MINUTES OF SPECIAL MEETING
BURLINGTON ELECTRIC COMMISSION

Thursday, August 1, 2024 1:00 pm

The special meeting of the Burlington Electric Commission was convened at 1:01 pm on Thursday, August 1, 2024, at Burlington Electric Department at 585 Pine Street, Burlington, Vermont and virtually through Microsoft Teams.

Commissioners Moody, Vota, and Whitaker were present in person.

Commissioner Hobbs was present via Microsoft Teams.

Commissioner Bonn was absent.

Staff members present at 585 Pine Street included Paul Alexander, Mike Kanarick, Darren Springer, Emily Stebbins-Wheelock, Rodney Dollar and Elena Alexander.

1. Agenda

There were no changes to the agenda.

2. Public Forum

No one from the public was present.

3. Net Zero Energy & Grid Reliability Revenue Bond ballot item for November 2024 Discussion & Vote

Commission Chair Moody invited General Manager Springer and Ms. Stebbins-Wheelock to explain why this special meeting was called to order. Mr. Springer thanked the Commission for meeting on such short notice to discuss and vote on the Net Zero Energy & Grid Reliability Revenue Bond ballot item for the November ballot. This vote would be the first step in the ballot item approval process, followed by Board of Finance and City Council approvals to be completed and submitted to the Secretary of State by the end of August.

Mr. Springer reminded the Commission that in 2022, following unanimous Electric Commission and City Council support and overwhelming approval by Burlington voters, BED issued its first $20 million Net Zero Energy Revenue Bond, the first of its kind nationwide for a public power utility, to invest in grid, generation, technology, and NZE infrastructure upgrades that would accelerate progress toward Burlington's bold climate goals, while reducing upward rate pressure for BED customers. As of June 24, 2024, BED had expended $11.7M of the $20M construction fund provided by the bond. BED expects to invest the remaining funding from the 2022 Net Zero Energy Revenue Bond on capital projects planned for FY25. Mr. Springer shared slides showing the status of the 2022 NZE Revenue Bond funds, key areas of investment over the past three years, and plans for spending the remainder of the bond proceeds.

2022 NZE Revenue Bond Projects	Investment as of 6/24/24	
Grid/Distribution	$	7,753,551
Generation	$	1,624,676
Technology	$	1,497,092
Fleet EVs	$	414,995
Public EV chargers, other NZE	$	408,347
Total	**$**	**11,698,661**

To prepare for a NZE future of higher electricity demand resulting from greater strategic electrification and to continue to improve grid reliability, BED has invested $7.8M of the 2022 NZE Revenue Bond to date in distribution system upgrades. These upgrades included new transformers, switches, and reclosers, as well as the upgrade, rebuilding, and/or reconductoring of lines and circuits. The 2022 NZE Revenue Bond also has funded critical upgrades to our supervisory control and data acquisition (SCADA) system used by grid operators, including new field devices, switches and other network enhancements, servers, video displays, and the initial stages of a major software upgrade to an advanced distribution management system (ADMS).

BED's FY25 distribution capital budget includes an additional $5.1M of 2022 Revenue Bond-funded projects to replace switches and underground cables, rebuild infrastructure on several streets, fund new transformer purchases, and complete the first two phases of the ADMS project to replace BED's SCADA system and implement a distribution management system.

With the funding from the 2022 NZE Revenue Bond, BED has made several important upgrades to technology systems. As part our IT Forward program, in 2023 we successfully implemented our new meter data management system (MDMS) and our new customer portal, which now gives customers detailed usage information and online payment and bill-viewing functionality in a single platform. In spring 2024, we implemented MDMS grid analytics modules, adding new capabilities for transformer loading, line loss analysis, and voltage analysis that have already provided tremendous value and efficiency to BED's engineering and billing teams. The 2022 Revenue Bond also has funded necessary upgrades to BED's advanced metering infrastructure, disaster recovery, and backup systems.

