

MINUTES OF SPECIAL MEETING BURLINGTON ELECTRIC COMMISSION

Thursday, June 4, 2015 5:00 p.m.

The special meeting of the Burlington Electric Commission was convened at 5:00 p.m. via conference call on Thursday, June 4, 2015.

Neale Lunderville, Ken Nolan, John Irving, Paul Alexander, Munir Kasti and Charlie Willette were present at the Burlington Electric Department at 585 Pine Street, Burlington, Vermont.

Commissioners Spencer Newman, Bob Herendeen and Mark Stephenson and Gabrielle Stebbins were present via conference call.

Staff members included on the conference call included Tom Buckley

Other staff members present at Burlington Electric Department included Laurie Lemieux, Board Clerk.

Commissioner Newman called the meeting to order at 5:03 p.m.

1. Agenda

There were no revisions to the agenda.

2. Public Forum

No one from the public was present at Burlington Electric Department or participating in the conference call.

3. Burlington Electric FY 2016 Budget

Daryl Santerre, BED's Chief Financial Officer, presented a draft "Fiscal Year 2016 Budget" to the Commission at the May 13, 2015 Commission Meeting

Since that presentation there were a number of changes. These changes were incorporated into the budget that was presented to the Board of Finance on May 28, 2015.

Although there was no discussion, these changes include: (1) a number of updated cost projections and cost-of-living-adjustment (COLA) from the City, totaling \$55,500; (2) a capital investment of \$40,000 at the gas turbine facility to reduce heating costs by \$20,000 annually and (3) additional revenue of \$11,500 from our Hardwick & Morrisville dispatch service rates. It also includes raising the WARMTH program contribution to \$20,000 and new commitments to BTV Ignite, Burlington Schools Project and Utility 2.0, totaling \$95,000. There was also a capital

transfer of \$10,000 from the Efficiency Improvement Capital Fund to the Training Yard capital project.

Commission Newman then opened the meeting to questions.

Commissioner Herendeen began the questions by asking why the Department were having this discussion and vote at a Special Meeting as opposed to the regular meeting scheduled for next week. Mr. Lunderville responded that the Board of Finance needs the Commission approved budget by tomorrow (Friday, June 5, 2015).

Mr. Herendeen then asked where the projected savings from the voluntary buyout plan and the John M. Floyd Associates study were reflected. Mr. Lunderville and Mr. Santerre jointly responded. On page 29 of the budget packet, labeled "Operational Expense", under the line item labeled "Outside Services" the \$3,246,500 budget for FY16 included the \$775,000 of Floyd expense. (This explained the large increase from the FY15 budget of \$2,265,000.) The offsetting savings of \$775,000 for Floyd, as well as the projected savings from the voluntary buyout program of \$865,000, were included in the \$1,519,700 credit under "Other Expenses". (This explained the large variance from the FY15 budget for Other Expenses.)

Commissioner Herendeen then asked about the cash surplus position and if a rate reduction might be appropriate. Mr. Lunderville and Mr. Santerre jointly responded that there were several significant reasons to not do so at this time. The cash surplus will play a significant role in helping to move the Department to a Moody's single A rating, help mitigate any future cost or revenue shock, and make money available for future capital endeavors.

Mr. Herendeen asked about the category Community Solar Storage and asked for clarification that this was a new program and not the Airport Solar Program. Mr. Lunderville explained that this is indeed a new program in the preliminary stages of planning. Mr. Lunderville hopes to talk more to the Commission about this program at the July meeting but at this time the Department wanted to put this program in this FY16 budget so that the money would be there when the program begins.

Commissioner Moody asked for an update on the Department's voluntary buyout (VBO). Mr. Lunderville stated that 24 employees have submitted their paperwork, the revocation period of one week will end next Monday at which time the VBO will be closed. Mr. Lunderville stated that there would be a more detailed report at the next Commission Meeting of June 10, 2015.

Commissioner Herendeen stated that in reviewing the Airport Solar numbers it appears that the Department is paying a little over 3,000 per KWH. Mr. Nolan explained that per KW basis solar is still high, but in comparing the Airport price to other projects and it's actually a good deal relative to what is out there now. On the revenue side, the last capacity market prices have more than double from \$3.00 a kw month to above \$7 a KW month, so from a net present value this is much better than we anticipated.

At 5:26 p.m. Commissioner Stebbins joined the Special Commission Meeting via conference

call.

Commissioner Stebbins asked how this budget may or may not change with regards to concerns on the renewable energy questions. Also, there have been some requests over the last 6 months for the Commission to approve various upgrades to McNeil and modifications to the Airport Solar Project and asked where these stand.

Mr. Lunderville stated that any of the cost increases that would have carried forward to FY16 are reflected in this budget. In particular, some of the things that were approved for McNeil such as the overhaul and any cost that have tailed into FY16 have been put in this budget. This is done due to McNeil's budget needing approval on a calendar year and a fiscal year basis.

With regard to energy supplies the Department looked at a higher capacity factor for McNeil. The Commission will see that fuel cost went up, in part, to produce more RECs. Mr. Lunderville stated that year over year REC sales look about the same, but what it is actually showing is a combination of selling more RECs for lower prices on the REC market. From a price perspective these sales will not be as high in FY16 as it was in FY15. This indicates the beginning of a long term trend of lower REC prices.

Mr. Nolan spoke to the question on Commission approval for the switching that connects the solar to the BED distribution system. Although there was an increase in the estimate process cost this still came in below the projected costs.

Commissioner Herendeen moved to approve the FY 16 budget as presented to the Commission today.

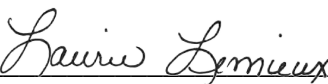
At this time Board Clerk Laurie Lemieux conducted a roll call vote by calling on the following Commissioners:

Commissioner Stebbins. Aye
Commissioner Herendeen. Aye
Commissioner Newman. Aye
Commissioner Stephenson. Aye
Commissioner Moody. Aye

Results: 5 Ayes with 0 Nays, the motion carries.

Commissioner Moody moved to adjourn the meeting at 5:30 p.m. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

Attest:



Laurie Lemieux, Board Clerk