

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

**Wednesday, April 8, 2015 – 5:30 p.m.**

The regular meeting of the Burlington Electric Commission was convened at 5:30 p.m. on Wednesday, April 8, 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, John Irving, Ken Nolan, Paul Alexander, Tom Buckley and Munir Kasti.

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.

### **1. Agenda**

There were no revisions to the agenda.

### **2. Minutes of the March 11, 2015 meeting**

Commissioner Herendeen asked that a revision be made on Page 88 under General Manager/Commission Information Items, second paragraph. The sentence should read, 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.

Commissioner Moody moved to accept the minutes for the March 11, 2015 meeting as amended. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

### **3. Public Forum**

Geoff Rinebold was present from public.

### **4. Election of Board Clerk**

Commissioner Herendeen made the motion to approve Laurie Lemieux as the permanent Board Clerk of the Burlington Electric Commission. The nomination was seconded by Commissioner

Moody and approved by all Commissioners present.

## **5. Commissioner's Corner**

There were no issues raised by the Commissioners at this time.

## **6. General Manager/Commission Information Items (Oral Update)**

Mr. Lunderville thanked the Commission for the support and strong recommendation regarding the hiring of Mr. Lunderville as the permanent General Manager of BED.

Mr. Lunderville stated that the McNeil Plant has had a great month and has been running for close to 90 days continuously at almost full peak. Mr. Lunderville thanked John Irving, Dave McDonnell and the McNeil team for a great job. McNeil will be going into shut-down beginning April 11<sup>th</sup> until May 3<sup>rd</sup> to replace the super heater and the first phase of the PLC upgrade and numerous other changes.

Mr. Lunderville informed the Commission that Burlington Electric is in the process of starting the Gas Turbine upgrade and this will occur mainly in May and will conclude the end of May so the Gas Turbine is ready to run for the summer. Mr. Lunderville commended Dave Kresock and his team for pulling the pieces together in a short timeframe for a very technical upgrade.

Ken Nolan stated that McNeil did extremely well in February and presented the financial impact. Mr. Nolan explained that on the ISO Market you buy the entire load on the market and then sell all your generation to the market and net the 2 out. The load cost for Burlington Electric was \$3.6 million before any resources are taken into account. That equates to \$124.20/MWH, which is what BED would have had to pay for wholesale power if there were no contracts in place to offset the impact. McNeil made \$2 million in energy revenues from the ISO market and based on the amount of MWH produced it should generate approximately \$780K of REC revenue. The cost for fuel in February was a little less than \$1.3 million and for that one month the McNeil Plant generated \$1.5 million more than it cost Burlington Electric to run the plant. If the Department had no contracts in hand then the cost would have been \$124.20/MWH, \$3.6 million. Also, when the energy impacts of the generation and the contracts in place are factored in, this drops the Department's net cost to \$80/MWH, \$2.3 million, then factor in RECs, the net cost to the Department is \$42/MWH.

## **CT PURA Decision**

Mr. Nolan explained that BED has a draft order and is waiting for the final order to arrive. PURA has now stated that there is no problem with the Vermont REC's through January 1, 2017, but is reserving judgement beyond 2017 based on what the Legislature does.

## **District Heating Update**

John Irving stated that approximately a week ago the financial model was received and is presently being reviewed. This Burlington District Heating program was awarded a grant and a

portion of this grant will be used to send individuals involved in this program to visit other district heating facilities. These individuals will tour a facility in St. Paul, MN, which the Burlington District Heating Program model was based upon. The individuals that will be touring this facility are Jan Shultz, the Chairman of the BERMS Committee, Jen Green from the Mayor's Office, Max Tracy, Burlington City Council, Curt McCormack, Vermont State Representative and John Irving.

Mr. Lunderville informed the Commission that the Airport Solar is producing power and the ribbon cutting is scheduled for April 22<sup>nd</sup> at 10:00 a.m. A reminder will be sent out to the Commissioners and it would be great if the Commissioners could attend.

Mr. Lunderville recently learned that Tom Buckley received a letter stating that Burlington Electric is the recipient of the APPA DEED Award for Continued Excellence. Mr. Buckley will accept the award at the APPA Conference in May.