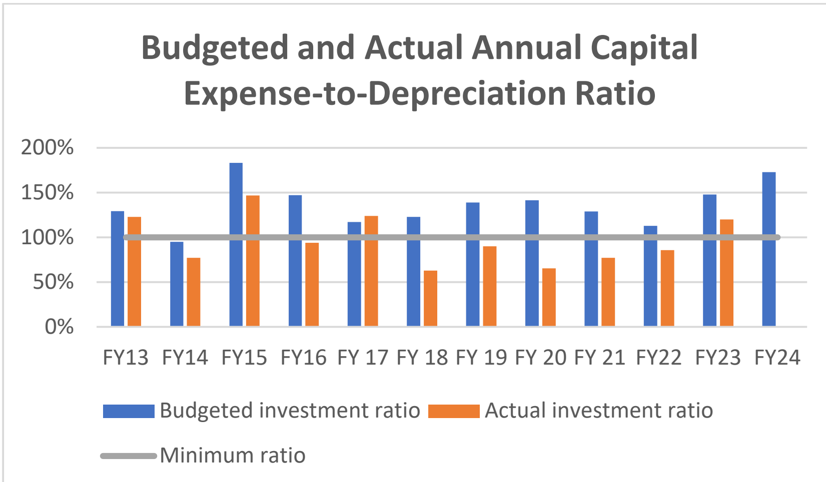
BED's FY25 IT capital budget includes an additional $1.3M of 2022 Revenue Bond funding associated with a new customer information system (CIS) that will give BED additional capabilities to offer innovative rates and enhanced service for customers in support of NZE, such as new dynamic rates and expanded end-use rates (such as our current electric vehicle charging rate) to other technologies such as cold-climate heat pumps. Smart rate designs will help save customers money and encourage more customers to switch from fossil fuel to electricity. The FY25 IT capital budget also includes $533,000 in 2022 Revenue Bond funding for the early stages of a new financial system implementation.

The 2022 Revenue Bond has funded $1.6M of capital improvements at the Winooski One hydro facility and the McNeil Generating Station. Converting BED's gas turbine peaking plant located on the waterfront to renewable fuel is in progress—the GT is now running on B20 biodiesel, with plans to convert to B100 or R99, but to date these operational changes have not required capital improvements to the facility and have not drawn on Revenue Bond funding. The NZE Revenue Bond also has funded over $340,000 of investment in public EV charging infrastructure, including Burlington's first modern DC fast charger located at 585 Pine Street, a level 2 charger at Oakledge Park, and a new DC fast charger in the Marketplace Garage. Finally, the 2022 Revenue Bond has funded over $400,000 of BED electric fleet vehicle purchases, including matching funds (with a state grant) for the first all-electric bucket truck in the State of Vermont and funds to purchase five light-duty EVs (including Ford F-150 Lightning pick-up trucks to replace fossil fuel trucks).

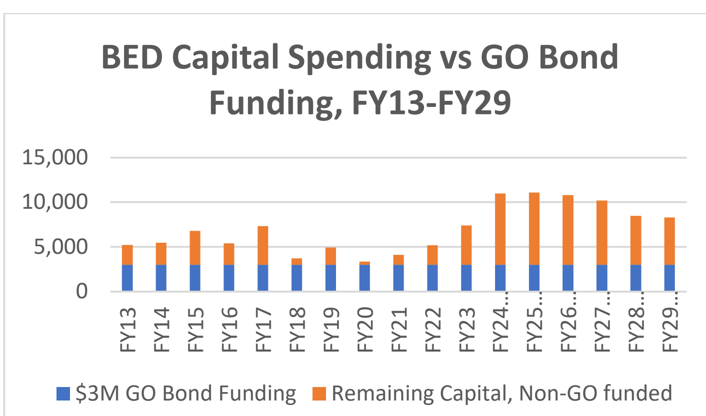
The FY25 capital budget includes approximately $400,000 in funding from the 2022 NZE Revenue Bond for replacement of Winooski One's rubber dam. (Due to damage sustained in the July 2023 flood, BED expects approximately 75 percent of the dam replacement costs to be funded through a FEMA public assistance grant.) The FY25 capital budget also includes 2022 NZE Revenue Bond funding for a second all-electric bucket truck and investments in electric fleet charging infrastructure at BED's 585 Pine Street headquarters.

BED's customers benefit from our robust capital program, which supports high reliability, customer service, and innovation toward our NZE goal by keeping our distribution system and generation plants in good working order, supporting and retaining knowledgeable employees with safe and modern tools and equipment, and investing in new technologies.

