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MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION

Wednesday January 11, 2017 – 5:30 p.m.

The regular meeting of the Burlington Electric Commission was convened at 5:33 p.m. on Wednesday, January 11, 2017 at the Burlington Electric Department at 585 Pine Street, Burlington, Vermont.

Commissioners Sabina Haskell, Bob Herendeen, Scott Moody, Tim Perrin, and Gabrielle Stebbins were present.

Staff members present included Neale Lunderville, Paul Alexander, Chris Burns, James Gibbons, Mike Kanarick, Munir Kasti, Tom Lyle, Jim Reardon, Darren Springer, and Destenie Vital.

Other staff members present included Laurie Lemieux, Board Clerk.

Channel 17 was present to tape this meeting.

1. Agenda

Mr. Lunderville asked that the Agenda be amended to include two Executive Session items: Item #8, Proposed Telecommunications contract with Burlington Telecom, and Item #9, Matters Pertaining to Labor Relations with Employees. The agenda was amended to reflect these changes.

2. Minutes of the December 14, 2016 meeting

Commissioner Herendeen asked that a correction be made on page 26, second paragraph under the General Manager's Update to correctly read "*BED is slated to receive 32,000 MWH per year of wind power from Hancock which is about 9% of BED's load.*" Commissioner Herendeen made a motion to approve the minutes of the December 14, 2016 meeting as amended; the motion was seconded by Commissioner Haskell and approved by all Commissioners present.

3. Public Forum

The following members of the public were present: Matthew DiBella, Emily Jo Ringer, Steve Longchamp, and Justin Brown.

4. Commissioner's Corner

Commissioner Stebbins stated that the BED staff spent a considerable amount of time dealing with the Washington Post article on New Year's Eve and wanted to thank the staff for their hard work.

Commissioner Herendeen acknowledged the great meeting on sustainability with Jen Green, BED's Sustainability Coordinator.

Commissioner Perrin asked for clarification on BED's Net Tariff revision recommended for approval by the PSD that was highlighted in the monthly report. Mr. Gibbons stated this was a tariff compliance requirement driven by the new revised net metering rule late last year. Part of the requirement was to file a tariff compliance that BED had conformed to the new compliance requirement.

Commissioner Herendeen asked how efficiency credits work. Mr. Burns explained lifetime savings by stating that there is an agreement with every measure that any EEU's uses that a particular measure has a life span and then there is an assumption that the life span has ended and that something more efficient

will be installed or something equally efficient will be installed. For an example a weatherization measure would be insulation which has a 20 year life span, at year 21 BED would no longer be able to claim credit.

5. General Manager's Update

Mr. Lunderville informed the Commission that the Department has experienced great calendar year safety numbers. BED has been compiling these numbers in response to the Department's year end Service Quality Report (SQRP) submitted to the DPS.

Mr. Lunderville reviewed with the Commission BED's incident and severity rates spreadsheet. Mr. Lunderville explained that the Department looks at two measures for this SQRP: loss time incident rate where the baseline is less than or equal to 3.5 and the loss time severity rate where the baseline is less than or equal to 71. BED's loss time incident rate for this year was .97, well below the 3.5 and the loss time severity rate was 4.86 also well below 71. Mr. Lunderville stated that these amazing numbers are due to a combination of the hard work of Mr. Flora, BED's Director of Safety and the exceptional efforts of all employees and the strong commitment to the safety culture.

Mr. Lunderville reviewed the BED Outage Report with the Commission. Mr. Lunderville stated BED's mission is to serve the energy needs of BED's customers in a safe, reliable, affordable, and socially responsible manner and reliability is one of the things that are extremely important to customers. Each month the Department tracks the reliability numbers to include planned and unplanned outages. Mr. Lunderville pointed out that over the last 11 years BED has had the lowest unplanned outages in any year. In reviewing the causes of the unplanned outages, trees accounted for 5 outages in 2016. This low outage number is attributed to BED's tree trimming program and over the last 2 years BED has been working closely with the City of Burlington Park and Rec. Tree Trimming Department along with our Working Crew Leader – Inspector. Another cause of unplanned outages is animal contact which has been reduced significantly by the Department installing animal guards.

