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

**Wednesday, April 10, 2024**

The regular meeting of the Burlington Electric Commission was convened at 5:05 pm on Wednesday, April 10, 2024 at Burlington Electric Department, 585 Pine Street, Burlington, Vermont and virtually through Microsoft Teams.

Channel 17 was present to record this meeting.

Commissioners Lara Bonn, Jim Chagnon, Scott Moody, and Andy Vota were present at 585 Pine Street. Commissioner Bethany Whitaker was absent.

Staff members present at 585 Pine Street included Rodney Dollar, Mike Kanarick, Laurie Lemieux (Board Clerk), Paul Nadeau, Paul Pikna, Darren Springer, and Emily Stebbins-Wheelock.

Staff members present via Microsoft Teams included Paul Alexander, Erica Ferland, James Gibbons, and Amber Widmayer.

Commissioner Moody began the meeting by welcoming Andy Vota as Burlington Electric Department's new Commissioner.

## 1. Agenda

There were no changes to the agenda.

## 2. March 13, 2024 Meeting Minutes

Commissioner Chagnon made a motion to approve the minutes of the March 13, 2024 Commission Meeting; the motion was seconded by Commissioner Bonn and approved by Commissioners Bonn, Chagnon, and Moody. Commissioner Vota abstained as he was not present for the meeting.

## 3. Public Forum

No one from the public was present for the meeting.

## 4. Commissioners' Corner

There were no Commissioner comments at this time.

## 5. General Manager's Update

Mr. Springer stated that Ms. Stebbins-Wheelock testified today in the House Committee on Government Operations and Military Affairs on H.881. This bill would authorize the charter change from $5M to $10M for our line of credit. We have issued an RFP related to the line of credit, which includes both values, and we are asking for responses on both the $5M and $10M, depending on whether the charter change gets enacted.

H.289 – the Renewable Energy Standard bill update - passed the House and now is in the Senate for consideration. S. 305, which includes important Act 44/efficiency program updates, passed the Senate and now is in House Committee on Environment and Energy. We testified on April 3 in support of S. 305.

Mr. Springer stated that BED is excited to have launched our 2024 updated customer rebates and programs, including the Switch and Save income-qualified water heater changeout program, heat pump bill credit program, and new EV, EV charger, and E-bike incentives. These include the new "superuser" incentives for drivers who put the most miles on their vehicles to switch to EVs.

Following implementation of the Carbon Pollution Impact Fee Ordinance, enacted in November 2023, BED has continued to engage with commercial customers and existing buildings (including those not covered by the current ordinance in the 25,000-49.999 sq. ft category) to learn more about their current decarbonization efforts and challenges. As we follow up from those conversations, we have heard interest from those customers in learning more about opportunities with geothermal and heat pumps. To support additional discussion on those topics, we are partnering with Burlington 2030 District (an initiative of the Vermont Green Building Network) to host two zoom webinars. The first will be on geothermal heating and cooling on Thursday, April 11 from 12noon to 1pm, featuring geothermal specialist George Martin (President, LN Consulting), members of the BED Energy Services Team, and Holly Francis (Sustainability Coordinator at Champlain College, which uses geothermal currently).This webinar is open to the public.

Mr. Springer reminded the Commission to take a listen to the BED Net Zero Energy podcast hosted by Jennifer Green, with production from Adam Rabin. Mr. Springer asked the Commission to share our podcast on Front Porch Forum and social media, inviting the community to listen to this great resource.

Mr. Springer stated that he would like to share the PowerPoint presentation that will be given to the City Council at the April 15, 2024 meeting. Mr. Springer stated that we update our data every year with Synapse Energy Economics from Cambridge, MA, the company that worked on the original Net Zero Energy Roadmap. The Roadmap was issued in 2019 and, in most cases, we have used 2018 as the baseline year. This presentation will show a comparison between activity at the state and federal versus activity in Burlington. It's exciting to note that we are making much more progress in Burlington than the progress being made at the state and national level.

