

**MINUTES OF REGULAR MEETING  
BURLINGTON ELECTRIC COMMISSION**

**Wednesday, May 10, 2017 – 5:30 p.m.**

The regular meeting of the Burlington Electric Commission was convened at 5:34 p.m. on Wednesday, May 10, 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, Patrick Campbell, James Gibbons, Mike Kanarick, Munir Kasti, Dave MacDonnell, Cheryl Mitchell, Paul Pikna, and Darren Springer

Other staff members present included Laurie Lemieux, Board Clerk.

Others Present: Daniel Kopin, Nicole Pidala, Marijane Soilis

Channel 17 was present to tape this meeting.

**1. Agenda**

There were no changes to the Agenda.

**2. Minutes of the April 12, 2017 Meeting and Minutes of the April 19, 2017 Special Meeting**

Commissioner Moody made a motion to approve the minutes of the April 12, 2017 meeting and the April 19, 2017 meeting; the motion was seconded by Commissioner Haskell and approved by all Commissioners present.

**3. Public Forum**

There was no one from the public that wished to speak at this time.

**4. Commissioners' Corner**

Commissioner Perrin asked for information on an item in the *Department's Monthly Update* regarding a meeting with the Department of Public Service (DPS) on the Integrated Resource Plan (IRP) and a potential Memorandum of Understanding (MOU). Mr. Gibbons stated BED is meeting with the DPS but does not know if there will be an actual MOU before a public hearing is held but the DPS is pleased with BED's process and is supportive of the Department's conclusions.

Commissioner Herendeen asked what BED is recommending for color temperature for the Burlington College lighting plan. Mr. Kasti stated that the recommendation is LED type fixtures 3500K-4000K.

Commissioner Stebbins wanted to thank everyone for all the time and effort that has gone into the working sessions and looks forward to working collaboratively with the BED staff and Mr. Lunderville.

**5. General Manager's Update**

Mr. Lunderville stated that Mr. Springer will give a brief report on the Energy Efficiency Annual Report that was just filed with the Public Service Board (PSB).

Mr. Springer began the PowerPoint presentation by stating that BED is currently working on the next three-year budget process which is called the Demand Resource Plan (DRP) and has issued the 2016 annual report.

Mr. Springer stated that the City of Burlington is using 4% less electricity today than in 1989. To compare this statistic the State of Vermont, over the same time period increased use by approximately 10.5% and the U.S. increased use by approximately 27.9%. If the U.S. had followed Burlington's path the U.S. would have reduced use by 1,154,939,912 MWh annually, which is the equivalent of 236 coal plants emissions annually. Mr. Springer stated BED's investment of over \$28 million since 1990 in Energy Efficiency and customers' investment of \$32 million over that same period has saved BED an estimated \$4.1 million annually in direct cost. It was noted that these savings would be even higher if energy prices were higher for the market. As a result of all the efficiency and participation, customers are saving a total of \$11 million annually on bills.

Mr. Springer stated that due to BED's efficiency efforts 6102 MWh was saved in 2016 which is 82% of BED's goal. There was also a business savings of 4,074 MWh which was 73% of projection and a residential savings of 2,028 MWh which was 108% of projection. Also, BED's budget for 2016 was \$2,659,721 and spending was 15% less. BED's cost for energy saved was \$370 per annualized MWh, more than the \$356 estimated along with administrative costs which were roughly 17% with 83% spent on direct incentives and technical assistance.

Mr. Springer stated that approximately 1.2 million square feet of new construction will be coming between 2017 and 2020 and not only will BED be working on these projects, BED will also be capturing all the savings associated with this new construction. BED will also continue the partnership with Vermont Gas on the energyChamp Program through the website and also through the multi-family program which includes incentives from Vermont Gas and Efficiency Vermont. Chris Burns is compiling figures to show the uptake from these programs and hopefully Mr. Burns can update the Commission at the next meeting.