Also good news for Burlington Electric, Paul Alexander earned the "*Associate in Risk Management - Enterprise-Wide Risk Management*" designation from The Institutes. He successfully completed course work and passed a national examination on Enterprise Risk Management, which included organizational functions such as Governance, Compliance, Risk Management, Internal Control, Risk Modeling and Strategic Planning. As part of this designation, he was also tested on the nine modules of "Ethical Guidelines for Insurance Professionals".

Mike Flora passed the *Certified Utility Safety Professional - CUSP* exam and the endorsement exams of T&D and Power Generation. The exam is designed to test a broad-based understanding of utility safety regulations, competencies and task directed skills. CUSP certification encourages continued personal and professional growth in the practice of utility safety leadership and provides a national standard of requisite knowledge required for certification.

## **EV Rate Update**

Tom Buckley received approval from the Public Service Board that Burlington Electric can implement EV Rates effective April 1, 2015. Burlington Electric informed the Public Service Board that as of April 1, 2015 a 30-day notice will be given to users regarding the rates. As of this Monday there is a message that scrolls on the charging stations that states, "*Beginning May 1, 2015 there will be a charge of 17.2¢ per KW hour plus the \$1.00/hour extra beyond 4 hours*". As May 1, 2015 approaches there will be a press release to get the word out to the public.

## **7. February 2015 Financial Update**

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

This included a brief discussion of the \$363,000 Net Loss for the month and \$1,468,000 Net Income year-to-date. It also included discussion of the Debt Coverage of 4.32 for the twelve months ended February 2015, and Cash and Construction Fund balances as of March 31, 2015. Mr. Santerre then provided a more detailed review.

Sales to Customers were up \$350,000 from a \$32,197,000 budget (1%) for the year and up \$425,000 for the month. The monthly variance may have been driven by the average temperature for the month being 14 degrees colder than normal. Other Revenues were below budget by \$59,000 for the year. Any variance in this revenue is driven by the timing of billings and customer requested work. Power Supply revenue was down \$3,141,000 year-to-date. The variance was essentially with the McNeil RECs as the wind production RECs were very much in line with budget. The McNeil REC revenue will be more in line with budget by year end as the fourth quarter will see some large sales.

On the Expense side, power supply costs were down \$151,000 for the month and \$276,000 year-to-date. This is a 1.3% variance on the \$21,935,000 budget. Operating Expense year-to-date was down \$228,000 (2%), while Taxes were down \$168,000 and Depreciation \$387,000 year-to-date as the Budget assumed Winooski One starting in July rather than September 1st.

Other Income was down \$348,000 for the year due to assumed contributions for the City's Waterfront North Access Project of \$610,800 and Interest Expense for the year was down \$206,000 as a result of timing of the Winooski One Revenue Bond.

Mr. Santerre then discussed Capital Spending. In total, through March, capital spending was 54% (\$5,550,000) of the \$10,262,000 budgeted for fiscal year 2015. McNeil/GT Production capital was less than budget (\$571,000 of \$1,356,000) as the Gas Turbine control upgrade (\$1,372,000) has been delayed until later in the month. Solar power production was right in line with budget at \$1,538,000 of a \$1,591,000 budget. Distribution spending was under budget (\$1,562,000 as compared to the budget of \$3,302,000) and General Plant was below budget (\$162,000 of \$1,198,000 budget) due to the timing of various capital projects.

On the Cash side, we closed the month of March with \$5,394,000 in the Operating Fund (budget was \$5,855,000). 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 1.40 for the month (just below the 1.50 required for an "A" bond rating) and the three year average was 1.39. The Days Cash On Hand showed a 92 day position. This is the first time in the past 20 plus years that we have been above the 90 day requirement for a single ("A") Moody's bond rating. The three year average was 66 days. (These numbers do include the \$5 million line of credit as available cash). The Debt Ratio showed us at a 47% and the three year historical average at 49%, both considered an "A" rating, which is below 75%.

This concluded the presentation and discussion.

## **8. New KeyBank CD Account**

Mr. Santerre explained to the Commission that in negotiating the Department's new Line-Of-

Credit with Key Bank, there was discussion regarding an “administration” fee of \$10,000. However, KeyBank stated that if BED would consider working on some new business or investments the “administration” fee would be waived. It was agreed by the Department to open a new account with KeyBank and invest in a CD of \$1 million in exchange for the fee being waived. The \$1 million will come from the Department’s investments at TD Bank and therefore will be no loss in investment income. To open up this new account there needs to be a vote by the Commission to authorize the General Manager, CFO and Controller to have signature authority at KeyBank for this particular account. Commissioner Herendeen made a motion that the General Manager, CFO and Controller have signature authority on this account at KeyBank. This motion was seconded by Commissioner Moody and approved by all Commissioners present.

