MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION

Wednesday, May 8, 2024

The regular meeting of the Burlington Electric Commission was convened at 5:04 pm on Wednesday, May 8, 2024 at Burlington Electric Department, 585 Pine Street, Burlington, Vermont and virtually through Microsoft Teams.

Channel 17 was present to record this meeting.

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

Staff members present at 585 Pine Street included Paul Alexander, Rodney Dollar, Mike Kanarick, Munir Kasti, Laurie Lemieux, Katie Morris (Temporary Board Clerk), Darren Springer, and Emily Stebbins-Wheelock.

Staff members present via Microsoft Teams included Erica Ferland, James Gibbons, Cheryl Mitchell, and Paul Pikna.

1. Agenda

Mr. Moody stated that there will be one addition to the agenda: an Executive Session at the end of the meeting to discuss personnel.

2. April 10, 2024 Meeting Minutes

Commissioner Chagnon made a motion to approve the minutes of the April 10, 2024 Commission Meeting; the motion was seconded by Commissioner Vota and approved by all commissioners present.

3. Public Forum

Drew Clayson, Jacob Flanigan, and Steve Goodkind were present at 585 Pine Street. Ashley Adams was present via Microsoft Teams.

Steve Goodkind referenced a press release from March 2022 issued by the Mayor and General Manager Springer announcing that the district energy system was ready to go to Act 250 for permitting. Mr. Goodkind asked for an update on the district energy project to confirm whether it is going forward or if the City is waiting for legislation that might exempt the need for permitting.

Mr. Goodkind asked how much of the proposed rate increase included in tonight's agenda is related to the operations of McNeil.

Mr. Goodkind referenced a resolution included in the December 2023 City Council meeting that mentioned studies, working groups, and evaluations of the McNeil plant that were proposed to be funded in 2025. Since the fiscal year 2025 budget discussion is on tonight's meeting agenda, Mr. Goodkind asked if the evaluation study funding would be included in the budget discussion.

Jacob Flanigan addressed the BED commission to suggest an upgrade to the customer portal. Mr. Flanigan has some ideas about the user interface so that the user can adjust the timing and what data is present to make it a little more useful. Currently, it is a great way to look at historical usage, but it is really difficult to use it as a troubleshooting tool or to understand home usage in real time.

Mr. Flanigan stated that it would also be great to add smart panels and switches to BED's rebate offerings so that customers can understand how to electrify their homes with smart technologies. Incentivizing smart devices might help mitigate micro spikes from extra electrification.

Ashley Adams addressed the BED commission via Microsoft Teams to speak about the impact that McNeil has on the environment. Ms. Adams raised concerns about the amount of annual greenhouse gas emissions from the McNeil stacks. Ms. Adams stated that biomass plants around the region are shutting down because they are too expensive to run, and it is her belief that McNeil needs to follow suit. Ms. Adams asked if it was a money-losing operation or if it would be in the foreseeable future, and if the Commission feels that rate payers should continue to fund McNeil.

4. Commissioners' Corner

There were no Commissioner comments at this time.

5. General Manager's Update

Darren Springer responded to the public comments. Mr. Springer stated that the district energy project was engineered and designed and went to City Council for approval. In November 2023 and before, there have been discussions between the Burlington district energy nonprofit that has been set up to operate the potential facility and the UVM Medical Center as a potential customer about contractual negotiations, and that's where this project sits at the moment. The next step would be for it to go to Act 250, as was outlined in the referenced press release.

Mr. Springer stated that the drivers of rate change in fiscal year 2025 are not the McNeil plant. Rather, they are other factors, such as inflation and transmission costs, which we pay to be connected to the regional grid. Mr. Springer stated that there is a need to be holistic in the way that we look at the economic value of our facilities. If we were to judge our other renewable resources – like wind, solar, and hydropower – the way that some are judging McNeil, an argument could be made that every single renewable resource that we have does not make money relative to cheap fossil fuels that you might be able to buy on the market.

Mr. Springer stated that neither the community, this Commission, nor the State (as will be clear in the updated renewable energy standard) wants fossil fuels or nuclear power. That leaves us with renewable power options, and BED has done our very best as a public utility to manage integration of all different types of renewable resources into our portfolio at as low a cost as possible. The State has said that residents want long-term renewable contracts that are more stably priced. There will be times when they are in the market relative to other resources and other times when they are out of the market.

