

**MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION**

Wednesday, February 10, 2021, 5:30 pm

The regular meeting of the Burlington Electric Commission was convened at 5:38 pm on Wednesday, February 10, 2021 via Microsoft Teams Video Meeting.

Channel 17 was present via Microsoft Teams Video to record this meeting.

Commissioners Herendeen, Moody, Stebbins and Whitaker participated via Microsoft Teams, Commissioner Chagnon was absent.

Staff members present via Microsoft Teams included Darren Springer, Paul Alexander, Sue Fritz, James Gibbons, Mike Kanarick, Munir Kasti, Laurie Lemieux (Board Clerk), Dave MacDonnell, Paul Pikna, Andrea McNeil, and Emily Stebbins-Wheelock.

1. Agenda

There were no changes to the Agenda.

2. January 13, 2021 Meeting Minutes

Commissioner Moody made a motion to approve the minutes of the January 13, 2021 Commission Meeting; the motion was seconded by Commissioner Whitaker.

The Board Clerk, Laurie Lemieux, conducted a roll call vote by calling on the following Commissioners:

Commissioner Herendeen. Aye

Commissioner Moody. Aye

Commissioner Stebbins. Aye

Commissioner Whitaker. Aye

Results: 4 Ayes with 0 Nays, the motion carries.

3. Public Forum

There was no members of the public present.

4. Commissioners' Corner

Commissioner Herendeen asked if the mention in the January monthly report that BED's Moody's rating is favorable indicated that the Department's rating had gone up. Mr. Springer stated that

BED's rating has not changed. Typically, around this time every year, Moody's completes a sector review of all the different utilities. This includes a portfolio review and ensures that Moody's is being consistent with its methodologies but is not intended to be a ratings review.

Commissioner Herendeen stated that at the last meeting he had asked Mr. Gibbons to look into Hula and the degree to which the close proximity to the lake might affect the geothermal system. Mr. Gibbons stated that this past month has been extremely busy, and that he will reply to Commissioner Herendeen before the March meeting.

Commissioner Herendeen also asked at the last meeting about the overall growth issue regarding heat pumps with regards to gas hookups. Mr. Springer stated that the Department tracks this information based on usage, which is currently being done as part of our Net Zero Energy metrics, information we are hoping to have this data ready in March. BED typically does not track the actual permit data in terms of how many buildings have come online and are hooked up to natural gas. Mr. Springer offered to reach out to the City's Permitting and Inspections Department to see if the Department has this data and stated we alternatively could reach out to VGS. Commissioner Herendeen stated that he would reach out to VGS.

Commissioner Stebbins stated that she has been asked several times about the concerns with the City's Net Zero Energy city by 2030 goal and how residents with limited income can find affordable ways to invest in this area.

Mr. Springer appreciates this issue being raised and stated that the City actually is offering a number of programs specifically aimed at helping our low- and moderate-income customers. Many of these programs are seeing some levels of success, while others are not seeing an uptake. With heat pumps and electric vehicles, the Department is seeing a large percentage of rebates going to low- and moderate-income customers, with a greater increase since the roll-out of the Green Stimulus Program. We have had 36 low- and moderate-income customers qualify for the enhanced heat pump rebates during the recent period. Mr. Springer stated that the Department continues its work to grow the number of electric transit buses in the community, which benefits the broader community. Also, Mr. Springer stated that BED continues to offer enhanced incentives for low- and moderate-income customers and promote its partnership with three local credit unions that provide BED residential customers who install heat pumps, heat pump water heaters, and efficient home appliances with interest rates as low as 0% based on their income. Our team also is supporting the Mayor's proposal to have weatherization standards for all rental properties that would apply across the City and bring the benefits of that investment to renters all across the city.

Commissioner Stebbins stated that she is aware that Mr. Kanarick sends out a lot of information to residents regarding these programs and announcements and asked if Mr. Kanarick could send the Commission an overview of the efforts and where the City is seeing traction and where improvement needs to be made.

5. GM Update

Mr. Springer informed the Commission that Andrea McNeil, Director of Finance, has moved on the VGS. Mr. Springer stated that Ms. McNeil was a great person to work with, and that we wish her the best. We have posted for the position and will keep the posting active until month's end. In the interim, Ms. Stebbins-Wheelock will fill that role temporarily.

Mr. Springer stated that on January 26, BED and Mayor Miro Weinberger announced the continuation of the Green Stimulus incentives into 2021. Depending on our success with the Act 151 filing, we may be able to continue some of these programs even beyond 2021. Most notably, we have seen a 5X increase in residential heat pump installations through our Tier 3 program when comparing the pre-Green Stimulus period (Sept. 2019-May 2020) with the period after the Green Stimulus went into effect (June 2020 to current).

