

**MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION**

Wednesday, June 14, 2017 – 5:30 p.m.

The regular meeting of the Burlington Electric Commission was convened at 5:30 p.m. on Wednesday, June 14, 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, James Gibbons, Mike Kanarick, Dave MacDonnell, Darren Springer, and Destenie Vital

Channel 17 was present to tape this meeting.

Commissioner Stebbins stated that the Board Clerk, Laurie Lemieux was unable to attend the meeting and the Commission is required to vote in a temporary Board Clerk. Commissioner Moody made a motion to appoint Mike Kanarick as temporary Board Clerk for the June 14, 2017 meeting; the motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

1. Agenda

There were no changes to the Agenda.

2. Minutes of the May 10, 2017 Special Meeting, Minutes of the May 10, 2017 Meeting, and Minutes of the May 24, 2017 Special Meeting

Commissioner Herendeen stated that in the May 24, 2017 minutes, on Page 51, paragraph 3, the MWh total is incorrect and should be corrected to 6,102 MWh. Also, the last sentence of paragraph 7 should state \$1.5 million dollars *annually*.

Commissioner Herendeen made a motion to approve the minutes of the May 10, 2017 Special Meeting, the minutes of the May 10, 2017 Regular Meeting, and the minutes of the May 24, 2017 Special Meeting, as amended; the motion was seconded by Commissioner Perrin and approved by all Commissioners present.

3. Public Forum

There was no one from the public in attendance.

4. Commissioners' Corner

Commissioner Stebbins stated that as a result of the Commission's working sessions, there were several follow up items that need to be worked on in the next 2-3 months, some of which were included in the Commission Packet.

Mr. Lunderville reviewed these item included in this month's packet by beginning with the monthly financials. Mr. Lunderville stated the financial information changes will start this month and more changes will follow in the next few months. A conference call was conducted a couple weeks ago with Commissioner Stebbins, Commissioner Perrin, Jim Reardon, and James Gibbons to discuss what changes the Commission would like to see each month and a work plan has been developed as a result of this call.

Mr. Lunderville stated that the Department wants to make sure that the individuals that watch the Commission meetings understand the concepts that Burlington Electric is going through. There are times

when concepts and projects are discussed at these meetings and the Department forgets that the average viewer isn't versed on these topics. The changes that will be made to the format of these meetings will be done with the goal of making it easier for the viewers and customers to appreciate what Burlington Electric is working on.

A draft of the primer information was included in the packet and Mr. Lunderville welcomes any questions and suggestions. The Department's goal is to have a binder to give to new Commissioners that include the job description, the mission statement, definitions, acronyms, etc.

Mr. Lunderville stated that in the past couple months the BED website was updated and made much cleaner with the goal of making this website one that BED customers can easily use. Each month the Department will do a primer for Commissioners and eventually collect these primers and use as videos for customers to be connected to via the BED website.

Mr. Lunderville stated that the following documents were also included in the Commission packet this month: a proposed Commission job description, Commission Mission Statement, a draft of the updated Memorandum of Understanding (MOU). This MOU had not been updated since 2003 and was given to Bill Ellis, the City Attorney for review and updating. Mr. Ellis updated this MOU based on changes the City Council made along with current Departmental practices. The new format of the Commission Agenda was included in this packet which incorporated a new sequence of agenda items along with the addition of new items that will be included each month.

Commissioner Stebbins thanked the staff for all the additional work but feels that these changes and additions will be helpful for the Commission going forward. Commissioner Stebbins had an edit on one of the items regarding *identifying key financial information for monthly reporting* which states a due date of July. During the call with Commissioner Perrin, Mr. Reardon, and Mr. Gibbons it was decided that it would take time to hone in on a financial reporting structure that will work and Commissioner Stebbins wanted to make sure that the Commission does not expect the Department to have newly financial reports by July.

The Commission will provide comments regarding the MOU to Laurie Lemieux by June 30th to be included in the July packet. The Commission will discuss at the July meeting and with the goal of voting on the MOU at that time.

Commissioner Stebbins, Commissioner Moody and Mr. Lunderville conducted a presentation for the City Council on Monday evening. The Council asked questions regarding the impact of wind on BED's resource portfolio. The Council gave positive comments regarding the structure of the performance matrix report and discussed how efforts are coordinated with Efficiency Vermont.