Mr. Springer stated that McNeil allows BED to avoid several costly state procurement processes because BED receives power from 100 percent renewable resources, and we also get value from having a generation facility located close to the load. If we had to import more power, BED would be paying higher transmission costs.

Mr. Springer stated that, with regard to the district energy resolution, the first deadline was to issue an RFI for a wood chip dryer by March 2024. Our team issued an RFI in December 2023, ahead of schedule. Responses have been received, and the team is in the process of getting updated information from potential vendors. Money has been allocated in the FY25 budget for a potential procurement of a wood chip dryer, pending approval by the Joint Owners, City Council, and potential RFP or additional procurement processes. Mr. Springer stated that the studies related to forestry and regarding the future of McNeil have line items in the proposed FY25 budget. BED cannot advance an RFP prior to budget approval.

Mr. Springer stated that we will take note of the comments on the customer energy portal. The portal is relatively new, and BED will continue to look at opportunities for improvement. The Commission previously recommended work on the Heat Pump Bill Credit program, which will incentivize smart demand response control to help moderate peak demand. Our EV tariff update for street neighborhood pole-mounted chargers relates to a demand related peak rate as well.

Mr. Springer stated that, if BED's 50 percent (its jointly-owner portion) of the McNeil stack emissions were considered relative to the State's latest emissions inventory projections for 2025, 1.7 percent would be attributable to Burlington from McNeil. BED is committed to improving the carbon footprint of the plant as demonstrated through work on procurement of a wood chip dryer and the district energy project. The NZE Roadmap is tackling the thermal and ground transportation sectors.

Commissioner Vota asked if the working groups and evaluations referenced by Mr. Goodkind were also contingent on the FY25 budget in addition to the studies. Mr. Springer replied that there is a request and a requirement for the General Manager to offer analysis on several items in November of this year. There is a third-party study that will look at confirming the forestry aspects of McNeil's operations, which is in the budget. That would go through the RFP process.

Mr. Springer stated that it is important that we understand that there are drivers that are outside our control related to electric rates. We are trying very hard to keep them as reasonable as possible, while avoiding going multiple years without making a change and then having a big spike. We are trying to maintain predictability and keep changes in the low- to mid-single digits. We are keeping it at the 5.5 percent level.

Mr. Springer stated that the BED team has worked hard over the last several months to develop the FY25 budget, making cuts to ensure controllable costs are essentially level with FY24. The team also is working to land the FY24 budget in as strong a position as possible. Following the budget and rate presentation tonight, the team will be presenting to the Board of Finance on May 13, 2024.

Mr. Springer stated that the BED Heat Pump Bill Credit and Commercial Demand Response Pilot Program was presented at City Council for approval on May 6, 2024.

Mr. Springer listed several BED items that will be presented to the Board of Finance and City Council on June 3, 2024, including: line of credit extension (which happens every two years and may be at the $10 million level if the H. 881 Charter Change is approved by the Senate); FY25 rates; miscellaneous fee updates; two grants for acceptance; an EV tariff update; and the annual Commission report with presentation by Commission Chair Moody.

Mr. Springer stated that the H. 289 Renewable Energy Standard update legislation that BED has supported is ready to be voted on by the Senate. It could be a bill that might have a veto.

Mr. Springer stated that BED is participating in the following upcoming community events: the TransPlants Plant Sale at South Champlain and Maple streets to benefit Pride Center of Vermont's Transgender Program on May 11, 2024 from 12:00 pm to 3:00 pm; the EV showcase at Vermont Green FC game at UVM's Virtue Field (in partnership with GMP) on June 1, 2024 at 4:30 pm; the Vermont Lake Monsters games at Centennial Field (customer nights at the ballpark) on June 6 and 26, 2024 at 6:35 pm; the City's Juneteenth celebration on June 15, 2024 at 11:00 am; a Fletcher Free Library event where BED is bringing the F-150 Lightning EV to display on June 22, 2024 from 10:00 am to 11:30 am;, and Summervale on August 1, 2024 from 5:30 pm to 8:00 pm.

6. FY24 March Financials

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

The Department's net income for the month of March was $3K compared to a budgeted net loss of $669K.

Sales to customers for FY24 continue to track on budget, with a $5K favorable variance in March. Other revenues were less than budget by only $2K, driven mostly by EEU revenues.