Ms. Stebbins-Wheelock stated that as a rule of thumb, a company's annual capital expenditures should be greater than its annual depreciation expense because (a) depreciation expense is based on the actual cost of past investments, and future replacement costs are likely to be higher, and (b) if an organization is growing (in scope, scale, complexity, etc.), additional capital investment will be needed above historical levels to meet new demands. As of FY23, BED's annual depreciation and amortization expense was just over $6M. Ms. Stebbins-Wheelock presented the following chart showing that over the past 12 years BED typically has *budgeted* for annual capital expense in excess of annual depreciation expense, but in only four of those years has *actual* capital investment exceeded depreciation expense.



Looking forward, Ms. Stebbins-Wheelock stated that BED's most recent update of its five-year capital plan indicates growing capital needs as labor, materials, and other expenses have increased due to rising and persistent inflation over the past few years and the deferral of some expenditures in prior years to preserve cash balances. Ms. Stebbins-Wheelock showed another chart indicating that for many years, BED's annual general obligation (GO) borrowing, set in City Charter at $3 million in 2012, covered a substantial portion of BED's capital needs. As capital costs increase, however, the annual $3 million GO bond is projected to fund only 27-36 percent of total annual capital needs for FY25 and beyond, not counting other demands on cash reserves such as strategic electrification incentive funding. In 2021, when BED proposed its first NZE Revenue Bond, Department management noted that the gap between the size of BED's annual capital program (net of customer contributions) and BED's $3 million annual GO bond allocation would result in "pressure on BED's annual budget, retail rates, and cash position to fully fund capital projects and Net Zero Energy initiatives" without new financing capacity. We also noted that the 2022 NZE Revenue Bond would help address this gap over the next several years, but that we would need to explore additional financing options to support our capital needs and NZE progress beyond FY25. Thus, we present the current proposal for an additional $20M in revenue bond funding to support capital needs through FY29.



Mr. Stebbins-Wheelock stated that the NZE and Grid Reliability Revenue Bond, if approved, would fund similar key areas of investment as the 2022 NZE Revenue Bond, all of which are expected to qualify for tax-exempt revenue bond financing based on our review with bond counsel. Ms. Stebbins-Wheelock shared the following summary of project categories proposed to be funded by the new bond.

Proposed NZE & Grid Reliability Revenue Bond Projects	**FY26**	**FY27**	**FY28**	**FY29**	**Total**
Generation	$1,215,858	$535,383	$150,972	$122,500	$2,024,713
Distribution	$4,015,675	$5,075,901	$4,580,873	$5,056,103	$18,728,551
General Plant/Fleet EVs	$432,580	$230,000	$97,000	$160,000	$919,580
IT	$1,535,069	$0	$165,000	$0	$1,700,069
Other-Demand Response, Flexible Load Mgmt, etc.	$132,536	$62,461	$64,022	$65,623	$324,642
Total	**$7,331,718**	**$5,903,744**	**$5,057,867**	**$5,404,226**	**$23,697,555**

Mr. Springer stated that the primary investment proposed from the new NZE Revenue Bond is to continue to upgrade and maintain a reliable electric grid distribution system. Approximately $12.3 million of the planned projects primarily support BED grid reliability through investment in our distribution and SCADA/ADMS systems. The Revenue Bond proposal includes funding for approximately $5.4 million of NZE-related grid upgrades to increase BED's distribution system capacity, a new outage management system as the final phase of the new ADMS, and new switches, transformers, and line rebuilds necessary for continued reliability of our current distribution system. These investments will help ensure that we continue to have capacity on the grid to add more EVs, heat pumps, geothermal systems, electric buses, and other strategic electrification measures as more customers adopt these technologies. The grid capacity prior to the first NZE Revenue Bond was approximately 77 megawatts. With projects already implemented, it is now above 80 megawatts, and with the upcoming planned projects the grid capacity would reach 90 megawatts (against a current peak of approximately 65 megawatts, leaving room for new electrification as well as growth in demand due to new construction projects). The new Revenue Bond also would fund cost-share for a pending Department of Energy grant application, were BED to be selected for an award.

