

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

**Wednesday, June 10, 2015 – 5:30 p.m.**

The regular meeting of the Burlington Electric Commission was convened at 5:30 p.m. on Wednesday, June 10, 2015 at the Burlington Electric Department at 585 Pine Street, Burlington, Vermont.

Commissioners Spencer Newman, Scott Moody, Bob Herendeen, and Gabrielle Stebbins were present.

Staff members present included Neale Lunderville, Ken Nolan, Daryl Santerre, Paul Alexander, Tom Buckley and Charlie Willette

Other staff members present included Laurie Lemieux, Board Clerk.

Channel 17 was present to tape this meeting.

Commissioner Newman called the meeting to order at 5:35 p.m.

### **1. Agenda**

Commissioner Newman requested that the Agenda be revised to move Item 8, the City's 10 Year Plan to Agenda Item 4.5 immediately following Agenda Item 4, the Public Forum.

### **2. Minutes of the May 13, 2015 meeting**

Commissioner Herendeen asked that a revision be made on Page 101 under Minutes of the April 8, 2015 meeting. The last sentence should read: "The presentation looked at the differences between lighting using LED, HPS and metal halide fixtures while looking at the effects of the interaction of spectrum and intensity and in determining light levels."

Commission Stebbins moved to approve the minutes of the May 13, 2015 meeting as amended. The motion was seconded by Commissioner Moody and approved by all Commissioners present.

### **3. Minutes of the June 4, 2015 meeting**

Commissioner Stebbins moved to approve the minutes of the June 4, 2015 meeting. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

## **4. Public Forum**

Martha Keenan, Capital Improvement Program Manager from Burlington Public Works Department was present from the public.

### **4.5 City's 10 Year Capital Plan**

Mr. Lunderville began by informing the Commission that this presentation and process is a great education on the City's needs and challenges over the next 10 years and an important lesson on how to prioritize some of these challenges. Mr. Lunderville stated that BED can benefit from what Ms. Kennan has accomplished and looks forward to hearing the presentation.

Ms. Kennan informed the Commission that in March 2014 the Mayor put forward an initiative that the City would be committed to creating a 10 Year Capital Plan which was completed in April 6, 2015. Ms. Kennan passed out a packet of information containing bar charts which shows a picture of where the capital needs presently are in the City. These bar charts are based on the general fund with one chart showing enterprise funds.

Ms. Kennan reviewed and explained the bar charts to the Commission, pointing out the needs, what each bar chart indicates and what was learned in reviewing these statistics.

The following charts were reviewed and discussed:

Overall Needs by Asset Class

Reinvestment Need By Asset Class

Reinvestment Funding by Available Revenue Source

Reinvestment Needs Compared to Funding and Shortfall in Reinvestment Funding

Capital Needs by Year

Expansion Needs

Capital Needs with Expansion Needs Included

Reinvestment Plan Revenues Compared to Needs

Waterfront and Downtown TIF programs (Approved and Proposed)

Commissioner Herendeen asked why this information was being presented to the Commission. Ms. Kennan stated that the City feels it's important that all City Departments have a clear understanding about the work that is being done. It is also important for the City to collaborate with other departments. Moving forward the City will be working more with Mr. Lunderville on BED's capital needs to integrate with the rest of the City's capital needs.

Mr. Lunderville stated that one of the things the Mayor is doing is having City Departments talk to each other about City projects and to find ways that Departments can work together on things. A lot hasn't been done on this yet, but there are a lot of good ideas. Mr. Lunderville commends the Mayor for doing this, stating that this is what every capital project program needs and Mr. Lunderville thanked Ms. Kennan for a great job done on presenting these findings to the

Commission.

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

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

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

### **Energy Champ Challenge Program**

Mr. Lunderville informed the Commission that Burlington Electric Department, in partnership with Vermont Gas announced the Energy Champ Challenge Program. This is a home efficiency program targeting multi-family residential rental units where this program will pay up to 75% of the recommended thermal efficiency improvement costs for participating building owners. Vermont Gas will pay 75% of the recommended thermal efficiency improvements and also finance the other 25% at a low financing rate. This program is aimed at the hard to reach market such as building owners with little incentive for savings on heating or electricity bills because the tenants are paying for it and tenants that have little incentive to do upgrades on their apartments because they will not see any value in it long term. A big part of this program is bringing in the Burlington community experience and how can less energy be used and make ourselves more sustainable.

### **John M. Floyd and Associates (JMFA) Update**

JMFA has been on site at Burlington Electric Department since May 18<sup>th</sup>. The first week JMFA conducted employee meetings called EMBoS Sessions. These sessions consisted of 8 groups of employees where ideas were solicited and recorded. JMFA received 567 individual ideas and are now researching these ideas and preparing recommendations.

### **Voluntary Buyout (VBO)**

The VBO enrollment closed on Monday June 1<sup>st</sup> with the revocation period ending on Monday, June 8<sup>th</sup>. The end results is 24 of 42 eligible employees submitted paperwork, one employee revoked. The enrollment was a little higher than anticipated, but given the distribution of employees it matches the financial projections that were developed. The Department is starting the work on developing transition plans and how all the pieces will fit together, working alongside JMFA to see where positions can be combined or what positions will need to be filled. Mr. Lunderville will give a more detailed report at the July Commission Meeting.