The first graph includes the U.S. Motor Gasoline and Diesel CO2 Emissions, which shows a 4.3 percent reduction from 2018 to 2022. The second graph includes Burlington's Gasoline and Diesel consumption, which shows a 13 percent reduction from 2018 to 2023.

Mr. Springer stated that the next charts are weather normalized, representing an "apples-to-apples" comparison. In both cases, the Vermont chart is from the Energy Action Network from a forthcoming report that they have produced for the entire State of Vermont. We're talking about the northwest corner of the state that has natural gas service. We saw a 9 percent reduction in consumption of natural gas between 2018 and 2023 in the State of Vermont, not weather normalized. For Burlington, we had a 19 percent reduction over that same time-frame. The chart shows a pronounced dip between 2022 and 2023. We had been concerned about the rebound that had happened post-pandemic, and last year that chart was trending in the wrong direction. We have seen the rebound effect come down, and 2023 was the second largest annual reduction that we saw for our overall transportation and thermal greenhouse gas emissions, second only to the pandemic. Further, natural gas use is at its lowest point since we've begun the tracking in 2018.

The final slide looks at the total picture in the United States from 2018 to 2022, which shows residential and commercial direct use, including thermal use from natural gas, heating fuels, fuel oil, and propane, as well as motor gasoline and diesel. Therefore, the information is most analogous to what we track in Burlington for the Net Zero Roadmap.

The U.S. emissions from those sources is down 3.3 percent between 2018 and 2022. There is a bigger emissions reduction for the country as a whole with energy-related emissions. The country has seen the biggest benefit in the power sector, particularly with the continuing switch from coal to natural gas and renewables, which have a lower overall footprint. The tracking does not involve the power sector at all, but rather the 3.3 percent reduction represents just thermal and ground transportation, compared to an 18.2 percent reduction in Burlington.

Mr. Springer stated that an 18.2 percent reduction in greenhouse gas emissions in those sectors we're tracking since we launched the Roadmap, while not quite on the Roadmap pace, is a really significant accomplishment that outpaces what we're seeing at the state and federal levels and and of which a number of other cities would be incredibly pleased with as a result.

**6. FY24 February Financials**

Ms. Stebbins-Wheelock presented the February 2024 financial results.

The Department's net loss for the month of February was $622K compared to a budgeted net income of $1.2M, which is $1.8M worse than budget. Most of the negative variance is due to the timing of receipt of REC revenues that were budgeted in February but received in January.

Sales to customers were better than budget by $10K or 0.22 percent. Sales for the fiscal year to-date are within 1% of budget. Other revenues, mostly EEU revenues, were favorable to budget by $86K for the month. Power supply (REC) revenues were less than budget by $1.7M due to timing.

Net power supply expense was unfavorable to budget by $480K in February. Similar to the past few months, energy prices were again low, McNeil production was less than budget causing both fuel expenses and revenues from the sale of excess energy to be less than budget. Wind and Hydro Quebec production were also lower than budgeted. Fuel expense was favorable to budget by $281K, primarily due to McNeil production being 29 percent less than budget in February. Transmission expense was favorable by $101K. Purchased power expense was $862K worse than budget. Year to date, purchased power has a negative variance of $1.7M, but net power supply is just about on budget, with a positive variance of only $5K.

Other operating and maintenance expenses were favorable to budget by $42K. Other income was favorable to budget by $237K.

For FY24 to date, net income was $2.3M compared to a budgeted net income of $1.7M or $605K better than budget.

Ms. Stebbins-Wheelock then provided an update on management's forecast for FY24 year-end results. The Department is projecting a final FY24 net income of approximately $1.3M, an adjusted debt service coverage ratio of 1.13, and 88 days cash on hand. Management is tracking the cash projection closely.

Commissioner Bonn inquired whether the Department's financial results to-date varied significantly from management's projections. Ms. Stebbins-Wheelock responded that largely, yes, results are in line with the forecast that management has been developing and updating throughout the fiscal year.