Mr. Springer continued to say that approximately $2 million of the proposed Revenue Bond would fund technology upgrades, including new dynamic rate and load control capabilities. Specifically, the bond would fund the final stages of new CIS implementation, the majority of new financial information system (FIS) implementation costs, replacement of critical data center hardware, and cost-share for a new distributed resource management system (DERMS) for which BED received grant funding from the State of Vermont. These new systems will give BED additional capabilities to offer innovative rates and enhanced service for customers in support of Net Zero Energy, including new dynamic pricing options and expansion of our end-use rates (such as our current electric vehicle charging rate) to other technologies such as cold-climate heat pumps. Smart rate designs will help save customers money and encourage more customers to switch from fossil fuel to electricity. We also plan to include aspects of load control in future dynamic rates to help mitigate grid and peak demand impacts as we move toward strategic electrification. Our current systems rely too heavily on manual processes, and the new systems will help us automate and innovate our rate designs and service delivery for the future.

Mr. Springer stated that approximately $2 million would be invested in BED's generation plants, including the FERC relicensing of Winooski One, a wood chip dryer and NoX catalyst replacement at McNeil to improve efficiency and support continued air emissions reduction, and EVs for our forestry team. Maintaining and upgrading existing renewable generating assets will be critical for achieving NZE (as will efforts in the future to secure additional renewable generation to meet growing loads from strategic electrification). Approximately $2.7 million of bond proceeds would be designated for the expansion of public EV charging in Burlington and be available to provide cost-share funds for two pending EV charging grant applications. Finally, about $1 million would be dedicated toward continued electrification of BED's vehicle fleet, including a second all-electric bucket truck, a new electric forklift, and other fleet replacements.

The investments above include tangible climate action, including:

- Adding 10 new EVs to BED's fleet;
- Adding a new all-electric bucket truck to replace a fossil fuel bucket truck;
- Adding a new all-electric forklift to replace a fossil fuel forklift;
- Adding 50 new level 2 public EV charging stations; and
- Adding 38 new modern DC fast charge public EV charging stations in Burlington.

In addition, the grid investments will ensure capacity for continued strategic electrification and continued reliability as customers use the electric grid for their transportation and heating/thermal needs. The technology system investments will enable dynamic rates, to help lower the cost for customers using electricity for transportation and heating and reduce peak demand impacts. The funds will support potential match for federal grants, expanding the reach of the $20 million from the Revenue Bond to achieve even more.

The list of proposed Revenue Bond projects has a weighted average expected asset life of approximately 30 years, well beyond the 20-year period during which BED would pay the associated debt service on a new bond issuance.

The Department proposes to ask voters to approve a revenue bond borrowing of up to $20 million, with timing and number of issuances to be determined. BED will consider factors including the interest rate environment, FY24 and FY25 financial performance and projected financial metrics, closing costs, and other factors in determining whether to pursue a single $20 million issuance or two $10 million issuances a few years apart. Ms. Stebbins-Wheelock presented a ten-year pro forma debt service schedules for each of these scenarios as shown in the table below.

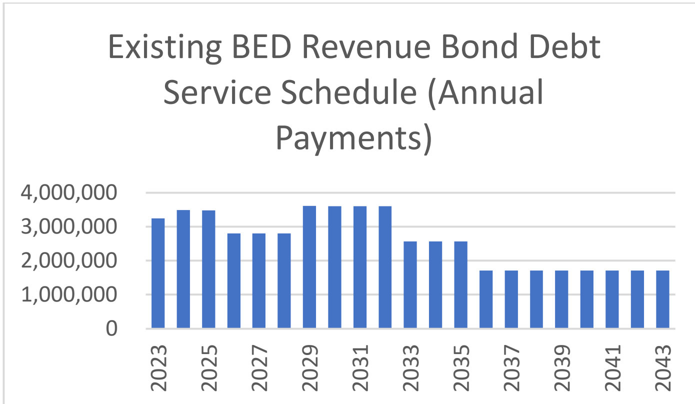
10-Year Pro Forma Debt Service Schedules for Proposed Revenue Bond

	Single $20M Issuance (FY26)			Two $10M Issuances (FY26 and FY29)		
Fiscal Year	**Principal***	**Interest****	**Total Payment**	**Principal***	**Interest*****	**Total Payment**
2026	$0	$400,000	$400,000	$0	$200,000	$200,000
2027	$0	$800,000	$800,000	$0	$400,000	$400,000
2028	$0	$800,000	$800,000	$0	$400,000	$400,000
2029	$0	$800,000	$800,000	$0	$575,000	$575,000
2030	$0	$800,000	$800,000	$0	$750,000	$750,000
2031	$0	$800,000	$800,000	$0	$750,000	$750,000
2032	$998,822	$780,024	$1,778,846	$499,411	$740,012	$1,239,423
2033	$1,038,775	$739,272	$1,778,047	$519,387	$719,636	$1,239,023
2034	$1,080,326	$696,890	$1,777,215	$540,163	$698,445	$1,238,608
2035	$1,123,539	$652,812	$1,776,351	$1,080,020	$667,337	$1,747,357
10-Year Total	**$4,241,462**	**$7,268,997**	**$11,510,459**	**2,638,982**	**5,900,429**	**$8,539,411**