Mr. Springer stated that he will be attending the Ward 1/8 NPA meeting this evening with Bill Ward, Director of Permitting & Inspections, in a Town Hall TV forum on the upcoming thermal energy regulation ballot item to provide information. Mr. Springer, Mr. Ward, and Ms. Green also participated in the All Wards NPA meeting on February 9 regarding this item.

This ballot item is a question as to whether voters want to give the City authority to regulate greenhouse gas emissions in thermal energy in buildings in Burlington. Also, part of this item could be alternative compliance or carbon assessment fees as one means of meeting this potential regulation. There is an accompanying ballot advisory question that asks if the voters would direct the City in the implementation to ensure the benefits flow to Burlington's low- and moderate-income residents and to our BIPOC community to make sure that the benefits of clean energy are accessible to all. This ballot item dates back to the road map announcement when then Councilor Sharon Bushor asked BED, the Office of Planning & Zoning, and the Department of Permitting and Inspections to look at what could be done with new buildings to ensure that they are compatible with Net Zero Energy. After a several months process, the Department reported back to the City Council, and the Mayor announced a proposal that said new buildings had to meet certain requirements for having renewable thermal systems and renewal heating systems. If they did not meet these requirements, they could pay a carbon dioxide compliance fee of \$100 per ton which would be based on 10 years at which time this fee would renew. This would be reassessed every 10 years as an incentive for the buildings to be retrofitted over time. In the process of this proposal coming forward, the City Attorney's review showed that the charter may not allow for that carbon fee to be assessed, and this is why the ballot item has been proposed.

BED testified in the Senate Finance Committee on the continued need for arrearage assistance for customers and joined a utility letter to state legislators as well as to the federal delegation on this topic. In addition, BED testified in the Senate Natural Resources & Energy Committee on our programs under the Green Stimulus, and our proposed Act 151 filing, in a broader update on energy efficiency programs along with Efficiency Vermont and VGS.

Mr. Springer stated that on February 8, BED, the City, UVMMC, VGS, and Ever-Green Energy announced the signing of a Letter of Intent to advance the district energy project to Phase 3. The work done in Phase 2 was the development of an operating model that would overcome some of the

constraints that we have previously seen with other district energy proposals. We would have waste heat, as well as additional steam provided from the McNeil facility to UVMMC. Ever-Green is our partner in this effort, and Ever-Green has the expertise at operating and owning district energy systems. Under this model, Ever-Green Energy would be a non-profit entity that would own and operate the district energy system. They would provide the financing for the system and also manage the construction. There would be no upfront funding or financing required of the City of Burlington under this structure. Ever-Green Energy would sell the output of the district energy to VGS and the physical delivery would happen at UVMMC and potentially other buildings in close proximity. The City is continuing to have conversations with the University of Vermont and continues to explore whether there is an option to add buildings to this proposal. Mr. Springer stated that the energy is one attribute, but there also would be the option of DES renewable credits as part of this proposal. These DES credits would be available for purchase by local businesses, local residents, and the City of Burlington. This would mean customers can pay a little bit more on their bill and have a certain amount of their energy coming from the district energy system, as opposed to the underlying fuel source which would essentially help to offset their own carbon footprint.

Mr. Springer stated that if, in a given year, we didn't have a full subscription of all the available DES renewable credits, VGS would take those credits and use them in their own portfolio and would count toward VGS' broader renewable and climate goals. This would provide an important backstop for the system to ensure that we had enough subscriptions overall for the DES renewable credits.

In Phase 3, we will be working with the McNeil Joint Owners on a potential thermal energy supply agreement that allows McNeil to provide thermal energy to the district energy system, and VGS will be talking to the regulators about their proposed role under this structure. Ever-Green Energy will be looking at securing the financing and setting up the non-profit structure and continuing to do the final inter-operability and engineering analysis with UVMMC and other customers to ensure the reliability of the system. BED will be working with the City to see what the financial appetite is to have the City buy into the district energy system through the DES renewal credits, and we will be talking to other customers as well. We would really like to have a few anchor customers going into this project that are committed to the system. We will continue to talk to UVM as well about any opportunities there might be for them to participate under this model. We are hopeful that, within three to six months, we will be reporting back to the Commission and the City Council to propose the question of a potential binding commitment.

Financials

Ms. Stebbins-Wheelock reviewed the December FY21 financial results.