Net power supply expense was $2.9M in March, $26K favorable to budget. McNeil production was 59% below budget for March, resulting in fuel savings of $459K. Transmission expenses were favorable to budget by $109K. Purchased power was $541K worse than budget for March. For FY24 to-date, purchased power expenses are worse than budget by $541K but net power supply is just about on budget ($32k favorable).

Other operating and maintenance expenses were $441K lower than budget, mostly due to timing and one-time adjustments. The Department continues to see labor and benefits savings from vacant positions. Other income for March was $199K better than budget, mostly due to timing of asset retirements.

For FY24 to date, net income was $2.3M compared to a budgeted net income of $1.0M or $1.3M better than budget.

Capital spending for March YTD was $4.7M or 43% of the budget for the fiscal year, with approximately $700K additional spending occurring in March.

Operating cash at the end of March was $6.8M compared to a budget of $8.6M.

The debt service coverage ratio is 4.78, the adjusted debt service coverage ratio (ADSCR) is 1.51, and the days cash on hand is 108.

Ms. Stebbins-Wheelock stated that the Department continues to update its year-end forecast, with year-end FY24 net income projected to be approximately $2M, which would yield an ADSCR of 1.2, and days cash on hand are projected to be right around 90.

7. Fiscal Year 2025 Budget

Ms. Stebbins-Wheelock acknowledged Cheryl Mitchell, BED's financial analyst, who did an incredible amount of excellent work putting the budget together, as she does every year.

Ms. Stebbins-Wheelock shared a presentation on the FY25 budget. As context for the FY25 budget, Ms. Stebbins-Wheelock first stated that sales to customers continue to be essentially flat. We are making progress on residential electrification, but we are not seeing sales growth from commercial electrification yet. At the same time, commercial buildings are becoming more efficient, and we have less square footage of commercial space in the City than we did 5 or 10 years ago. Second, for the past three years, the Department has requested rate increases at a level less than our demonstrated need. Third, the FY25 budget assumes lower prices, based on current forward prices, for the sale of excess winter energy. This increases pressure to balance the budget or to have the budget result in favorable metrics, but it also reduces the downside risk for the Department of high assumed prices not materializing. Fourth, due to continued inflationary pressures and given the economic environment, we have level-funded controllable operating expenses. Fifth, the Department's starting cash position for FY25 is relatively weak, largely due to the REC revenue shortfall that we have been dealing with this year due to lower production of renewable resources. Finally, Ms. Stebbins-Wheelock stated that the FY25 budget will be the last budget in which we plan to draw upon the construction fund for the 2022 net zero revenue bond for capital funding. The Department's goal for this budget was to make a modest improvement in our rating metrics while keeping the rate increase as low as we could.

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

- Operating revenues of $67.6M, which is 3.8% higher than FY24.
- 5.5% projected rate increase effective on bills rendered September 1, 2024.
- REC revenues 7.4% less than FY24 due to lower production volumes from our renewable resources and calendar year 2024.
- New conduit rental rates effective July 1, 2024.
- Operating expenses of $68.2M, 2% higher than FY24.
- Sales of excess winter energy $3.5 million or 78% less than FY24 budget, due to a combination of lower forward energy prices and lower assumed production volumes. Assumed around the clock (ATC) energy prices for FY25 are $52.16/MWh on average, with average prices for December-February of $72, $93, and $84/MWH, respectively. By comparison, FY24 budget assumed ATC $73.60/MWh on average, with Dec-Feb average prices of $119, $155, and $144/MWh, respectively.
- Transmission expense is budgeted to be $783K or 8% higher than FY24.
- Net power supply expense/MWh of $85.49 (54 cents higher than FY24 budget).
- 4% COLA for employees per the IBEW contract.
- Grants and capital contributions of $2.2M, mostly due to construction activity including Champlain Parkway, Main Street/Great Streets, and the Winooski Bridge rebuild.
- Total net income of $3.4M, $3M more than the FY24 budget.
- 6/30/25 operating cash of $9.8M, which is $1M more than the FY24 budget.

Ms. Stebbins-Wheelock stated that the Department is projecting a net operating loss of $644K for FY25, a significant improvement over the $1.9M operating loss that was budgeted for in FY24.

Ms. Stebbins-Wheelock then reviewed historical data for sales to customers and REC revenues and fuel, purchased power, transmission, and O&M expense. The primary drivers of rate pressure include labor and benefits, transmission, Tier 3 and Tier 1 compliance, and declining REC revenues due to lower production in prior periods.

