

MINUTES OF REGULAR MEETING BURLINGTON ELECTRIC COMMISSION

Wednesday, February 11, 2015 – 5:30 p.m.

The regular meeting of the Burlington Electric Commission was convened at 5:30 p.m. on Wednesday, February 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, 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 5:38 p.m.

1. Agenda

The agenda was revised to include Agenda Item 6.5; PLC Upgrade for McNeil and Agenda Item 8, Street Lighting Standards was removed.

2. Minutes of the January 14, 2015 meeting

Commissioner Herendeen asked that a revision be made on Page 73 under Commissioners' Corner, paragraph 2 regarding the IES PR8-14. The statement should read, "Commissioner Herendeen obtained a copy from the UVM Library".

Commissioner Herendeen asked that a revision be made on Page 75 under General Manager/Commission Information Items, section IT Realignment. Change all reference to JMFA to John M. Floyd and Associates.

Commissioner Herendeen asked that a revision be made on Page 75 under Customer Satisfaction Survey Presentation. The statement should read, "Commissioner Newman stated that when this survey is revisited in 3 years it would be great to see if we got higher evaluations for innovation".

Commissioner Moody moved to accept the minutes for the January 14, 2015 as amended. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

3. Public Forum

No one from the public was in attendance.

4. Commissioners' Corner

Commission Herendeen reminded Mr. Buckley that the Commission would still like the information regarding in-house meter monitoring devices that was discussed at the last Commission meeting. Mr. Buckley will send out the information and thanked Commissioner Herendeen for the reminder.

Commissioner Stephenson stated that in reviewing the Department Highlights enclosed in the Commission packets there was two sections that would be more informative if presented in graph form, the solar projects total output and the electric car usage. It would extremely helpful to review this information in graph form and easier to evaluate trends over a period of time. Mr. Lunderville indicated that this would be extremely easy to do. The electric vehicle has charge point software that BED uses to track usage and provides a lot of ready-made graphs and the solar projects total output could be done in an excel spreadsheet.

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

The Airport Solar Project has come on line and is producing electricity. There has not been a press conference on this yet due to the amount of snow so far this winter. As soon as a formal time has been decided the Commission will be notified.

Mr. Lunderville stated that at the last Commission meeting there was discussion about BED's meeting with UVM to discuss district energy and wanted to report that BED has also had a conversation with UVM Medical Center on this issue and the UVM Medical Center have committed to funding \$10K toward the total cost of \$50K for putting the financial model together. John Irving is heading up the project and Evergreen Energy has started today. BED has given Evergreen Energy a timeline to get results back and at that time BED will have those results independently verified. The Department hopes to get to the decision point by the end of the fiscal year.

Mr. Lunderville informed the Commission that the IT Realignment was taken to the Board of Finance and City Council and it was approved by the Board of Finance unanimously, placed on the City Council consent agenda and approved. It is now waiting for the Mayor's signature to make it final. Mr. Lunderville stated that Ken Nolan has been leading the department for over one month now and already the department is seeing some progress and Mr. Nolan is presently working on the FY 2016 budget and prioritizing projects.

Mr. Lunderville apologized for the mix-up on the survey emails sent to Commissioners. In the future, information will be sent to the Commissioner's personal accounts unless otherwise instructed.

Mr. Lunderville updated the Commission on the strategic planning process. Mr. Lunderville would like to set up a work session with the Commission as part of the March Commission Meeting to review the first draft of the strategic plan and discuss the larger issues that come out of this strategic planning session. Mr. Lunderville stated that it is important to receive the Commission's approval on the Strategic Plan and make that Strategic Planning process part of an annual process.

Commissioner Moody asked how the Strategic Plan would intertwine around the IRP process that is required to be completed by BED every three (3) years. Mr. Nolan stated that the IRP is due September, 2015 and BED has asked the Public Service Board for an extension of one year and BED is waiting to hear back from the PSB. Mr. Lunderville stated that the IRP and the strategic planning would tie in together closely.

6. December 2014 Financial Update

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

This included a brief discussion of the \$240,000 Net Loss for the month and \$1,229,000 Net Income year-to-date. It also included discussion of the Debt Coverage of 5.14 for the twelve months ended December 2014, and Cash and Construction Fund balances as of January 31, 2015. Mr. Santerre then provided a more detailed review.

Sales to Customers were down \$161,000 (within 0.5% of budget) for the year and \$261,000 for the month. Other Revenues were above budget by \$108,000 for the year and \$260,000 for the month due to several large billings. Power Supply revenue was down \$1,932,000 year-to-date. McNeil REC revenue was down \$2.3 million (\$482,000 compared to \$2.8 million budgeted) as a result of the pending Connecticut ruling.