* Principal payments would be deferred for 5 years.
** Assumes interest rate of 4.00%. Actual interest rate to be determined upon bond issuance.
***Assumes interest rate of 4.00% for first issuance and 3.50% for second issuance. Actual interest rate to be determined upon bond issuance.

Ms. Stebbins-Wheelock shared that in terms of existing Revenue Bond debt service, BED's 2014B Revenue Bond, which has had average annual debt service payments of approximately $684,000, will mature in 2025. Principal payments on the 2022 Revenue Bond, which were deferred for five years, begin in FY29. In FY32, both the

2017A and 2017B Revenue Bonds, with combined annual payments of approximately $1 million, will mature, followed by the 2014A Revenue Bond in FY35.



On December 12, 2023, Moody's Investors Service affirmed BED's A3 credit rating, with a stable outlook. BED targets A-range values for its credit rating financial metrics, which include days cash on hand, debt ratio, and adjusted debt service coverage ratio. BED also monitors compliance with its revenue bond covenant 1.25 debt service coverage ratio, which we consistently exceed and expect to continue to do so. By design, the Moody's metrics check and balance each other (for example, liquidity can be improved with borrowing, but increased borrowing will negatively affect the debt ratio and adjusted debt service coverage ratio), so that the financial management challenge becomes maintaining all three metrics at satisfactory levels. After 12 years without a rate increase, BED's days cash on hand and adjusted debt service coverage ratios have been challenged in recent years as expenses increased, sales to customers have been flat to declining, and cash reserves were depleted without offsetting revenue increases.

BED's rate changes over the past four years have improved the adjusted debt service coverage ratio, while helping to maintain at least 90 days cash on hand, including our line of credit at its former $5 million level. The 2022 NZE Revenue Bond has been a critically important source of financing for BED's capital investments that mitigated what otherwise would have been significant upward rate pressure if the same projects had to have been funded from operating cash sources. To continue to maintain adequate cash reserves while also continuing to fund needed capital projects, strategic electrification incentives, and other activities, additional financing will be necessary. Without the proposed NZE and Grid Reliability Revenue Bond as a financing source, BED would face a choice of either dramatically reducing capital investment and curtailing incentive funding or needing much larger rate increases in the near term to fund our projects while maintaining A rating metrics for days cash on hand.

For FY26, as an illustrative example, absent new revenue bond funding and assuming we still attempted to fund both our capital needs (including Net Zero Energy grid and technology upgrades) and strategic electrification incentives above the level required by State law, BED would be faced with implementing a 12.8 percent rate increase to maintain 120 days cash on hand (including the $10 million line of credit). BED does not believe this level of rate increase would be justifiable or support affordability for customers. By contrast, current estimates show that, with the financing from the proposed Net Zero Energy & Grid Reliability Revenue Bond, we would achieve 120 days cash on hand in FY26 with only 2.9 percent of upward rate pressure.

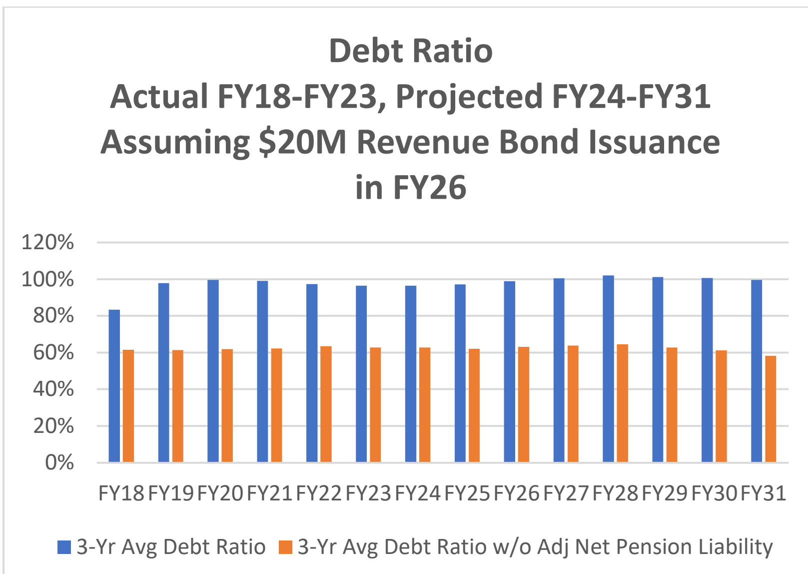
FY26 Projected Rate Pressure to Reach 120 Days Cash On Hand
(assuming full funding of capital projects and including $10M line of credit)