Capital spending for February year to-date was $4.1M or 37 percent of the budget for the fiscal year.

Operating cash at the end of February was just over $9.2M compared to a budget of $9.8M.

The debt service coverage ratio is 4.49, the adjusted debt service coverage ratio is 1.41, and the days cash on hand is 119.

**7. Fiscal Year 2025 Draft Budget**

Ms. Stebbins-Wheelock stated that typically we bring the budget to the Commission to recommend approval to the Board of Finance and City Council at the May meeting. What we present in April is a preview of the budget and an overview of management's major assumptions. The numbers presented this evening most likely will change before we bring the final budget to the May Commission meeting, but we feel we are close.

Ms. Stebbins-Wheelock reviewed the preliminary budget assumptions which include the following:

- 1.15 percent underlying sales revenue growth (0.18 percent growth in kWh) vs FY24 budget
- 5.5 percent project rate increase effective on bills rendered September 1
- REC revenues of $8.026M; $219K or 2.65 percent below FY24 budget
- Wood fuel cost of $31.70/ton, $1.80/ton less than FY24 budget
- Energy prices of $52.16/MWh full-year average, $72/$93/$84 for December – February
- 4 percent COLA per IBEW contract
- Strategic electrification rebates at 1.25x Tier 3 compliance requirement
- Continued capital investments using the proceeds of the 2022 Net Zero Energy Revenue Bond and potential issuance of new 2025 Revenue Bond
- $577K VELCO equity investment
- Annual $3M General Obligation Bond

Commissioner Bonn asked about the Department's assumptions regarding new construction on sales to customers revenues. Ms. Stebbins-Wheelock and Mr. Springer responded that the while the Department's sales forecast does include variables related to residential and commercial sales growth based on trends, but have not modeled sales growth from specific developments due to uncertainties regarding their timing and energy modeling.

Ms. Stebbins-Wheelock reviewed the FY25 preliminary budget pressures compared to FY24 indicating a decrease of $219K in REC revenues, a $1.8M increase grants and capital contributions (largely due to expected FEMA reimbursement from Winooski One flood damage and City -driven capital projects), and increases in expense items including fuel, purchased power (energy prices), transmission, labor and overhead, maintenance contracts, Tier 3 compliance, PILOT/taxes, and potential revenue bond issuance costs.

Ms. Stebbins-Wheelock reviewed the FY25 preliminary capital budget of $11.7M, with $8.9M funded from revenue bonds and $2.8M funded by other sources. Ms. Stebbins-Wheelock stated that as capital costs have grown with inflation and the Department's general obligation bond funding has stayed constant at $3M, the Department increasingly needs to use revenue bonds to fund its capital program.

Ms. Stebbins-Wheelock stated that the Department is currently projecting for FY25 a net operating loss of $1.7M, a net income of $1.5M, and ending cash on June 30, 2025 of $9.3M, all of which are improved from our FY24 budget. Ms. Stebbins-Wheelock continued to explain that those projected financial results would yield credit rating metrics of 89 days cash on hand and an adjusted debt service coverage ratio of 1.10. The projected debt service coverage ratio is 4.50. Department management will work to improve the credit rating metrics between now and the May Commission meeting.

Ms. Stebbins-Wheelock reviewed BED's rate changes since 1980 along with a graph showing BED's requested rate changes versus the rate changes that could have been justified based on the Department's cost of service since 2021. In each of the past three years, the Department has requested a rate increase less than the increase that could have been justified to keep rate changes as small and manageable as possible for customers. Commissioner Moody asked if consistently under-collecting has or could have negative impacts on the Department. Ms. Stebbins-Wheelock replied that the Department has tried to balance maintaining a strong financial position with limiting rate impacts on customers and has been able to maintain A-level credit rating metrics during this period. Mr. Springer added that the goal is to eventually have smaller rate increases that are more in line with inflation.