On the Expense side, power supply costs, year-to-date, were higher than budget by \$359,000 on a budget of \$15,451,000 (2.3%). Operating Expense year-to-date was down \$43,000 (half a percent). Taxes were down \$150,000 and Depreciation \$329,000 year-to-date as the Budget assumed Winooski One starting in July rather than September 1st.

Other Income was down \$287,000 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 \$226,000 as a result of timing of the Winooski One Revenue Bond.

Mr. Santerre then discussed Capital Spending. In total, through January, capital spending was 44% (\$4,548,000) of the \$10,262,000 budgeted for fiscal year 2015. Production capital was less than budget (\$112,000 of \$1,250,000) as the Gas Turbine control upgrade (\$1,372,000) has been delayed until mid-April. Distribution spending was under budget (\$2,557,000 as compared to the budget of \$4,642,000) and General Plant was below budget (\$161,000 of \$1,101,000 budget) due to the timing of various capital projects.

On the Cash side, we closed the month of January with \$6,004,700 in the Operating Fund

(budget was \$7,932,000). The difference was largely due to the over-billing payments made earlier in the year. 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 \$1,500,000.

Mr. Santerre then presented the three Moody's bond ratings indicators. The Adjusted Debt Service Coverage Ratio was 1.73 for the month (above the 1.50 required for an "A" bond rating) and the three year average was 1.37. The Days Cash On Hand showed a 72 day position and a three year average of 63 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%.

6.5 PLC Upgrade for McNeil

Mr. Lunderville informed the Commission that this upgrade was already approved in the McNeil Calendar Year 2015 budget and this request is part of a bigger project to upgrade the PLC. John Irving felt that the upgrade could be done during the upcoming April shutdown and Mr. Lunderville feels that this is a good approach and would save money due to completing it during the shutdown. Because this is not in BED's FY 2015 budget, it does require a budget adjustment and will have to be brought to the Board of Finance and City Council. BED is asking for the Commission's support to amend the budget to allow for this upgrade to proceed.

Mr. Irving informed the Commission that this is a large project and it is being broken up in 2 components. McNeil went out for bids and received only four bidders, only one bidder met the full scope of what was needed. This vendor is Hallam and Associates and McNeil has worked with this vendor in the past and are confident that Hallam and Associates will do a great job. Because this was not in the FY 2015 budget McNeil can offset this cost by not purchasing the railcars that McNeil budgeted for in the FY 2015 budget. Commissioner Stebbins asked if there was any concern regarding postponing the railcar purchase, Mr. Irving stated that there was no concern because McNeil has spare railcars, but were looking to purchase a couple more spares.

A motion was made by Commissioner Stephenson to approve amending the FY 2015 Capital Budget for McNeil to allow the PLC Upgrade to proceed during the McNeil Plant shutdown in April 2015, motion seconded by Commissioner Herendeen and approved by all Commissioners present.

7. 2014 Service Quality & Reliability Performance Report

Mr. Lunderville explained that in the past, this report was given to the Commission as an FYI, but these documents are looked at closely by the department and have set service quality, reliability and matrixes that BED needs to meet. This year BED did not meet some of these matrixes and wanted the opportunity to explain to the Commission why these were not met and the action plan on how to improve.

Paul Alexander presented the lost time portion of this report. BED's first Service Quality and

Reliability Plan (SQRP) originated per a rate filing in 2004, which BED and the DPS jointly filed with the PSB. Two of the “Performance Standards” in this report are Lost Time Incident Rate (LTIR) and Lost Time Severity Rate (LTSR).

LTIR = The number of lost time cases experienced by BED in a calendar year multiplied by 200,000 and divided by the total hours worked by BED employees. LTSR = The number of employee lost days experienced by BED in a calendar year multiplied by 200,000 and divided by the total hours worked by BED employees. 200,000 is used to help standardize these measurements across all companies is based on 100 employees working 50 weeks per year at 40 hours per week ($100 \times 50 \times 40 = 200,000$).

The PSB set ultimate goals for both of these parameters (LTIR ≤ 3.5 , and LTSR ≤ 71). While in four of the last seven years BED’s LTIR was 1.80 or less, in CY '14 it was 4.4, while three years ago BED’s LTSR was 29.6, in CY '14 it was 125.9. This was due to the fact that two employees’ with more serious injuries totaled 89% of our Lost Days. BED recognizes that there will be some good years and some “not so good years”, and take many action steps to help mitigate such exposures (particularly with an aging workforce) such as: supply special tools needed (like powered wire pullers, neon boot grippers, ergo belts, hydraulic wire cutters), offer services from a licensed physical therapist (IHMS) two times per month to treat ANY injury (including ergonomic assessments) and implemented programs such as the Apprentice Line worker, Stay At Work and BSAFE.

