluate the light level on the street, sidewalk, and beyond the sidewalks. The goal of the evaluation is to choose an energy efficient fixture that provides adequate lighting on the street and sidewalk with the lowest light spill beyond the sidewalks. LED fixtures will be the standard and shall be rated with the Backlight, Uplight, and Glare (BUG) system with color temperature of 4,000 K. The BUG system was started by IES in 2005 to reduce stray lighting that escapes from an outdoor lighting luminaire.

Standard Street Lighting System:
The street lighting system will consist of an LED cobra head fixture rated according to the BUG system and mounted at approximately 30 feet above the street on an existing utility pole or on a new 35- foot wooden/fiberglass pole. BED will supply power via aerial service for streets with aerial electrical circuits and via underground service where BED's electrical circuits are underground. Based on current technology, this standard system is the least-cost option available.

Decorative Lighting and Banners
When the City designates decorative lighting districts and banner districts the city shall inform BED of such designations.

For decorative lighting districts, BED with advice from the Planning Department will select one decorative lighting fixture and pole that will be used in the gateways and one in the commercial areas. (Pre-existing non-standard decorative lights will be maintained until the stock runs out, at which point they will be replaced by the standard fixture and pole selected by BED, unless a new district has been named.)

For banner districts, banners will be affixed to the poles using manufacturer's recommendations. BED will install the banners and maintain them. The city shall sign a waiver of liability in regards to the banners.

BED has standard residential and commercial street lighting equipment. All increased costs above the standard amount for both equipment and maintenance of the banners and the decorative fixtures will be borne by the city. When requesting decorative street lighting fixtures and poles, the city will pay the incremental cost in advance in compliance with BED's Street Lighting Tariff.

New Development: Where new development causes the creation of new "accepted City streets", BED will install a standard lighting system.

Street Lighting Process

BED follows the following street lighting process:

a) BED maintains a street lighting capital plan that lists the streets where the lighting will be upgraded/new lights will be installed to meet IES recommendations. This plan includes street lighting projects specified by BED, projects driven by the City/State projects, and projects driven by BED's customers requesting that lighting levels be checked.

b) When a street light fixture fails on a street that doesn't meet the IES lighting recommendation, the fixture is replaced with an equivalent output LED cobra head fixture.

c) When BED's electrical system rebuild/upgrade project is underway, BED will use this opportunity to change out all the lighting and bring the street up to the IES recommendations. This may include replacing fixtures on existing poles or adding new poles and fixtures.

d) When BED receives requests from customers to check the lighting levels on a street, BED will investigate the lighting request by performing a street lighting study.

   If the study indicates the lighting level on the street is below the IES recommendations, the street will be added to BED's street lighting capital plan, and upgrading the lighting to meet IES recommendation will be implemented as budget allows. This may include replacing fixtures on existing poles and adding new poles and fixtures.

   If the study indicates the lighting level meets the IES recommendation, BED shall inform the customer that the street lighting is adequate and meets the IES recommendation.

   If the study indicates the lighting level on the street could be reduced and still meet the IES recommendations by replacing lighting fixture(s) with lower wattage fixture(s), BED shall add this project to the street lighting capital plan and implement it as budget allows.

Commissioner Stephenson moved to adopt the new Lighting Policy as presented. The motion was seconded by Commissioner Moody and approved by all Commissioners present.

Commissioner Herendeen then discussed the Dark Skies Initiative. Street lights are in place for safety and liability reasons but Dark Skies investigates how much light is needed to maintain safety and visibility without over-lighting an area. Studies show areas are often lit to a standard that is two to four times higher than necessary and that a lighting reduction of 50-75% is possible with no negative impact of safety or visibility. He noted that the city of Shelburne has removed a lot of lights with no legal repercussions, unlike the $6.8 million settlement BED had to pay 10-12 years ago when lack of light caused a driver to crash. We currently light to IES recommendations but Commissioner Herendeen is wondering if we can come down from that, while still maintaining safety and visibility. He proposed that in the long term we continue to pay attention to this issue and in the short term to continue with IES recommendations while investigating alternative recommendations. He contacted the Vermont Law School in order to hire a law student to investigate the legality of coming down from IES recommendations and what other options we may have. Working with this law student will not cost the department any money.

Commissioner O'Sullivan noted that people always tell her they want less light. Ms. Grimes noted that calls coming into BED indicated the opposite, people want more light. The amount of light people want, and ultimately feel safest in, depends on the neighborhood you are in, Ms. Grimes said. She agreed that we would investigate this further and go ahead with hiring an intern but that right now BED will not be changing lighting standards, and will continue to light to IES recommendations. Ms. Grimes said once another lighting standard has been presented, it can be debated whether BED should adopt it.