Mr. Springer concluded the presentation by stating that there are challenges with Energy Efficiency as codes gets more stringent and larger incentives will be necessary going forward. BED is working to align conventional efficiency with the Tier III Program. Also through the DRP process BED is looking at the budget for the next 3 years regarding efficiency. BED is not looking at increases in efficiency rates or in the efficiency budget but looking at the trend line that slopes slightly downward and at the total cost of effective opportunities to ensure customers are getting the most cost effective savings.

Mr. Lunderville asked Mr. Springer and Mr. Kanarick for a brief legislative update. Mr. Springer stated that BED is tracking two issues: potential changes to the PSB rule in regards to Net Metering and the Standard Offer Exemption that BED has achieved and is saving \$1.5 million a year in rate payer dollars. BED has two bills on those topics that have concluded action in the Legislature and is now before the Governor for disposition. The final resolution on Net Metering for pre-existing customers states that after 10 years and the solar incentive adder concludes these customers will be subject to the same rates and non-charges that customers just entering the program will be subject to. All customers after a period of time will be paying energy efficiency and customer charges and cannot use credits to offset these charges.

The Standard Offer Exemption has created a study process at the PSB and will report back in December 2018 ahead of the 2019 legislation. BED will be one of two utilities, along with Washington Electric, that will continue to be eligible for the Standard Offer Exemption but in the meantime there is a two year freeze on new entrance into the exemption. Mr. Springer stated that as long as BED maintains the 100% renewable generation during the November to October timeframe that the Standard Offer Exemption is judged then BED will continue to be eligible for the exemption which saves the Department nearly \$1.5 million dollars annually.

Mr. Lunderville stated that at the last meeting there was some discussion on District Energy and wanted to update the Commission on this project. Mr. Lunderville stated that one of the heat sources would be from the McNeil Plant; the other option Corix looked at is sewage heat recovery from the waste water

treatment plant at Perkins Pier. Mr. Lunderville reviewed the two options with the Commission in detail and discussed the potential issues and cost associated with each option.

Mr. Lunderville stated that Mr. Kanarick has been BED's internal project manager on the District Energy Project and part of this is to gather potential business partners and customers. Mr. Kanarick stated that last week Corix was in town and met with potential customers, which included UVMMC, UVM, UHC, Burlington Town Center, Federal Building, State of Vermont, and several area hotels. Enough potential customers so that the system works and down the road could actually grow. Meetings were set up with key people within these organizations to discuss "business as usual" (BAU), energy demand and usage assumptions to determine the cost for these customers doing business without district energy, along with peaking and backup strategies. In late June there will be another stakeholder meeting with Corix to present due diligence findings and to make a go/no-go determination. If it's determined that the project will move forward then another meeting will be set in July which would include a results report, financial and construction schedules, along with an ownership model.

Mr. Lunderville stated that if the project moves forward then Corix will start to put rate structures and proposals to the perspective customers. Mr. Lunderville stated that this is on the fast track in moving forward and it is BED's responsibility to test the assumptions, models, business terms, etc. before asking customers to sign on.

Mr. Lunderville informed the Commission that BED is entering the busy season in customer service and BED processes thousands of termination of services and service start-ups within a very short window of time and the Department's customer service numbers are looking really strong. Mr. Kanarick and Mr. Higbee, the Director of Customer Care, have done a tremendous job trying a lot of innovative things. Mr. Lunderville introduced Patrick Campbell who is the newest member of the customer care team and stated that BED has an all-star team in Customer Service.

Mr. Lunderville concluded the GM update by sharing with the Commission some of the changes that were made to BED's Strategic Direction. There will be more discussion at the June Commission Meeting.

## **6. UVM Student Presentation on "What Does Net Zero Mean for Burlington"**

Commissioner Herendeen stated that these students are part of the Rubinstein School at UVM and part of their class requirement is the project on Net Zero for Burlington. Commissioner Herendeen thanked the team at BED for all the help given to these students. Commissioner Herendeen introduced the students, Daniel Kopin, Nicole Pidala, and Marijane Soilis, and stated that part of BED's Strategic Vision includes making BED's sources more local. This presentation will look at the ecological footprint and how much total area is impacted.