Munir Kasti and Charlie Willette presented the outage history and BED’s plan for the future. There are 2 types of outages, planned and unplanned. Planned outages are due for system upgrade and maintenance and unplanned outages are outages that are not scheduled, such as animal contact, tree falling on wires and tend to be long in duration. In 2014 BED experienced 12% more total outages than in 2013, 146 outages compared to 130 outages, however 12% less unplanned in 2014 than in 2013, 74 unplanned compared to 84 unplanned. In summarizing the total number of outages, both planned and unplanned in the last 10 years, BED experienced an average of 176 outages, last year was at 146 planned and unplanned. The breakdown is the unplanned 74 outages, represents the lowest amount of unplanned outages in 10 years. Mr. Lunderville stated that although BED didn’t make the projected CAIDI number, the fact that there were fewer unplanned outages in any year in the last 10 years is a great statistic and shows that work BED is doing regarding reliability is working.

Mr. Kasti presented the circuits that have experienced the most unplanned outages which are McNeil Line 1 (1L1) and McNeil Line 4 (1L4) and Queen City Line 3 (3L3). Mr. Kasti noted that the squirrels are a major factor in BED’s unplanned outages. Mr. Kasti presented the statistics on the SAIFI (Systems Average Interruption) per customer. BED’s goal is to be under 2.1 interruptions per customer. In 2014 the numbers were at 1.3 interruptions per customer. Mr. Kasti explained the statistics on the average time to restore customer or average duration of outage (measured in hours), (CAIDI). BED’s goal is to be under 1.2 hours per customer. In 2014 the number was 1.5; BED did not meet the goal. If these numbers excluded the July 8, 2014 storm the numbers would have been 1.1 (SAIFI) interruptions per customer and 1.1 hours (CAIDI). If not for the July 8th storm BED would have met the CAIDI numbers. In BED’s plan

to the Public Service Board, BED will be looking at our tree trimming plan and evaluating if it is effective and update the plan accordingly.

Mr. Willette explained that BED budgets \$100,000 for tree trimming and found that the tree trimming program is very effective. This year the tree trimming concentrated in the areas where the trees are considered “danger” trees and are located on private property. Mr. Willette passed around pictures of some of the trees in a couple of areas where BED concentrated on trimming back the trees showing that some of these trees were actually hollow. In December the area experienced a major snow storm and had the tree trimming not concentrated in these areas, BED would have experienced many of these trees falling on poles and taking down our lines.

Mr. Kasti explained that since 2004 we have installed 1960 wildlife protectors to keep the squirrels away from energized wire. Also, when upgrading the aerial system from 4 KV to 13.8 KV, animal guards are installed. Mr. Willette showed the commission a couple examples of the animal guards that are used and expressed that they are working very well. Mr. Kasti stated that BED is committed to installing animal guards on the 3 worst performing circuits, with a due date of June 30, 2015. This will be done with the goal of improving the reliability and reduce animal outages on those circuits.

8. South Forty Solar Contract Extension

Ken Nolan explained to the Commission that BED executed a Power Purchase Agreement with South Forty Solar approximately one year ago. It has gotten held up in the permitting process and BED is now asking to reset some milestones in the contract. Rather than come back to the Commission 3 or 4 times, it was decided to put in some dates and by doing so it would be the last time period that they could actually construct the project and make it economically viable. The milestone would require them to be on line by December 31, 2016, file for state permits and interconnection agreements by next spring. BED feels the project still makes economic sense, the contact price remains the same and the market price still looks viable.

Commissioner Stebbins made a motion that the Commission approve the proposed amendment to BED’s Power Purchase Agreement with South Forty Solar, LL and authorize the General Manager to send notice to the City Council of BED’s intent to execute the amendment in 30-days absent council action. This motion was seconded by Commissioner Stephenson and approved by all Commissioners present.

9. 5-Year REC Purchase/Sale Strategy

Mr. Nolan explained to the Commission that at the last meeting there was discussion regarding the change in the REC market. BED has looked at the REC market and the authorization that staff has regarding purchasing and selling of REC’s and BED believes that it is time to make adjustments to the authorizations that the Commission has given. The reason to enter Executive Session is to talk about the strategies and how BED is approaching the markets and talking about prices and contract prices we have already entered into which is confidential.

Commissioner Moody moved to find that premature general public knowledge of the 5-Year REC Purchase/Sale Strategy 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 Herendeen moved that the Commission enter into executive session to discuss the 5-Year REC Purchase/Sale Strategy under the provisions of Title 1, Section 313(a)(1)(A) of the Vermont Statutes. This motion was seconded by Commissioner Moody. Motion passed and approved by all Commissioners present.

Commissioner Herendeen moved to exit Executive Session at 7:45 p.m. The motion was seconded by Commissioner Stebbins and approved by all Commissioners present.

Commissioner Herendeen moved to adjourn the meeting at 7:50 p.m. The motion was seconded by Commissioner Moody and approved by all Commissioners present.

Attest:

Laurie Lemieux, Temporary Clerk