Commissioner Herendeen thanked staff for welcoming the student project at last month's meeting. Mr. Herendeen stated that a question was posed to Mr. Kasti at the last Commission meeting regarding the color temperature of LED lighting that BED has been installing. Commissioner Herendeen asked this question as a result of findings that state there are medical issues with hot 4000K LED's and would like to have a brief discussion on this subject at a future meeting. Mr. Lunderville had a discussion with Mr. Kasti regarding this issue and there is an active discussion about lowering the temperature on the LED's and suggested to Mr. Kasti that a presentation be done in July on this subject. Commissioner Herendeen stated that an issue arose when using BED's Energy Engage and will send a memo to Mr. Lunderville regarding these issues. Mr. Lunderville stated that the Department realizes that Energy Engage is a little clunky and there are plans to make Energy Engage better but looks forward to receiving comments from Commissioner Herendeen.

Commissioner Moody asked about the unexpected shutdown at McNeil and would like a brief update. Mr. MacDonnell explained that the bushings on the main transformer were leaking oil. These bushings were changed out in April and ran for approximately 2 weeks and then the new bushings also started leaking. The plant was taken off line and put on auxiliary power and it took 2 weeks to get back on line but

everything seems to be running well.

Mr. MacDonnell stated that the gas turbine is monitored every six (6) months with a scope which is fed into the turbine. At this time it showed cracks on "B Jet" which had to be dismantled and sent to Houston in June for repair. Mr. MacDonnell stated that the cracked piece will be repaired and is expected back to the plant in early July. Mr. MacDonnell stated that the gas turbine is running approximately one (1) hour per month with one jet still in service which allows the plant to provide 9 MW.

Commissioner Perrin highlighted the \$1,200 EV rebate incentive that Burlington Electric is offering and stated that Freedom Nissan is partnering with local utilities to offer a more aggressive incentive to be able to move current inventory and asked if BED has explored some of that partnership. Mr. Lunderville said that BED has explored this partnership and has launched the \$1,200 rebate incentive along with a \$600 plug-in hybrid EV rebate for hybrids that meet certain standards. This month GMP announced a \$10K off for a Nissan Leaf for GMP customers in addition to the \$7,500 federal tax credit. This is a national program that Nissan is offering to move out the 1st generation Leafs to make room for the 2nd generation Leafs which is nearly double the running mileage. Mr. Springer has been in contact with Nissan and for the month of June Nissan is offering this deal only to GMP customers but beginning July 1st BED customers will be eligible for the \$10K, along with the \$7,500 federal tax credit, along with the \$1,200 rebate.

5. Monthly Primer: Energy Markets

Mr. Gibbons began the PowerPoint presentation reviewing and defining three key concepts in the energy market: Locational Marginal Price (LMP), Day Ahead and Real Time Energy Markets, and the Role of Load and Resources in the Energy Markets.

Mr. Gibbons stated that BED is required to purchase all load needs to serve retail customers from ISO New England energy markets which is done with zonal pricing and for Vermont, the zone is the state. This means that all utilities in Vermont pay the same price for the load that is bought each hour. The zone price is an average of all of the sub-locations in Vermont.

All sub-pricing locations (nodes) are averaged based on how much load is represented. Resources are then paid at individual locations which are based on that subset (nodes) and there are approximately 900 pricing locations spread around New England. BED's resources are paid on sub-pricing and BED's load is based on zone pricing.

Mr. Gibbons stated that pricing is set by looking at what people are offering to pay to buy load and what price people are willing to sell generation for and then look to where the two prices meet. The problem is that not everybody will have bought load in the day ahead market and not all generation will sell in the day ahead market so the day ahead market is where there is load bidding which cannot be done in the real time market.

Mr. Gibbons reviewed a graph on marginal pricing showing how the price of natural gas in New England compares to the price of electricity in the wholesale market. This is the single most important variable for the Department to keep track of in estimating what is happening to the wholesale electric markets.

Mr. Gibbons showed the Commission a comparison for Vermont zonal prices for one day, April 1, 2015 showing the day ahead prices versus the real time prices. This is shown in dollars per MWH or set another way, .30 per KWH which is twice the Department's retail rate. Mr. Gibbons explained what can alter pricing by explaining a bidding error that occurred that day.