## **9. Accepting Credit Cards at No Cost to Customers**

Mr. Lunderville explained that presently the Department charges residential customers \$3.95 and commercial customers \$30.00 to use a credit card to pay their bill. Customers do not want to pay this charge since they are used to using this service at no charge at other businesses. Mr. Lunderville asked Mr. Buckley to do an analysis looking at the cost and benefits, taking into consideration the processing fee that BED would incur. Mr. Buckley indicated that this analysis took a close look at the potential savings for BED by avoiding the cost for the paper billing and paper checks, the delay associated with that transaction and the customer/finance time and the cost for processing. This analysis showed that the savings from using a credit or debit card outweighed the cost of the added processing fees for the transaction. This analysis indicated that within the first year the Department is estimated to save approximately \$5,000. To implement this program BED would need to budget for the processing fees and software support and integrate added software into its Customer Information System. Also BED will need to file its intent with the Public Service Board but BED does not expect that a PSB regulatory proceeding will be needed. If everything goes well BED can implement these modifications and inform customers during the upcoming summer.

Mr. Lunderville explained that the Department is looking for the Commission’s approval to move forward with this plan. The Commission was in agreement to move forward with a no-fee credit/debit card payment option.

## **8. Street Lighting Standards**

Commissioner Herendeen, along with Mr. Geoff Rinebold, a senior at the University of Vermont, presented a power point presentation regarding lowering the light levels in the City of Burlington. The presentation briefly touched on Dark Sky and the changes made to the Illuminating Engineering Standard (IES) Standard RP-8-00 in RP-8-14. The presentation looked at the differences between lighting using LED, HPS and metal halide fixtures while looking at the effects of mesopic, photopic and scotopic factors. Towns such as Shelburne and Williston removed between 20%-50% of their lighting without any adverse effects and saved money on their total energy use. Munir Kasti noted that these towns are not required to follow IES Standards, which makes it much easier to remove the lighting than it would in the City of Burlington. Commissioner Herendeen stated that it is believed that the City may not be required

to follow IES Standards as the City falls under sovereign immunity. Commissioner Herendeen has contacted the City Attorney requesting their expertise in this matter. Mr. Lunderville indicated we will want advice from legal counsel before implementing any changes.

Mr. Rinebold stated that UVM has been experimenting with dimming their lighting in some of the parking lots on campus without any negative effects. Ken Nolan stated that BED is looking at a pilot project at Leddy Park to use new technology that allows the lights to dim at certain times. Mr. Kasti also stated that all of the new LED lights that we now purchase have a new controller that lowers the lighting levels by 15%. Commissioner Herendeen stated that the power point presentation would be sent out to Commissioners and staff and looks forward to feedback. Mr. Lunderville stated that any feedback would be presented at the June Commission Meeting.

## **9. 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 Stephenson moved to find that premature general public knowledge of the contracts for organizational efficiency 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 Stebbins seconded the Motion. Motion passed and approved by all Commissioners present.

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

The Commission moved into Executive Session at 7:05 p.m.

Commissioner Stephenson moved to exit Executive Session at 8:11 p.m. The motion was seconded by Commissioner Stebbins and approved by all Commissioners present.

A motion was made by Commissioner Herendeen to approve the Voluntary Buyout Plan, with its final details subject to change, provided that any substantive change in the benefit package, employee eligibility, or financial projections shall be communicated to the Commission forthwith and, based on that information; the Plan may be subject to Commission reconsideration. This motion was seconded by Commissioner Stebbins and approved by all Commissioners present.

A motion was made by Commissioner Moody to approve the proposed John M. Floyd & Associates contract, subject to final negotiations and attorney review, provided that any substantive change in the contract terms, cost, or savings guarantee shall be communicated to the

Commission forthwith and, based on that information, the contract may be subject to Commission reconsideration. This motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

Commissioner Moody moved to adjourn the meeting at 8:12 p.m. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

Attest:

  
\_\_\_\_\_  
Laurie Lemieux, Board Clerk