Ms. Stebbins-Wheelock showed a graph indicating the monthly impacts of COVID-19 on BED loads through the end of January 2021. With the restoration of the AMI router and data from the meters at the Airport, the Department once again has full data for analyzing COVID-19's impact on loads. The trend observed in the summer and fall has continued through January, with residential usage above normal levels, commercial usage below normal, and overall system usage/aggregate sales lower than normal. The Department continues to closely monitor loads and is forecasting that these

impacts may start to diminish in the spring.

Ms. Stebbins-Wheelock reviewed the budget-versus-actual results for the month of December FY21. The Department reports a net loss of \$684K compared to a budgeted net loss of \$455K for December, \$229K worse than budget. Specifically, the unfavorable variance in the December results is due to: decreased sales to customers due to COVID-19, reduced credit to operational expense for Administration and General Expenses charged to capital projects (offset by favorable operating expense variances due to timing of outside services, EEU, and Tier 3 expenditures), and less other income than budgeted due to timing of the City instituted hazard pay bonus for employees who met certain criteria for working on-site during COVID-19. Power supply expenses were on target, and power supply expenses were favorable by \$65K due to reduced McNeil production and associated fuel expenses, offset by higher purchased power and ISO New England transmission expenses. Year to date, the Department reports net income of \$582K, which is \$361K worse than budget.

Capital spending as of December is 51% or \$1.1M less than the December YTD FY2021 budget. This is driven primarily by timing of the IT Forward, Data Center upgrade, and distribution projects.

As of the 12 months ending December 2020, the Department has 105 days cash on hand, the debt service coverage ratio is well above target, and the adjusted debt service coverage ratio remains below target.

6. VELCO Data Center Colocation Agreement

Ms. Stebbins-Wheelock briefed the Commission on the Department's FY21 Data Center capital project to replace its existing, end-of-life business infrastructure hardware. BED considered several options for hosting this critical equipment, including our current server room at 585 Pine Street, colocating data center equipment with the City of Burlington, VELCO's new data center in Rutland, and another local data center provider in the Burlington area. VELCO's location provides a more modern and secure facility than our Pine Street space and their proposal was the most financially advantageous for BED.

BED is seeking to enter a colocation agreement with VELCO that would grant BED a non-exclusive license to operate a computer data center at VELCO's state-of-the-art Pinnacle Data Center facility in Rutland, Vermont. This facility will allow BED to leverage a highly secure, reliable, and redundant location for hosting its business systems infrastructure, extending, and potentially replacing its own aging facility at 585 Pine Street. The license will grant BED use of rack space and associated power, cooling, and cross-connect services for BED's equipment. VELCO also will assist BED with equipment installation and set-up.

The initial term of the agreement is three years, with one-year renewals upon agreement of both parties. BED may cancel the agreement with 120 days' prior notice; VELCO may cancel with one year's prior notice.

Under the agreement, BED would pay VELCO one-time equipment set-up and connection fees of

\$9,100 and monthly recurring fees of \$1,348.61 for use of the data center space. VELCO may annually adjust the monthly recurring fee in proportion to the Consumer Price Index and local electricity costs with 90 days' prior written notice to BED. BED is entitled to a refund of monthly fees if VELCO fails to meet its obligations under the service-level agreement for power, cooling, cross-connect, access, and other support services. BED has included the fees related to data center colocation services in its approved FY21 budget.

Commissioner Herendeen made a motion to recommend that the City Council authorize the General Manager of Burlington Electric Department to execute the Colocation Services Agreement with VELCO subject to review and approval of the City Attorney's Office at a Council meeting on February 16, 2021; the motion was seconded by Commissioner Moody.

The Board Clerk, Laurie Lemieux, conducted a roll call vote by calling on the following Commissioners:

Commissioner Herendeen. Aye
Commissioner Moody. Aye
Commissioner Stebbins. Aye
Commissioner Whitaker. Aye

Results: 4 Ayes with 0 Nays, the motion carries.

7. Commissioners' Check-In

There were no Commissioner check-ins.

Commissioner Moody made a motion to adjourn; the motion was seconded by Commissioner Whitaker.

The Board Clerk, Laurie Lemieux, conducted a roll call vote by calling on the following Commissioners:

Commissioner Herendeen. Aye
Commissioner Moody. Aye
Commissioner Stebbins. Aye
Commissioner Whitaker. Aye

Results: 4 Ayes with 0 Nays, the motion carries.

The meeting of the Burlington Electric Commission adjourned at 6:58 p.m.

Attest:



Laurie Lemieux, Board Clerk