Ms. Stebbins-Wheelock stated that in the FY25 budget the Department has held controllable expenses, which are O&M expenses excluding Tier 3 compliance, transmission, EEU expenditures, and Administrative & General overhead, to 0.8% less than the FY24 budget.

Ms. Stebbins-Wheelock next reviewed the FY25 capital budget this fiscal year of $11.7M, including investments in distribution system, generating assets, EV chargers, fleet vehicles, and a $577K investment in VELCO equity. The capital budget has increased with inflation, but the GO bond level has remained the same at $3M.

Mr. Springer stated that the FY25 budget continues investment in 100% renewable sources. The budget includes boosted incentives across a variety of categories, with the revenue bond providing enhanced liquidity. Through new state legislation, the Department has launched a new Super User incentive program. We're waiting for our first incentive to come in, so if there are any high mileage drivers who are thinking of switching to an EV, we want to encourage them to look at the Super User incentive, which is boosted from our traditional EV incentive. All the different electrification incentives or geothermal test well programs are charging incentives. BED’s continued funding of Tier 3 rebates has reached $1.4M. Importantly, with the revenue bond, we have matching funds which we've been able to apply for federal grants. Mr. Springer stated that the Department has the ability to continue to apply for additional grants where it's strategic. We will continue to do more Level 2 and Level 3 public chargers. We are contemplating a reverse RFP to go out to the community to gather information from those that are interested in hosting a public charger.

The Department is also continuing to work on electrifying our fleet. Paul Alexander and his team are going to be submitting grant applications for an additional electric bucket truck since we would like to have a second one to join the first in the state of Vermont.

Mr. Springer stated that the FY25 budget, as required by the November 2023 district energy resolution, includes funding for a wood chip dryer following an RFI issued in December; funding for a third-party study on forestry; and funding for a study on the future of McNeil.

Ms. Stebbins-Wheelock shared a slide summarizing the Department’s planned equity and accessibility efforts for FY25. The Department plans to continue the Energy Assistance program at a 12.5% discount rate and is still waiting on PUC approval for that to become a permanent program. The Department’s Project and Equity Analyst will continue outreach in the community and at community events, host a new program on Town Meeting TV on equity and energy, and additional educational videos that are translated into multiple languages.

Ms. Stebbins-Wheelock presented the projected credit rating metrics for the FY25 budget: days cash on hand of 94, debt service coverage ratio of 4.88, and adjusted debt service coverage ratio of 1.2.

Ms. Stebbins-Wheelock reviewed planned financial actions for FY25, including hoped for legislative and gubernatorial approval of the charter change to increase the Department’s line of credit. The Department has issued an RFP for the line of credit to solicit competitive pricing proposals from multiple banks with bids due next week. The Department plans to request Council approval of both the new terms of the line of credit and the miscellaneous service fees proposal in June. The Department is also tracking carefully the 2022 Construction Fund and projecting when it will run out. The Department is currently planning for a November 2024 ballot item to request approval of a new non-taxable revenue bond for capital financing, as well as potentially a taxable revenue bond to finance investment in future VELCO equity calls.

Commissioner Vota asked for a further explanation of the Tier 3 compliance costs included in the budget. Ms. Stebbins-Wheelock responded that those costs represent the number of Tier 3 credits the Department is required to submit for compliance with the VT Renewable Energy Standard multiplied by the unit cost of each Tier 3 credit, accounted for on an inventory basis.

Commissioner Vota asked why a rate increase was justified for FY25 even though the budgeted net income for FY25 is fairly high at $3.3M. Ms. Stebbins-Wheelock replied that the net income projection is supported by a relatively high budget for grants and capital contributions, based on expected construction projects in FY25. Those revenues are non-operating and non-recurring, however. The Department's cost of service and ability to support strong financial metrics are driven mainly by net operating income, not the total net income.

Commissioner Chagnon made a motion to approve the Department's Fiscal Year 2025 Capital and Operating Budgets as presented. The motion was seconded by Commissioner Whitaker and approved by all Commissioners present.

8. 2024 Rate Increase

Ms. Stebbins-Wheelock stated that BED is requesting Commission approval to bring to the City Council a rate increase of up to 5.5%. The team is still working on the cost of service model to determine what rate increase can be justified using the benchmarks provided by the Department of Public Service.