Financing	**Rate Pressure FY23**
Without Revenue Bond	+12.8%
With Revenue Bond	+2.0%

Again, this scenario demonstrates how much rate pressure would exist without the Net Zero Energy & Grid

Reliability Revenue Bond if we still sought to fund the same projects based on current forecasts and operating revenues. It is not an actual rate case proposal for any of the fiscal years mentioned. Such a proposal would include consideration of many other factors. However, in this context, the proposed Revenue Bond offers a way to invest in our system and free up cash reserves for our strategic electrification programs while significantly reducing upward rate pressure compared to alternate funding mechanisms and maintaining strong credit rating metrics, a true win-win scenario for our customers and community.

A new Revenue Bond would put pressure on BED's adjusted debt service coverage ratio (because debt service would increase in the short-term, before older revenue bonds mature) and debt ratio. Moody's A-rating range for the debt ratio (in simplest terms, debt+pension liability/assets) is 60 to 80 percent. In 2019, Moody's changed its methodology to include net pension liability in the debt ratio calculation. With this methodology change, BED's debt ratio jumped from 61 percent to 92 percent in a single year. The chart below shows BED's actual debt ratio (3-year running average) through FY23, with projections for the 3-year running average for FY24 and beyond, assuming a single $20 million revenue bond issuance in FY26. The 3-year running average not including the adjusted net pension liability is shown for comparison purposes. The chart shows that BED's debt ratio is not dramatically affected by the new revenue bond issuance. Including the net pension liability, the 3-year running average of the debt ratio is projected to peak at 102.3 percent in FY28 and then slowly decline (assuming no other borrowings). (Omitting the net pension liability, the 3-year running average is projected to peak at 64.6 percent in FY28 before declining.)



BED believes the Net Zero Energy & Grid Reliability Revenue Bond proposal is a fiscally responsible and innovative means of financing needed capital improvements and providing access to liquidity to support additional incentives for accelerating strategic electrification and our community's progress toward our NZE climate goal. The proposed Revenue Bond would support BED's capital needs and ensure BED's continued efficient and economical operations. Burlington's precedent-setting issuance of a revenue bond for energy efficiency in 1990 and the first NZE Revenue Bond in 2022 provides a strong foundation upon which to pursue this new Net Zero Energy & Grid Reliability Revenue Bond. Given our ambitious 2030 goal and our desire to maintain strong financial metrics and affordable rates for our customers, this financing option provides the best avenue moving forward.

BED respectfully requests that the Commission recommend that the City Council approve placing a question on the November 2024 special election ballot for voters to consider authorizing BED to issue $20 million in revenue bonds for the purposes we just outlined.

Commission Chair Moody opened the floor for questions. Commissioner Whitaker asked if the Department planned a cycle of continually issuing these revenue bonds. General Manager Springer responded that the

Department has no plans to continue to issue these bonds every 3 to 4 years. Some of the work that BED envisions will be completed in that the grid will have higher capacity. BED probably would not invest in additional grid capacity until the revenues from the electrification are catching up. The BED capital budget without revenue bonds typically has been in the $6 to $8 million a year range. BED gets $3 million from the GO Bond. If additional revenues from electrification have materialized, the Department might have sufficient cash reserves on top of the GO bond to fund a reasonable capital program, but that is down the road. There have been discussions with the City about increasing the GO Bond, but the City's debt policy and the new high school bond come into play. Mr. Springer stated that another option is to moderate capital expenditures for a few years to while waiting for additional revenues to fully materialize. and monitoring the Department's debt capacity going forward.