Mr. Lunderville explained that the result of the Department's hard work in both of these areas has resulted in BED's System Average Interruption Frequency Index (SAIFI) and Customer Average Interruption Duration Index (CAIDI) coming in below the service quality and reliability benchmark targets that are set by the DPS.

Mr. Lunderville stated that further action by Mr. Kasti's team to reduce outage duration and restoration times are indicated by these numbers. Some of the new practices put in place are BED's Line Worker/Troubleshooter call-in procedures, weekly meetings with the Line Crew, AMI meter outage notification directly to Dispatch and Line Crew access to BED's stockroom after hours, all resulting in lower numbers for BED.

Mr. Lunderville stated that in the monthly highlights, it showed that over the last year the number of customers choosing to make a payment on line or by phone has gone up steadily every month and has doubled since last year. The more customers who take advantage of this benefit allows more time for our Customer Care Reps to work with customers on whatever the needs are.

Mr. Lunderville stated that after the December Commission Meeting, Moody's upgraded our bond rating to an A3 from Baa1. This was made possible by the hard work of the entire BED team.

BED was able to get three solar projects in under the old net metering rules: one at UVM, one at the DPW building at 645 Pine Street, and a project with some of the Burlington Schools. Mr. Lunderville thanked Mr. Gibbons for all the great work in getting this done in time.

BED signed an agreement for a pilot project with Packetized Energy, a small start-up company founded by a former commission member, Paul Hines. This company offers a product that securely and anonymously is able to modulate the temperature of electric hot water heaters which results in creating a virtual power plant. By using this service, the utility can drop the electric hot water heaters that are running to lessen the

demand in the City. This pilot will utilize 12 homes in Burlington and is in line with BED doing more energy services with more customers along with the Department's demand response efforts which are woven into the Department Strategic Plan. Mr. Lunderville stated that if any of the Commissioners have an electric hot water heater and would like to be part of the pilot program to please let the Department know.

Mr. Lunderville stated that cyber security is of paramount importance to Burlington Electric as it is to every utility in the US and every utility in Vermont, large or small. Part of the Department's Strategic Plan is to improve our cyber security and the Department has done a lot of work on this issue over the past few years.

On Thursday, December 29th the Department began scanning for new potential cyber-threats which are called Indicators of Compromise (IOC) based on guidance we received from the Department of Homeland Security. On Friday morning when an employee was checking email at yahoo.com the system picked up some suspicious traffic between the computer the employee was using and the IP address listed in the IOC. The Department's system intercepted the traffic and IT moved quickly to isolate that machine and get it off the network. Importantly, this computer was not connected to grid systems and not connected to SCADA and at no time were the grid controls in any danger. BED followed the federal guidelines and alerted the federal authorities as required and no one, including federal authorities, thought the incident warranted immediate follow-up.

On Saturday, December 31st Mr. Lunderville received a phone call stating that the Russians had penetrated the electric grid of a Vermont utility. It was quickly determined that nothing new had changed but that the report BED had filed earlier had been leaked inaccurately to the Washington Post and the Washington Post decided to run the story without first confirming with BED. At this time BED immediately moved to put out a statement to say that the computer was not connected to the grid and later updated the statement to say there is no indication of compromise.

Mr. Lunderville thanked Mike Kanarick and Destenie Vital for all their hard work. The Department did as many media interviews as possible along with re-tweeted information and tried to get the word out on every channel possible. Mr. Lunderville is proud to say that BED followed the right protocol and did the right thing but unfortunately this story got away, not because of anything BED did but because someone in the federal government decided to leak the information without understanding it and someone at a major press operation decided to report it without confirming it.