Ms. Stebbins-Wheelock reviewed slides showing the history of BED's rate changes since 1980. For a 12-year stretch from 2009 to 2021 there were no rate increases at all. In the past four years the Department has needed to increase rates again, but has tried to do so as modestly as possible. For each of the past four rate filings, the Department has requested an increase lower than the amount that could be justified based on the filed cost of service, and Ms. Stebbins-Wheelock expects this will be the case again in 2024. Overall in the US, electricity prices have been rising faster than inflation, on average 7.7% annually over the last three years, due to transmission cost increases and volatility in fuel prices. Ms. Stebbins-Wheelock reviewed slides comparing BED rate increases compared to changes in other goods and services over time, BED rates compared to electric rates in the rest of Vermont and New England, and the projected effect of the rate increase on customer bills.

Commissioner Whitaker asked what the result would be if the Department is able to justify a 7.5% rate increase but only asks for 5.5%. Ms. Stebbins-Wheelock stated that the effects are reflected in the Department's financial results through reduced net income and/or reduced cash balances.

Commissioner Whitaker made a motion to recommend to the Board of Finance and the City Council the authorization to pursue a rate increase up to but not exceeding 5.5% for bills rendered beginning September 1, 2024. The motion was seconded by Commissioner Vota and approved by all Commissioners present.

9. FY23 GO Bond Authorization

Ms. Stebbins-Wheelock made BED's annual request for the Commission to recommend authorization of the Department's annual $3M general obligation bond as provided for in the City Charter.

Commissioner Vota made a motion to recommend to the Board of Finance and the City Council to authorize and direct the Chief Administrative Officer to pledge the credit of the City by issuing general obligation bonds in an amount of $3,000,000 for the purpose of funding BED capital improvements in accordance with City charter. The motion was seconded by Commissioner Chagnon and approved by all Commissioners present.

10. Pilot Rate for Pole-Mounted EV Chargers

James Gibbons presented a new pilot public EV charging rate for pole-mounted chargers. The goal of this pilot program is to create a similar experience and economics for users of the new pole-mounted public EV chargers to that of customers under BED's home EV charging rate. This proposal is applicable to BED-owned public EV chargers in residential areas at streetside locations where the parking is not metered by the City Department of Public Works. The normal rate is the same as the then-prevailing rate for all other BED-owned public EV charging stations (currently $0.21 inclusive of EEU and franchise fees). The off-peak rate - charging from 10:00 pm until 12:00 pm the following day - will receive a credit of $0.08/kWh off the then-prevailing rate for all other BED-owned public EV charging stations (currently this will result in a net charge of $0.13 inclusive of EEU and franchise fees).

Mr. Gibbons stated that this would affect new pole-mounted EV chargers installed with funding from a State DPS grant at the following locations: in front of 33/35 Intervale Avenue; in front of 33 Murray Street; in front of 39 Front Street; across from 141 Maple Street; and in front of 11 Spruce Street. This rate would not affect all other BED-owned public EV charging stations.

Mr. Gibbons stated that the future options under this pilot structure include customer code–based low-income option. This would require additional research on enrollment and verification and additional research on security/code sharing. Another future option would be on-peak load control, which would benefit from actual on-peak charging data from these stations before deployment and requires implementation of an API interface.

Commissioner Chagnon made a motion to authorize the General Manager to seek the approval of the City Council to file and implement a pilot public EV charging rate as described. The motion was seconded by commissioner Whitaker and approved by all commissioners present.

11. Commission's Recommendation to Mayor regarding an additional term for Darren Springer, General Manager

Commissioner Whitaker made a motion that the Commission enter into executive session with no BED Staff to discuss the reappointment of the General Manager under the provisions of Title 1, Section 313(a)(3) of the Vermont Statutes. The motion was seconded by Commissioner Vota and approved by all commissioners present.

The Commission entered into Executive Session at 6:58 pm.

Commissioner Whitker moved to exit Executive Session at 7:15 p.m.; this motion was seconded by Commissioner Chagnon and approved by all commissioners present.

Commissioner Vota made a motion that the Burlington Electric Commission unanimously recommends to the Mayor and City Council the reappointment of Darren Springer for Fiscal Year 2025. This motion was seconded by Commissioner Whitaker and approved by all commissioners present.

12. Commissioners' Check-In

There were no Commissioner comments at this time.

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

The meeting of the Burlington Electric Commission adjourned at 7:18 p.m.

Attest:

Katie Morris, Temporary Board Clerk