Commissioner Whitaker stated the importance of growing responsibly and being able to support the infrastructure BED is building, and not getting into a situation where the assets are not being maintained. General Manager Springer responded that BED is monitoring to make sure that the revenues from new construction and electrification can be supported by the capital budget. Ms. Stebbins-Wheelock added that the capital projects being contemplated are mostly not expansion work, but rather work to upgrade existing infrastructure, such as replacing old lines with new lines, upgrading switches to meet new requirements etc. The exceptions to this would be additions to the fleet or new EV charging expansions. Commissioner Vota asked what the useful lifetime of these investments is, such as the line reconductoring, new vehicles, or installing new switches. Ms. Stebbins-Wheelock confirmed that BED has estimated the weighted average useful life of the proposed projects to be funded by the new bond at 30 years, with some being longer and some shorter.

Commissioner Whitaker thought that November might be a good time for the Department to explain what has been done in the past, what will be done with the new Revenue Bond, and to reiterate that peoples' property taxes will not be affected by this. Commissioner Whitaker thought information that can be shared with the community on Net Zero and community investment would be highly beneficial. General Manager Springer agreed and thought it would be a great opportunity to explain how this bond will make things better by increasing the grid without increasing property taxes.

Commissioner Whitaker asked if BED had any control on how the ballot question will be written. General Manager Springer advised that the ballot question is prepared by bond counsel and read the question as it will be printed on the ballot.

"Shall the City be authorized to issue revenue bonds or notes in one or more series on behalf of the Electric Light Department in an amount not to exceed $20,000,000 in the aggregate to be issued pursuant to City Charter, as may be determined by the City Council and payable in the net revenues would be electric system for the purposes of paying for capital additions and improvements to the City's electric system, energy transformation and energy efficiency projects in furtherance of the City's Net Zero Energy goals including capital improvements for the distribution system, grid demand management and battery storage opportunities, generation plant upgrades, IT system and technology system upgrades, acquisition of municipal electric vehicles, support of EV charging infrastructure and funding a debt service reserve fund and paying costs of issuance."

General Manager Springer informed the Commission that the language of the actual ballot item will further be explained, which will help people better understand the question when the November ballot is in hand. Commission Chair Moody emphasized how important it will be to explain where these funds will be coming from and that they do not affect property taxes.

Commissioner Hobbs asked for clarification on dynamic pricing and how ratepayers can adjust their rate according to certain actions or investments they make, asking how specific this particular bond is in terms of engaging ratepayers and perception. Example "what steps do I need to make to get my rates lower". General Manager Springer responded with two ways that can help lower bills.

1. Like the Energy Assistance Program, if customers are income-qualified, they will get a discounted rate regardless of what they are doing, using heat pumps, EVs, or charging.
2. Ratepayers who are working with BED to pursue an energy efficient project and/or lowering their usage or peak demand by using the dynamic rate structure. BED will continue to work with customers

who are doing all the correct steps, but are being charged higher rates due to technical difficulties. BED will ensure that these customers will not be penalized. Customers will get bill credits as well for the installation of eligible devices along with allowing BED to moderate usage during peak hours.

BED's goal is to allow customers to choose if they want to save money on their bill. If customers do not wish to take the extra steps that lead to lower rates or credits, they will not be penalized, they just will not get the lower rate or credit.

Commissioner Hobbs requested some background on the GO Bond. Ms. Stebbins-Wheelock explained that the GO Bond stands for General Obligation Bond. It is a general obligation of the City backed by the full faith and credit of the City, like the bonds the City issues for the Department of Public Works' capital program for streets and sidewalks. The City Charter contains a provision that says the City may issue up to $3,000,000 in GO bonds annually for the purpose of maintaining and improving the electric plant. When the City issues its annual general obligation bonds, it borrows a portion for themselves, a portion for the schools, and a portion for BED. Commissioner Vota asked how long the terms of the bonds are. Ms. Stebbins-Wheelock shared that each bond has a term of 20 years, with new GO bonds are being issued as others are maturing. The GO bonds designated for BED are not tied to property taxes; rather BED pays off those bonds. BED benefits from the City's higher credit rating for the GO bonds, but is responsible for paying that debt service.