Mr. Lunderville asked Destenie Vital and Chris Burns to demonstrate a little bit about BED/VGS upcoming energyChamp program and the website. Over the past few months BED has been working with VGS to do a combined effort around energy efficiency and finding a way to do this together and is ready to go live with the energyChamp Website. Ms. Vital and Mr. Burns have worked hard on this project and will go through the website and talk about it and take any feedback.

Ms. Vital explained that this website is geared toward a residential customer is just a draft and if anything stands out to please provide feedback. Ms. Vital walked through the steps of the website pointing out that every customer will be given a rank, either a rookie, a contender (based on usage), or a champ which is the highest. This rank will be determined by the website asking a series of questions such as renter or owner, address, heat source, water heater type, etc., after which the usage of this address will be shown. In this particular demonstration the website showed that the customer is a champ in part of the year but has high seasonal usage in other times of the year. This information will quickly give the Department the ability to identify what is driving the peaks during certain times of the year and will drive the conversation with the customer on how to improve the usage. The website will also provide tips and suggestions on how to reduce usage, a section on Frequently Asked Questions and also will direct customers on rebates. If a customer would like detailed information they can then click the link that will direct them to the Energy Engage site. Ms. Vital stated that once the final coding is done the link will be sent to the Commission next week and all feedback is welcome.

6. IRP Update

Mr. Gibbons began by clarifying that the IRP is a document where in the Public Service Board and the DPS is reviewing how BED makes decisions. If the PSB and the DPS approve these documents this grants approval of the actions that are contained in the document. The approval is only for the decision making process. Mr. Gibbons wanted to make clear that any decision that BED wishes to act on needs to go through its own approval process. The conclusions are based on the assumptions that within the IRP modeling, there are no commitments to any of the courses of action.

Mr. Gibbons informed the Commission that the IRP is due at the end of this month. BED met with the IRP Committee on Monday and is presenting the recommended course of action.

The draft conclusions were on a couple of different areas, the first is Tier 3 which is the strategic electricification and the result of IRP work was the Tier 3 action plan that has been proposed to the regulators and has been well received. Also being looked at are energy options, capacity options and REC trading questions. For energy, wind resource was looked at as a general proxy for a new renewable resource that was capable of producing substantial amounts of energy. On the price assumptions in the IRP, wind resources are just not economical based on the assumptions in the model. At this point the recommendation on long term energy purchases would be to hold the options open and look for something that better fits BED's energy needs right now. Also looked at was capacity recommendations, demand response along with the question of what happens if options are kept open. The recommendation is that BED should pursue up to 10 MW of demand response as aggressively as allowed in Vermont rules. Lastly the REC arbitrage was looked at and was determined that arbitraging RECs now is the best option.

The plan is to file BED's draft work product at the end of this month so BED meets the regulatory deadline and the Department will file it contingent upon seeking all of the internal approvals. The Commission will receive all of the chapters of the IRP as they are finished and once the Commission reviews all the material, a special meeting will be held. Mr. Lunderville stated that all chapters will be ready for the Commission to review in two weeks and a special meeting can be held for the Commission to discuss. A doodle poll will be sent around to all the Commissioners to see what times will work for everyone.

7. November FY 2017 Financial Update

Jim Reardon, Director of Finance, presented a brief review of November year-to-date financial results.

This presentation included a brief discussion of the \$3,785,000 Operating Income year-to-date and the \$4,139,000 Net Income year-to-date. Year-to-date Operating Income is \$1,230,000 higher than budgeted and year-to-date Net Income is \$604,000 higher than budgeted. Mr. Reardon pointed out that Other Income was below budget due to assumed contributions for a Microgrid project that has been delayed and lower customer contributions for the UVM Chiller project than assumed. The assumed contributions for the UVM Chiller project of \$631,000 versus actual of \$155,000 is a timing issue. Most of the savings in interest expense year-to-date are related to the General Obligation Bond refinancing.