Ms. Pidala began the presentation by stating that this project sought to determine the land area impact of BED's current energy supply and also shows two visual scenarios on how BED can localize energy and supply.

Ms. Soilis reviewed pie charts which represent the sources of energy for BED. This was done specifically by each generation plant - McNeil, Wind, Hydro and ISO New England. Beginning with these generation sources, this group of students mapped the resources in GIS manually by creating polygons for each source. Ms. Soilis showed the rooftop solar by City address, along with showing the immediate watershed of all the hydro facilities. The next slide showed the entire state which also included the watershed and added the locations where McNeil sources wood, wind facilities and even cow power. The entire footprint showed a substantial impact from Hydro Quebec but since Hydro Quebec does not provide BED with a lot of energy, the area of each polygon was downsized by the proportion of energy BED takes versus what is generated at the facility and, if divided out by the city limits of Burlington, it is equivalent to a little over 252 Burlingtons.

James Gibbons, BED Director of Policy and Planning, voiced serious concerns about some of the assumptions and conclusions, particularly with regard to the Nextera Hydro contract and the treatment of the Kennebec River watershed.

Mr. Kopin showed how using a 50 mile constraint around the City of Burlington can save MWh and used GIS software to look at what energy would be available. By using these constraints one can also look at what MWh would be excluded and just in terms of generation, approximately 60% of MWh would be excluded within the 50 mile constraint. Also, when looking at the footprint using this methodology it is quite significant in terms of an 80% reduction of that footprint which would be 55 Burlingtons.

Ms. Pidala reviewed the two Net Zero scenarios created for the City of Burlington. These maps showed a 50 mile power scenario and a 10 mile power scenario showing the potential solar resources that could be used and indicates utility scaled power generation.

In conclusion it was determined that 42% of the current supply is already within 50 miles, but the resources that are beyond that constraint are responsible for just under 80% of the spatial impact. This also indicates that a decrease of 33% of power supply would be decreased even more if the constraint were closer than 10 miles but would only reduce the footprint by 9%.

## **7. Fiscal Year 2018 Budget**

Mr. Lunderville informed the Commission that this year's budget is quite a bit tighter than previous years. BED is still showing positive net operating income and positive net income and stated that BED is not showing a rate increase for FY 2018 but is showing some of the impacts of a changing energy market. The REC market is continuing to slide and continues to slide through 2018 and into 2019 and maybe beyond that.

Mr. Lunderville stated that this is the ninth consecutive year without a rate increase. The fact that BED has gone 9 years without a rate increase is impressive and is in part due to smart power planning, a strong REC market, and smart REC sales and purchases. Unfortunately, BED cannot escape some of the power market trends that are starting to happen and future budgets will likely continue to tighten.

Mr. Lunderville gave an overview of BED's Income Statement stating that customer revenue is up \$1 million, REC revenues are down \$1.8 million, and fuel costs at McNeil are down \$2.0 million. BED's O&M is up \$900,000, which includes \$300K for Tier 3, \$350K for A&G, \$100K for cloud-based software and \$150K in miscellaneous ups. BED's net operating income is down from FY17, which is total operating revenue minus total operating expenses. Mr. Lunderville stated that net operating income is an important measure of the organization's core operating performance; it excludes dividend and interest income, interest expense, and other non-operating items. BED's Health Insurance has increased approximately 20%, pension has increased by 12% but great workers' comp numbers have helped to offset these expenses.

Mr. Lunderville reviewed controllable expenses which showed a big drop after the voluntary buyout and modernization efforts. FY16 actuals show approximately \$15.3 million in controllable expenses and drop off in projected FY17 and budgeted FY18. BED has been really trying to keep a handle on controllable costs and is showing results. Mr. Lunderville reviewed BED's capital spending and stated that capital spending continues to track upward. Cash reserves should remain strong thru the year with the general obligation money coming in October and will start the year with a projected \$11.8 million and end the year at \$6.6 million.