Commissioner Vota asked if the five-year capital plan represents a substantial increase compared to prior capital spending. If capital spending has been about $5 million to $7 million over the past few years, is this a realistic plan? Ms. Stebbins-Wheelock explained that BED initially planned to spend the 2022 Revenue Bond in 3 years, but the funding is going to last at least 4 years, maybe more. Supply chain constraints have caused significant project delays. Engineering is postponing some projects and substituting projects with materials on hand. If there's an overestimation, it is on the number of projects that can be completed, not necessarily the cost of each project. Costs per project have gone up due to increased cost in materials, shipping and labor.

Mr. Springer added that these are significant investments in infrastructure and there will be opportunity for additional revenues tied to them. Things like new EV chargers and other opportunities coming online will have additional incentives that are partly funded at the same level or even the higher level through different state legislation. These opportunities have allowed BED to free up some of the efficiency monies to support electrification. Large benefits on the automation and technology side will result in labor and time savings. BED does not envision cutting positions, but becoming more productive and efficient, increasing reliability. Ms. Stebbins-Wheelock stated that in terms of demand for cash, Tier 3 strategic electrification rebates are significant and increase each year per state law. Ms. Stebbins-Wheelock stated that ideally sufficient cash from operating activities would be generated to both cover operating expenses and generate a surplus that could be used for capital investments.

Commissioner Vota inquired about how long this "bond headroom" would give BED. General Manager Springer shared with the Commission that this would depend on peak demand and how peak demand changes with more heat pumps, electric vehicles, federal incentives, and other market dynamics. The Department believes the grid upgrades currently contemplated will support peak demand into the 2030s. Burlington would need to see at least 10,000 to 15,000 heat pumps installed before BED sees a significant increase. Conservatively, this should get us through this decade, and especially as commercial customers move to electrify, sales to customers revenues will increase. BED wants to build the infrastructure so people are comfortable purchasing EVs and heat pumps knowing they will be able to use them at a reasonable cost. Having fast charging stations at centralized locations so travelers know they can charge while shopping will increase use of EVs. Having multiple stations at one location will be very important to customers traveling.

Commission Chair Moody asked where the power is coming from here in Vermont. General Manager Springer explained that the McNeil Plant is not enough to power all of Vermont; we import power from out of state and Canada. Our team will continue to be scouring for opportunities in and out of the City to produce more power for the community's usage.

Commission Chair Moody asked if we are at risk of our Moody's credit rating dropping? General Manager Springer explained that Moody's is aware of the Department's plans to issue another revenue bond. Based on previous reviews, Moody's appears to be focused on the Department's ability to successfully raise rates, which has been demonstrated over a number of years. The Department's adjusted debt service coverage ratio has risen in recent years, but is still not quite at the preferred level. The liquidity metric, days cash on hand, has had a favorable development with the increase in the line of credit. The days cash on hand and the Adjusted Debt Service Coverage Ratio (ADSCR) are the two focal points in their rating.

Commissioner Hobbs asked about federal funding and the existing legislation. Is there a threat around access or longevity, not knowing how long that will last? General Manager Springer explained the items that are key to BED to keep our funding, like the Infrastructure Investment & Jobs Act and the Inflation Reduction Act. There are some risks of change based on the November elections but for the most part, the Revnue Bond proposal does not depend on matching funds. BED can do all the things laid out with the revenues obtained. It provides for some matching funds if we are successful in any categories, and we already have received some federal grants. Because it is already underway, BED does not expect those to be jeopardized. Future funding opportunities may be at risk depending on the Presidential election.

Commissioner Vota made the motion to recommend that the Board of Finance and the City Council place a question on the ballot of the November 5t 2024 special meeting of the City to authorize that the City issue up to $20 million in revenue bonds on behalf of Burlington Electric Department in one or more issuances consistent with the purposes and as further set forth in the materials provided at today's Electric Commission meeting. Commission Chair Moody asked for a second and any discussion on the motion. Commissioner Whitaker seconded the motion. Commission Chair Moody, Commissioner Whitaker, Commissioner Vota, and Commissioner Hobbs all voted aye. The motion passes 4 ayes to 0 nays.

Commissioner Whitaker made the motion to adjourn; the motion was seconded by Commissioner Vota. Commission Chair Moody, Commissioner Whitaker, Commissioner Vota, and Commissioner Hobbs all voted aye. The motion passes 4 ayes to 0 nays.

The meeting of the Burlington Electric Commission adjourned at 2:19 p.m.

Attest:
Elena Alexander, Board Clerk