### **Update on Gas Turbine**

Mr. Lunderville stated that the McNeil Plant is back on line and overall running smoothly but the Department has run into an issue with the Gas Turbine. Due to a vendor error, the incorrect resister panel component for the DC and motor control center was shipped. Our primary vendor, Alba Power has decided to build this panel on site and expect to have everything built and put

back together in the next 5-7 days and then 10 days of testing. The Department is expecting to have the GT up and running by July 3<sup>rd</sup> or sooner if circumstances allow.

#### H.40 Update

Mr. Lunderville stated that the H.40 Bill has passed and there is a bill signing tomorrow in Montpelier and Mr. Lunderville will be speaking on behalf of BED.

Mr. Buckley stated that not much changed on the H.40 Bill since this was discussed at a previous Commission Meeting. The vote was slow in the Senate but moved quickly through the House and the Department is very happy with the outcome. Mr. Lunderville stated that Mr. Buckley worked very hard on this bill along with the Ken Nolan, James Gibbons and the Energy Services Team.

Commission Herendeen asked for an update on the IT Director. Mr. Lunderville stated that the Department has hired Sue Fritz who is coming to the Department from the Merchants Bank and will begin work on June 30<sup>th</sup>.

### **7. April 2015 Financial Update**

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

This included a brief discussion of the \$3,052,000 Net Income for the month and \$4,129,000 Net Income year-to-date. It also included discussion of the Debt Coverage of 4.88 for the twelve months ended April 2015, and Cash and Construction Fund balances as of May 31, 2015. Mr. Santerre then provided a more detailed review.

Sales to Customers were up \$437,000 from a \$39,671,000 budget (1.1%) for the year and up \$8,000 for the month. Other Revenues were below budget by \$133,000 on a year-to-date budget of \$2,969,000 for the year. Any variance in this revenue is driven by the timing of billings and customer requested work. Power Supply revenue was down \$2,180,000 year-to-date. The variance was essentially with the McNeil RECs as the wind production RECs were right in line with budget. The McNeil REC revenue will be in line or better than budget with May reporting as there will be an additional \$3, 000,000 plus of revenue to be booked. This will put us in a good position heading into June reporting where we will be booking the Voluntary Buyout Plan expense (approximately \$2.5 million) and a large pension expense liability (\$1 million plus) per GASB requirements.

On the Expense side, power supply costs were down \$328,000 for the month and \$675,000 year-to-date. This is a 2.5% variance on the \$27,509,000 budget. Operating Expense was down \$706,000 (4.9%); Taxes were down \$196,000 and Depreciation \$468,000 year-to-date as the budget assumed Winooski One starting in July rather than September 1st.

Other Income was down \$473,000 for the year largely due to assumed contributions for the City's Waterfront North Access Project of \$799,300 while interest expense for the year was

down \$256,000 as a result of timing of the Winooski One Revenue Bond.

Mr. Santerre then discussed Capital Spending. In total, through May, capital spending was 65% (\$6,695,000) of the \$10,262,000 budgeted for fiscal year 2015. McNeil/GT Production capital was less than budget (\$1,006,000 of \$1,728,000) as the Gas Turbine control upgrade (\$1,372,000) is still being completed. Solar power production was right in line with budget at \$1,628,000 of a \$1,591,000 budget. Distribution spending was under budget (\$2,154,000 as compared to the budget of \$3,611,000) and General Plant was below budget (\$190,000 of \$1,296,000 budget) due to the timing of various capital projects.

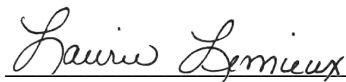
On the Cash side, we closed the month of May with \$7,264,000 in the Operating Fund, including a \$1,000,000 CD with Key Bank. The budget was \$6,562,000, creating a favorable difference of \$700,000. The Construction Fund 2009 balance of \$714,500 will be used to complete the solar project at Pine St and other capital. The Operating Fund Reserve remained at \$908,000, and the GOB 2015 Fund (\$3 million) remained at \$500,000. In addition, we have established an internally restricted reserve fund of \$2.5 million for the employee Voluntary Buyout Plan. This was the amount that was modeled in the “base plan” that was approved at last month’s commission meeting.

Mr. Santerre then presented the three Moody’s bond ratings indicators. The Adjusted Debt Service Coverage Ratio was 1.60 for the month (above the 1.50 required for an “A” bond rating) and the three year average was 1.41. The Days Cash On Hand showed a 96 day position. This is the third consecutive month that we have been above the 90 day requirement for a single (“A”) Moody’s bond rating. The three year average was 70 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 48%, both considered an “A” rating, which is below 75%.

Mr. Lunderville informed the Commission that the budget was approved by the Board of Finance and will be presented to the City Council on Monday, June 15<sup>th</sup>.

Commissioner Herendeen moved to adjourn the meeting at 6:35 p.m. The motion was seconded by Commissioner Stebbins and approved by all Commissioners present.

Attest:



Laurie Lemieux, Board Clerk