Commissioner Stephenson moved to start an internship with a Vermont Law School Student to investigate the legality of coming down from IES lighting recommendations. The motion was seconded by Commissioner Moody and approved by all Commissioners present.

6. March 2014 Financial Update (Discussion)

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

This included a brief discussion of the $514,000 Net Loss for the month (as expected-we had budgeted a $576,000 Loss) and $3,202,000 Net Income year-to-date. It also included discussion of the Debt Coverage of 2.48 for the twelve months ended March 2014, and Cash and Construction Fund balances as of April 30, 2014. Mr. Santerre then provided a more detailed review of the individual line items.

Sales to Customers were up $917,000 (2.5%) for the year and were up $114,000 (2.8%) for the month. Other Revenues (primarily DSM/State EEU) were below budget by $143,000 (3.7%) for the year. Any variance for this line item can be explained by the fact that these revenues are primarily driven by customer demand and the timing of billings to the State.

Although there was very little REC revenue reported in March ($48,000 of wind REC revenue), as expected, power supply revenue was up $2.3 million year-to-date. The McNeil REC revenue was up $2.1 million ($5.8 million as compared to $3.7 million budgeted) and wind REC revenue was up $250,000 ($2.3 million as

compared to $2.1 million budgeted). Market prices for RECs continue to be strong.

On the Expense side, power supply costs, year-to-date, were lower than budget by 2.8% ($688,000). Although Mcneil fuel costs were up $1.8 million (due to production being up 27% for the year), this was offset by lower purchased power costs of $2.5 million. Also, woodchip prices were on average 1% lower than budget, which helped lower overall power supply costs.

Operating Expense year-to-date was close to budget. We were within 4.5% of budget ($518,000 over on a $11,557,000 budget). The primary reason for the difference is that we have expensed $422,000 of legal and other costs associated with the Winooski One Hydro Plant purchase. These costs will be capitalized (removed from expense) when we finalize the purchase. In addition, administrative & general expense charged to capital was less than budget by $238,000. (This means more charged to expense.) If you adjusted for these two items we would be under budget.)

Taxes were in line with budget, with minimal differences.

Depreciation & Gain/Loss on Plant was over budget by $365,000 for the year. Late last year, we retired from service several large substations (Lake St & College St). These substations had un-depreciated balances of $340,000, which needed to be written off. That was done in July of this year.

Other Income was down $166,000 for the year due to assumed contributions for both Shelburne Street and the City's Waterfront North Access Project.

Interest Expense was right in-line with budget.

Mr. Santerre then mentioned the debt coverage of 2.48. This is almost double the 1.25 required, and is a 12 month calculation.

Mr. Santerre then discussed Capital Spending. In total, through April, we had expended 84% ($5,662,000) of the $6,732,000 budgeted for fiscal year 2014. Production (McNeil Plant) capital was less than budget ($310,000 of $741,000). Although the four new rail cars were purchased, the ash dump truck and certain other equipment was deferred. As for transmission plant, it was the investment of $1,815,000 in Velco equity in December. This was not budgeted for as Velco was not anticipating this additional equity. This investment yields a 12.5% average return. Distribution spending was under budget ($3,054,000 spent as compared to the budget of $4,535,000), primarily due to the timing on several projects, including Cherry Street ($480,000), and the GIS Outage Management System ($724,000). Also, there were several projects budgeted for FY14 that were completed in late FY13. Finally, General plant (585 Pine Street capital) was below budget ($483,000 of $891,000 budgeted), largely due to the timing of various buildings & grounds and IT hardware/software projects.

On the cash side, we closed the month of April with a $3,904,000 balance in the Operating Account (the budget was a balance of $3,472,000). The balance would have been around $5.7 million if the $1.8 million investment in Velco equity, which was not budgeted for, had not come out of Operating Funds. REC sales at high market prices continue to a primary driver of the cash balance improvement.

In other Cash accounts, the Construction Fund 2009 (unused monies from the $36.6 million general obligation bond) remains at $4,903,000. This amount has been set aside for future renewable energy projects. This money will be expended with the various solar projects forthcoming and the Winooski One purchase. The Construction Fund for the 2012 Revenue Bond was at $375,000. This account will be depleted when we get final billings on the Highgate Converter Station project. Lastly, we have a $1,486,000 balance in the $3 million GOB for FY14. This should be expended in the next two months as we close out the fiscal year.

Our $5 million Line-Of-Credit (LOC) with Key Bank is available, but remains at a $0 balance.