Mr. Lunderville reviewed the bond rating metrics showing BED's benchmark, FY17 projected and FY18 Budget for Debt Service Coverage Ratio for bonds, Adjusted Debt Service Coverage and days cash on hand.

Mr. Lunderville concluded the budget presentation by stating that this budget is funding the strategic initiatives that are outlined in both the 2016/2017 look and 2017/2018 proposed look. Considerable work

is being done in Asset Management; BED is funding two major overhauls, one at McNeil and the other at Winooski One. The Department continues to move forward on IT projects including "IT Forward", customer outreach and marketing, energy innovation, and employee training and education.

It was determined that the Commission will meet again to answer any additional questions and BED would ask at that time for a favorable recommendation on the budget and approval on the draft resolution for the \$3 million General Obligation Bond. A special meeting to review the budget was scheduled on Wednesday, May 24, 2017 at 8:30am at Burlington Electric.

## **8. March FY 2017 Financial Update**

Darren Springer, Chief Operating Officer, presented a brief review of March year-to-date financial results.

This presentation included a brief discussion of the \$3,172,000 Operating Income year-to-date and the \$4,037,000 Net Income year-to-date. Year-to-date Operating Income is \$1,425,000 higher than budgeted and year-to-date Net Income is \$681,000 higher than budgeted. Mr. Springer pointed out that Other Income was below budget due to assumed customer contributions for a Microgrid project and South Solar Forty that has been delayed and lower contributions for the UVM Chiller project than assumed. The assumed contributions for the UVM Chiller project of \$630,600 versus actual of \$279,200 is a timing issue. Most of the savings in Interest Expense year-to-date is related to the General Obligation Bond refinancing.

Sales to Customers and Power Supply Revenues year-to-date are relatively on target. Year-to-date Power Supply Revenues includes a non-refundable one-time credit of \$250,000 for the Hancock extension. Other revenue for the month and year-to-date are lower than budget due to Energy Efficiency Program costs less than planned.

On the expense side, Power Supply Expenses are \$2,189,000 below budget year-to-date. Year-to-date fuel costs are lower than budget by \$2,390,000. McNeil production was 9% below budget and woodchip costs (per ton) were 24% under budget. Purchased Power Supply year-to-date is relatively on target (\$149,000 below budget). Mr. Springer pointed out that while there is a lot of moving parts in Operating Expenses; year-to-date is on target. The \$574,000 unfavorable variance in Depreciation & Gain/Loss was due to loss on retirement of McNeil assets that was not planned, an adjustment due to a change in accounting for transformers to comply with Federal Energy Regulatory Commission (FERC) accounting requirements and loss on retirements related to building renovations.

Mr. Springer then discussed Capital Spending. In total, year-to-date ending April 30<sup>th</sup>, Capital Spending is 72% (\$8,345,000) of the \$11,640,000 budgeted. Year-to-date, we are underspent relative to the budget through April by \$1,350,000. In summary, the underspending can be attributable to the Microgrid project, which as discussed earlier, is one of the reasons for Other Income year-to-date being below budget.

On Cash and Investments, BED closed April with \$12.7 million of unrestricted and reserved operating funds. The projected April balance for the FY 2017 budget was \$9.4 million. A large portion of the difference between actual versus projected is due to the substantial savings in fuel costs from the amount budgeted in Fiscal Year 2017.

Mr. Springer also noted that the City Council approved on Monday, May 1<sup>st</sup> an extension of BED's line-of-credit with Key Bank. Once the signed resolution is received BED will set up a closing date with Key Bank.

Commissioner Moody moved to adjourn the meeting at 7:47 pm; the motion was seconded by Commissioner Perrin and approved by all Commissioners present.

Attest:

*Laurie Lemieux*  
Laurie Lemieux, Board Clerk

---