Sales to Customers year-to-date are \$296,000 higher than budget. Mr. Reardon stated this is likely due to year-to-date average temperatures warmer than normal; KWH sales are up 1.8%. Other Revenue for the month and year-to-date is lower than budget due to Energy Efficiency Program costs reimbursements less than planned. Power Supply Revenues for the month are \$168,000 higher than budget due to the timing of a Renewable Energy Credit (REC) for McNeil. Power Supply Revenues year-to-date is relatively on target. Mr. Reardon pointed out in the month of October BED received a \$250,000 non-refundable one-time credit for a Hancock Wind extension.

On the expense side, Power Supply Expenses are \$1,151,000 below budget year-to-date. Year-to-date fuel costs are lower than budget by \$1,311,000. McNeil production was 11% below budget and woodchip costs (per ton) were 22% under budget. Purchases Power supply year-to-date is relatively on target (\$10,000 below budget). The \$248,000 year-to-date favorable variance in Operating Expenses is due to position

vacancies in the process of being filled and less expended for customer specific projects. The \$369,000 unfavorable variance in Depreciation & Gain/Loss is due to a loss on retirement of McNeil assets that was not planned and an adjustment due to a change in accounting for transformers to comply with Federal Energy Regulatory Commission (FERC) accounting requirements.

Mr. Reardon then discussed Capital Spending. In total, year-to-date ending December 31, Capital Spending is 56% (\$6,553,000) of the \$11,640,000 budgeted. Year-to-date, we are underspent relative to the budget through December by \$628,000. Most of the underspending is due to timing. Mr. Reardon pointed out \$572,272 was charged in November to the Distribution capital category due to the accounting adjustment for transformers to comply with FERC accounting requirements. This adjustment, while it may appear later as if Capital Spending in Distribution is higher than budgeted, did not require an outlay of cash. The accounting adjustment was a reallocation of the costs for transformers from inventory to fixed assets.

On Cash and Investments, BED closed December 31 with \$13.8 million of unrestricted and reserved operating funds. The projected December 31 balance for the FY 2017 budget was \$9,774,000. The difference between actual versus projected is due to the timing of disbursements for Capital Spending and the underspending in Operation Expenses.

Mr. Reardon pointed out that the Rating Factors are in line to meet "A" bond rating.

8. Proposed Telecommunications Contract with Burlington Telecom

Mr. Lunderville stated that a contract will be coming up with Burlington Telecom and if discussed in an open session would put BED's negotiation at a disadvantage.

9. Matters Pertaining to Labor Relations Agreements with Employees

This matter pertains to labor relations agreements with some issues in the building that Mr. Lunderville would like to brief the Commission on is of a confidential matter.

Commissioner Haskell moved to find that premature general public knowledge of proposed telecommunications contract with Burlington Telecom would clearly place the Burlington Electric Department at a substantial disadvantage, as BED risks disclosing its negotiating strategy, per Title 1, Section 313(a)(1) of the Vermont Statutes. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

Commissioner Haskell moved to find that premature general public knowledge of matters pertaining to labor relations agreements with employees would clearly place the Burlington Electric Department at a substantial disadvantage, as BED risks disclosing confidential information, per Title 1, Section 313(a)(1) of the Vermont Statutes. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

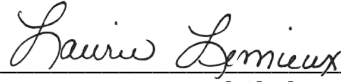
Commissioner Haskell moved that the Commission enter into executive session with BED Staff present to discuss telecommunications contracts and matters pertaining to labor relations agreements under the provisions of Title 1, Section 313(a)(1)(A) of the Vermont Statutes. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

The Commission moved into Executive Session at 7:11pm.

Commissioner Moody moved to exit Executive Session at 8:20pm; this motion was seconded by Commissioner Haskell and approved by all Commissioners present.

Commissioner Herendeen moved to adjourn the meeting at 8:21 pm; the motion was seconded by Commissioner Moody and approved by all Commissioners present.

Attest:

A handwritten signature in cursive script that reads "Laurie Lemieux". The signature is written in black ink and is positioned above a horizontal line.

Laurie Lemieux, Board Clerk