The next graph showed the change in cost of BED electricity versus the cost of other goods and services since 2010. Also reviewed were graphs showing BED residential, commercial, and total electric rates compared to those same rates for the rest of New England and Vermont.

The next slide showed the effect on customer bills of the projected rate change, showing that the average residential bill would increase by $4.51 and the average small general service bill would increase by $4.71. Then, Ms. Stebbins-Wheelock reviewed the Energy Assistance Program (EAP) and the effect of the projected rate increase on low-to-moderate income residential customers, with an estimated bill impact of $5.33/month on average. Commissioner Bonn asked why EAP customers have higher usage than other residential customers. Ms. Stebbins-Wheelock stated that she was unsure, but that it is relatively small sample size of only 234 customers enrolled in the EAP as of April 9, 2024. Commissioner Moody asked what the Department is doing to increase enrollment in the EAP. Mr. Springer stated that at this time we are waiting for PUC approval of changes to the program. When we receive PUC approval to change from a pilot program to a permanent program, the Department will be able to auto-enroll customers whom we know are eligible, which should increase enrollment to approximately 800 customers.

**8. FY25 Street Light Plan**

Mr. Nadeau showed a map of the City and stated that our scope is relatively small this year. A few factors considered when making street lighting decisions are: where are we already doing electrical work so that we don't have to go back in and tear things up; customer complaints of unsafe streets; and whether we have a lot of fixtures breaking down. Our first biggest project is the Champlain Parkway, which includes part of Lakeside Avenue in front of the Department of Public Works. Also, Pine Street from Lakeside Avenue up to Main Street will have new fixtures. We have a potential customer-driven project on North Avenue that will go from Convent Square to just beyond Cambrian Rise. Also, at the intersection of Main Street and East Avenue, we will be replacing our standard light fixtures with LED fixtures, allowing us to replace some lights that have failed on Main Street. We received a customer request from Deforest Road due to unsafe street lighting when walking to work in the early morning and saw this request as an opportunity to enhance the lighting in that area. Doing this work will require bringing this area up to IES recommendations and installing new fixtures.

Commissioner Bonn stated that, a few months ago, we all agreed that we would engage in proactive community engagement in an attempt to decrease the surprise on residents and asked what has or will be done. Mr. Nadeau stated that he has met with Mr. Kanarick to discuss reaching out to the residents on Deforest Road and noted that Deforest Road is the only residential area in the upcoming plan.

**9. Heat Pump Bill Credit**

Mr. Gibbons stated that our Net Zero Energy plan has a goal of converting the heating and transportation sectors away from fossil fuel and that 95 percent of the heating in Burlington is fueled by natural gas. The problem we are encountering is that natural gas is cheaper operationally than heat pumps, creating struggle for someone who's challenged by their electric bill and considering heat pumps.

We have done a pilot flexible load management program where load measurement and control devices were installed on heat pumps in 9 or 10 homes. Participants gave us feedback on how it worked. We will use this information and the load control capability to mitigate peak costs, particularly transmission and capacity, and perhaps to mitigate some energy costs as well. We will use those cost savings over the base cost of providing uncontrolled electricity to create a credit to customers to help offset the cost of using heat pumps.

Mr. Gibbons reviewed some of the motivating factors associated with the Heat Pump Bill Credit program, including:

- Supporting NZE by 2030 goal by accelerating thermal electrification and rewarding early adopters;
- Making thermal electrification more cost-competitive with natural gas;
- Piloting flexible load management devices and software prior to full-scale deployment; and
- , Helping mitigate coincident peaks, reducing the cost to serve, and supporting affordable, renewable heating

Mr. Gibbons stated that we installed Emporia Vue and Sensibo devices in homes that had electric heat pumps. The Emporia Vue's allowed us to clamp electrical circuits and monitor electric loads giving us the consumption data. The Sensibo Air devices are allowing us to send control signals to the handheld remotes that control the heat pump thermostat settings and, in general, it's a program that allows us to pre-position heating and cooling before an event. This means we are preheating or pre-cooling the space to allow it to ride through an event without drawing electricity during the time in question.