Mr. Gibbons reviewed a graph showing Sheffield versus Vermont Zone. This graph shows that on June 8, 2017 what BED was being charged for purchasing load from ISO New England and what BED was being paid to provide energy from Sheffield Wind to ISO New England. This shows the negative prices that

represents what BED was charged to deliver wind energy to the grid while being charged to serve load in the same hour.

Mr. Gibbons closed his presentation by answering questions from the Commission.

6. General Manager's Update

Mr. Lunderville directed the Commissioner's attention to the BED 100-year sign that is now hanging in Spark Space. Mr. Lunderville stated that this sign previously hung outside in front of Burlington Electric but was taken down because it no longer worked. One of BED's employees worked with a contractor to clean it up and get it working.

Mr. Lunderville stated that the Department's budget was successfully presented to the Board of Finance and City Council and unanimously approved at the meeting on Monday.

The Department is making great progress on capital work. There has been a marked difference from the last few years on getting the work done and the crews are extremely busy spending down the capital money.

Mr. Lunderville stated that changes have been made to the general format of the monthly dashboard and would like feedback. Mr. Lunderville reviewed the monthly dashboard and discussed the following areas where the Department is not on track or budget:

1.2 IT - The Department had a great year implementing the strategic initiatives but the IT pieces were slower than anticipated. The Department is moving ahead with IT Forward, CIS, MDM, and other parts of the systems that manage the core functionality of the Department's operation.

2.3 The Asset Management approach is a scientific approach to managing all assets in the field rather than replacing assets when broken. This approach tracks the condition of the assets and knows when it makes sense for the assets to be replaced. The first draft of these plans will be coming in July and should be on track for the 2017-2018 season.

4.2 Build a Suite of Financial Options to Support Solar and Storage Purchases. The Department did not make a lot of progress on this and it was decided to roll this into the Department's Solar Shopper Program.

Commissioner Stebbins suggested that a summary document at year's end would be helpful. This document could show initiatives from the year and indicates completed or not completed.

Financials: April FY 2017

Mr. Reardon, Director of Finance and Administration, presented a brief review of April year-to-date financial results.

This presentation included a brief discussion of the \$2,258,000 Operating Income year-to-date and the \$3,225,000 Net Income year-to-date. Year-to-date Operating Income is \$723,000 less than budgeted and year-to-date Net Income is \$1,659,000 less than budgeted. Mr. Reardon 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 \$310,200 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 year-to-date are slightly below budget and are most likely due to April average temperature warmer than normal. 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 and year-to-date are lower than budget due to a \$450,000 adjustment in April to correct prior

month and the timing of Renewable Energy Credits (REC). Renewable Energy Credit deliveries in May will offset about one-third of this variance.

On the expense side, Power Supply Expenses are \$2,778,000 below budget year-to-date. Year-to-date fuel costs are lower than budget by \$2,633,000. McNeil production was 10% below budget and woodchip costs (per ton) were 24% under budget. Purchased Power supply year-to-date is \$554,000 below budget primarily due to the exemption from Standard offer as of January, 2017. The \$459,000 year-to-date favorable variance in Operating Expenses is due to position vacancies in the process of being filled and less expended for Materials & Supplies. The \$589,000 unfavorable variance in Depreciation & Gain/Loss is due to a 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 and loss on retirements related to building renovations.

Mr. Reardon then discussed Capital Spending. In total, year-to-date ending May 31st, Capital Spending is 79% (\$9,220,000) of the \$11,640,000 budgeted. Year-to-date, we are underspent relative to the budget through May by \$1,753,000. 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 below budget.

On Cash and Investments, BED closed May with \$11.8 million of unrestricted and reserved operating funds. The projected May balance for the FY 2017 budget was \$7.1 million. The difference between actual versus projected is due to the timing of disbursements for Capital Spending and the substantial savings in fuel costs from the amount budgeted in Fiscal Year 2017.

Mr. Reardon pointed out that the Rating Factors are in line to meet “A” bond rating. He also distributed a list to the Commissioners of those accounts/items that comprise the totals presented on the Operating Statement (i.e. those items listed as “Other Revenue”).