Mr. Santerre then discussed the three schedules that pertain to the Moody's bond ratings, and therefore are important to be tracking. It should be noted that the graphs do have one significant change this month. Mr. Santerre is now preparing both current month and three year historical indicators for each of the graphs. This is to present the most conservative position of where we are with these indices and to be in line with Moody's, which uses three years of historical information in their ratings reviews.

The first graph we reviewed was the "Adjusted Debt Service Coverage Ratio". This looks at our ability to meet cash obligations, including general obligation bonds and payments-in-lieu-of-taxes to the City, both of which are excluded from the revenue bond debt coverage (1.25) calculation. This ratio is weighted at 10% in the Moody's formula for municipal electric utilities. An "A" rating requires a minimum coverage of 1.50, while a Baa requires a minimum of 1.10. The Department is currently rated at Baa2 and this month's ratio was calculated at 1.43 and 1.26 for a three year average. Both are very close to an A rating.

The second graph we reviewed was the "Days Cash On Hand". This measures how many days of operating expense could your current cash position hold out for. It is a 10% weighted factor in Moody's bond ratings formula for municipal electric utilities. An "A" rating requires a minimum of 90 days, while a Baa requires a minimum of 30 days. The Department is currently rated at Baa. This month's calculations showed a 64 day position and the three year average was 50 days. Like the previous ratio, this shows us between the Baa2 and the A rating.

It was noted during the presentation that this indicator includes our $5 million available line-of-credit (LOC) as cash. However, there is certain language that is required in the LOC agreement for Moody's to consider this as available cash. If they determine that our agreement does not meet that test, we would remove the additional $5 million. This would lower these "days cash on hand" figures significantly.

The third and final graph was the "Debt Ratio". This is a measure of how much of your current book value of assets is covered by outstanding debt. The lower the debt ratio, the better the rating from Moody's will be. It is a 10% weighted factor in Moody's bond ratings formula for municipal electric utilities. An "A" rating requires a ratio lower than 75%. A "Baa" rating would be result if the ratio was above the 75%. The Department is currently rated at Baa2. This month's calculation for debt ratio showed us at a 41% debt ratio and the three year historical average was at 51%. Although the three year average is much higher than the current percentage, it is still well below the 75% required for an "A" rating. Therefore, this measure is considered an "A" rating for this ratio.

This concluded the presentation and discussion.

7. Fiscal Year 2015 Budget (Discussion and Vote)

Daryl Santerre, BED's Chief Financial Officer, had presented the "Fiscal Year 2015 Budget" to the Commission with an overhead slide presentation at their April 2014 Meeting.

Mr. Santerre then explained to the Commission that there was one change to the budget they are considering tonight from the one presented in April. The change is in form only and not substantive. It is an accounting change made after discussion with our auditors. Specifically, it is in regard to the NEPCO "final payment" of $4.3 million being amortized over the next ten years (2014 -2024). In the initial presentation we assumed the annual amortization would be credited (as a reduction) to purchased power expense. After discussion with our auditors, they preferred it be credited to "Other Income". This has no effect on the bottom line (Net Income), Cash or any other schedule we presented. We are pursuing an Accounting Order with the Public Service Board for this accounting treatment.

Mr. Santerre then asked if there were any questions or changes they would like to discuss regarding the budget. After answering a few questions, and without making any changes to the proposed budget, the Chair of the Commission asked for a motion to vote.

The complete budget package, once approved by the Commission, will be forwarded to the Chief Administrative Officer of the City. BED will be doing an abbreviated, fifteen minute presentation of this budget to the Board of Finance and interested City Councilors at a City Council Budget Work Session on Wednesday, May 28, 2014.

This concluded the presentation and discussion.

Commissioner O'Sullivan moved to accept the Fiscal Year 2015 Budget. The motion was seconded by Commissioner Moody and approved by all Commissioners present.

8. McNeil Contract Approval (Discussion and Vote)

John Irving explained to the commission that currently McNeil Station houses an out-of-service gasifier. He has been trying to have it removed but received quotes between $1.6 and $1.8 million to do so. He now has two offers, one he take more seriously than the other, to remove the gasifier for $1. He asked the commission to give him the authority to pursue which ever offer is best in order to be rid of the gasifier.

Commissioner Newman moved to grant staff the authority to pursue the best and most cost effective solution to remove the gasifier. The motion was seconded by Commissioner O'Sullivan and approved by all Commissioners present.

There being no further business to discuss, Commissioners O'Sullivan and Moody moved to adjourn at 7:02 p.m. which was approved by all Commissioners present.

Attest:

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Laura Babcock, Clerk