Mr. Gibbons showed a comparison of the energy component of the cost and transmission and capacity cost to serve the controlled loads.

Mr. Gibbons stated that we want to look at how controlled heat pump loads and the energy cost to serve them compare to equivalent average around-the-clock (ATC) energy prices. For energy prices, we will use either the term "ATC" or "base load" interchangeably when speaking about the same amount of energy delivered in every hour of the year.

Mr. Gibbons reviewed the overall cost to service the controlled heat pump loads per MWH. Mr. Gibbons shared a slide showing a calculated fixed monthly credit for load control based on savings and average usage data from the test customers.

Mr. Gibbons stated that for residential customers:

- A fixed monthly $5 bill credit per participant (regardless of how many heat pump units they have) is a conservative level to use for the proposed pilot rate period;
- BED, with support from the DOE GRIP grant, will provide participating customers with Sensibo and Emporia VUE devices to enable participation (BED was selected for a $1.158 million grant to support residential end-use peak reduction and commercial load control programs https://www.energy.gov/articles/biden-harris-administration-announces-35-billion-largest-ever-investment-americas-electric);
- BED will send peak day/hours signals to adjust thermostat on heat pump during monthly/annual peak events, with goal of reducing usage during those times, while also garnering larger data set on which to base future program design (after the pilot rate 18-month period); and
- The goal will be to convert the pilot to a per kWh bill credit (or end use rate) program after the 18-month pilot (assuming it is merited and assuming technology systems are in place to support such a program).

For commercial customers, ommercial demand response also will be part of the pilot program authorization. Commercial bill credit or rate program still TBD, but will probably be based on the amount of load controlled.

Mr. Gibbons stated that we are asking the Commission to vote to authorize the General Manager to proceed with seeking approval for the proposed Heat Pump Bill Credit pilot.

Commissioner Bonn made a motion to authorize the General Manager to proceed with seeking Boad of Finance and City Council approval for, and filing with the PUC, a pilot rate/tariff program to provide a monthly bill credit for residential customers and/or a pilot rate to commercial customers installing BED approved measurement and control devices on electric heating systems; the motion was seconded by Commissioner Chagnon and approved by all Commissioners present.

**10. Delegation for Non-Disclosure Agreement Power Supply**

Mr. Gibbons stated that we are looking for the authority to enter non-disclosure agreements, particularly non-disclosure agreements related to commercial terms of possible power supply transactions.

Bill Ellis, our Counsel, has advised that he believes that a non-disclosure agreement that is related to power supply transactions would follow the same approval process as the power supply transactions to which it related. This means the Commission has authority to enter up to five-year power supply arrangements without consulting the Board of Finance and City Council .

The Commission then can delegate that authority to the General Manager if they so choose. In this case, we are asking that the Commission delegate the authority to enter a non-disclosure agreement related to resource contracts to the General Manager. This will allow BED to continue meaningful discussion so that we get the information to evaluate power contracts and bring proposals to the Commission for either approval if they're five years or less or for approval and advancing to the City Council if they're greater than five years.

Commissioner Chagnon made a motion to delegate to the General Manager authorization to enter into non-disclosure agreements with a term of up to five years, related to potential power supply transaction terms; the motion was seconded by Commissioner Vota and approved by all Commissioners present.

**11. Commissioners' Check-In**

Commissioner Chagnon asked if BED had any rebates for replacing older heat pumps. Mr. Springer stated that we do have a second heat pump rebate that is not at the full value of the first rebate and that information is on our website.

Commissioner Chagnon made a motion to adjourn; the motion was seconded by Commissioner Bonn and approved by all Commissioners present.

The meeting of the Burlington Electric Commission adjourned at 6:48 p.m.

Attest:

Laurie Lemieux

Laurie Lemieux, Board Clerk