7. Strategic Direction

Mr. Lunderville presented a PowerPoint presentation on the Department’s Strategic Direction (formerly Strategic Plan) stating that the Mission Statement did not change, the Values did not change, but there have been changes made to the Vision portion of the Strategic Direction which Mr. Lunderville reviewed. Mr. Lunderville stated that the entire section of the Strategic Initiatives are new and reviewed each initiative beginning with:

1. Establish modern, simple full function customer care platform – Mr. Lunderville stated that this is a carry-over from the current Strategic Direction but underneath it there is a lot more customer focused activities.
2. Strengthen distribution and generation assets to increase reliability and efficiency – This is also a carry-over but the content has been strengthened.
3. Empower employees with modern technology – Mr. Lunderville stated that at every employee meeting it was discussed how important technology is.
4. Advance nationally significant energy innovation – Mr. Lunderville stated the Department is really excited about this and the presentations the Commission will hear tonight are significant because these programs have never been done.

Commission Stebbins asked that a 4g. be added to include *transitioning towards a business process whereby the Department is integrating efficiency and demand response renewables in both planning and program design*. Commissioner Stebbins will draft language that will be forwarded to Mr. Lunderville for inclusion in the Strategic Initiatives.

5. Budget & manage risk to maintain stable rates – Mr. Lunderville stated that the Department wants to make sure BED is not moving too fast. With all the nationally significant energy innovation, BED still needs to ensure that the Department is budgeting and managing risks in a way that is in the best interest of BED customers.

Mr. Lunderville concluded the presentation by asking the Commission to approve the updated Strategic Direction.

Commissioner Moody made a motion to approve the Strategic Direction with the proposed changes; this motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

6. Program Briefings

Defeat the Peak: Destenie Vital

Mr. Lunderville stated that when BED stopped offering the “EnerNOC Program” the Department was left with nothing to help manage peak days. There was a desire by the team to get people plugged back in to saving energy, especially on peak days. Ms. Vital has been working with Mr. Gibbons on developing the “Defeat the Peak” program.

Ms. Vital stated that the objective of Defeat the Peak is to get consumers engaged in the study. Some of the objectives include engaging customers regarding the peak day impact on the system, empower the city as a whole to reduce its electricity use, and to improve customer behavior around affirmative marketing and indirect incentives as opposed to direct compensation. Ms. Vital explained that Defeat the Peak will save money and energy and it will help charities. Ms. Vital stated that for each event BED will donate \$1,000 to a local charity and if the peak is not reached at the end of the year there will be a \$10,000 jackpot given to one charity. Ms. Vital explained this program will have several communication channels for information on this project and beginning this week the Department will start prepping for the education and outreach on social media, *Bright Ideas*, printed communication, and press coverage.

Commissioner Herendeen suggested that the local news channels participate by announcing peak days during the weather segment of the news.

The presentation concluded after a lengthy discussion along with questions from the Commission regarding the specifics on this new program. Mr. Lunderville stated that there will be an update on this program at the September meeting.

Solar Shopper: Darren Springer

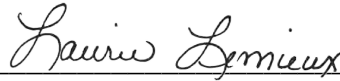
Mr. Springer stated this program was developed to further residential solar adoption in Burlington. An RFP was issued to solar installers last month and BED received six (6) responses. All accepted solar installers must meet a certain criteria to be in this program and the Department is looking to launch the Solar Shopper Program in July. This will be a one (1) year pilot program which will allow customers to use BED’s web-tool to shop for solar installers. The customer would provide information such as usage data to all approved installers and the customer would receive a response within two (2) days with an estimate. All partners will be vetted by BED and will be in the role of trusted advisor with the Solar Shopper Program. There will be standardized information provided to the customers such as, how big a system is being offered by the installer based on customer location and roof space, what is the production estimate for the system, information on where the panels and invertors are made, financing information, warranty information, bill savings, and estimated time to complete the project.

Commissioner Herendeen asked about the fees. Mr. Springer stated that when BED accepts installers into this program there is a \$150 annual fee and a \$300 per customer referral fee if the customer actually goes through the web portal and eventually picks a particular installer and goes forward with the project. These fees ensure that BED recovers costs to run the program and to look at the idea of net metering as

providing some level of revenue erosion. Mr. Lunderville stated that its important to think about revenue erosion long term and to make sure the Department continues to look for for non-rate revenue which is part of BED's Strategic Plan.

Commissioner Haskell moved to adjourn the meeting at 8:37 pm; the motion was seconded by Commissioner Moody and approved by all Commissioners present.

Attest:



Laurie Lemieux, Board Clerk