DRAFT MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION

Wednesday, November 13, 2024

The regular meeting of the Burlington Electric Commission was convened at 5:03 pm on Wednesday, November 13, 2024, at Burlington Electric Department, 585 Pine Street, Burlington, Vermont, and on Microsoft Teams.

Channel 17 was present to record this meeting.

Commissioners Lara Bonn, Michelle Hobbs, Scott Moody, Andy Vota, and Bethany Whitaker were present.

Staff members Elena Alexander, Paul Alexander, Amanda Hurlbut, Mike Kanarick, Munir Kasti, Darren Springer, and Emily Stebbins-Wheelock were present.

Staff members Rodney Dollar, James Gibbons and Amber Widmayer were present via Microsoft Teams.

Member of the Public, Steve Levy was present.

Agenda
The GM Update moved to follow Financial Review.

Meeting Minutes
- Commissioner Vota made a motion to approve the minutes of the October 16, 2024, Commission Meeting; Commissioner Bonn seconded the motion. Vote: 5 ayes 0 nays

Public Forum
Steve Levy asked BED to include electric motorcycles and induction cooktops to the BED rebate options. Commissioner Bonn requested information on what the cost benefits would be for these items. Mr. Gibbons will follow up with calculations and program requirements.

Commissioners' Corner
No items presented.

FY25 September Financials
- CFO and Manager of Strategy & Innovation Emily Stebbins-Wheelock presented the

September FY2025 financial results compared to budget.

- Net income was a negative variance of $91k.
- Sales to customers was a positive variance of $280k.
- Other revenues had a negative variance of $23k.
- Net power supply expense was a negative variance of $153.
- Operating Expense was a positive variance of $378k.
- Depreciation & Amortization was a negative variance of $9k.
- Taxes was a positive variance of $12k.
- Operating income was a positive variance of $484k.
- Other income & deductions had a negative variance of $586k.
- Interest expense was a positive variance of $11k.
- Capital spending for September fiscal year-to-date was $1,810 or 16% of budget.
- Operating cash at the end of September was $9.3 million.
- The most-recent-12-months Debt Service Coverage Ratio was 4.86
- The most-recent-12-months Adjusted Debt Service Coverage Ratio was 1.30.

General Manager's Update

The BED team is grateful to our community for the approval of the Net Zero Energy and Grid Reliability Revenue Bond on November 5th. With 79.6% voting in favor, it is an even stronger show of support than our first Net Zero Energy Revenue Bond vote during the special election in December of 2021. BED will work with our financial advisors to look at timing of an issuance and the interest rate environment while keeping an eye on the drawdown of our current revenue bond as well. This bond approval will ensure we have the resources needed through the end of the decade to fund our capital program. We appreciate the community's support for this financially responsible approach to investing in our climate and reliability needs in Burlington.

The TEUC reviewed and approved an energy benchmarking ordinance proposed by BED and DPI as a first step towards tracking energy use in space heating under the building emission reduction ordinance concept. The full Council will act on the Ordinance on Dec. 9th, and in the interim BED is seeking stakeholder input and members of the community can also provide public input at the next regularly scheduled TEUC meeting.

The annual BED calendar contest celebration is happening Nov. 21, and we look forward to sharing the new 2025 NZE Calendars with our community and appreciate the continued support of our 4th grade classes and teachers and school administrators in participating in this great community initiative.

Mr. Springer explained that the incentives and programs in the Inflation Reduction Act could be subject to change. Federal level changes would have to be passed through legislature. BED will focus on making sure that any federal grants we have will be obligated before any changes are made. State changes will most likely be around the Clean Heat Standard.

FY2024 Audit Presentation
BED Controller, Ms. Amanda Hurlbut presented the audited financials.
In the financial presentation, the focus was on the Statement of Net Position, where notable increases in capital assets and cash position were highlighted, both up approximately $3 million and $3.5 million from the previous year, due to investments and improvements in physical infrastructure. A decrease in restricted investments by $5 million was also mentioned, correlated with expenditures tied to the 2022 revenue bond. The liabilities section indicated a consistent trend in general obligation and revenue bonds, with a $1.2 million increase in net pension liability, leading to a total net position increase of just under $2 million.

The Statement of Revenues, Expenses, and Changes in Net Position demonstrated a mixed outcome, with a sales increase of $4 million driven by a 5.5% rate adjustment, offset by a decrease in other revenues. Operating expenses rose by $2.8 million but effectively decreased by $1.2 million when accounting for prior reductions in purchase power expenses. Overall, core operations experienced a loss of $134,000; however, the net income for the year rose to $1.25 million, largely influenced by investment returns and grant income. The presentation concluded with insights into the Statement of Cash Flows, which indicated a robust cash increase of approximately $3.5 million, largely due to reduced expenses, emphasizing the importance of maintaining a healthy cash flow amidst ongoing utility operations.

Property/B&M Insurance Renewal
Mr. Paul Alexander explained that the Commercial Property/B&M insurance covers BED's physical assets from perils such as fire, lighting, smoke, explosions, storms, burst pipes, theft, and vandalism. It is designed to protect our tangible property; namely buildings, boilers, transformers, and property inside and outside (furniture, computers, fences, office equipment, inventory, etc.)

Our current Property/B&M Insurance coverage with AIG/Starr Tech/Zurich/AEGIS is scheduled to expire on 11/20/2024 for which we pay an annual premium of $679,814.70. Worth mentioning is that last year, the BEC/BOF/CC approved this line item with a "not-to-exceed" premium amount of $778,683.70. We ultimately bound coverage for $679,814.70, a decrease in premium of $98,869 due mainly to the fact that we increased our deductibles at the McNeil Station ($1M to $2M) as well as at the GT & W1H (each from $500k to $1M).

Our insurance agent (Hickok & Boardman: H&B "Acrisure") has worked diligently with our existing

4 carriers and is still in negotiations with them to finalize “capacity” (the largest amount of insurance that a company or the market is able to write), Total Insurable Value (TIV)’s, deductibles and premium.

The renewal premium is anticipated to increase from last year’s amount of $679,814.70 to a not to exceed $715,989 (which is 2.6% lower than our estimated renewal premium at 11/20/24 in the FY’25 budget of $735,220). Please note our insurance agent (H&B) has shared there is the possibility of achieving a lower renewal premium using deductible options and last-minute pricing negotiations (still to be finalized).

Our Total Insurable Value (TIV) will be capped at $200,000,000 of property (same as last year) vs. our current fully scheduled TIV of $342,784,000. The McNeil Station’s TIV is listed at $252,902,000 with a ratable TIV of $230,000,000.

H&B CONSIDERATIONS/OPTIONS/ACTION STEPS:
Last year, as an alternative to the in-force property insurance program, BED and Acrisure reviewed the property captive options available to single cell captive and rent-a-captives. FM Global offers both a rent-a-captive, and guaranteed cost premium option. FM Global’s guaranteed cost premium indication last year was $975,285, which was higher than the expiring and current insurance program’s cost. Given this premium difference, BED/City did not pursue the captive option this year.

Last year, AFTER the “Not-to Exceed” approval for $778,683.70, BED increased the deductibles at the McNeil from $1M to $2M and at the Hydro as well as the Gas Turbine from $500,000 to $1M to offset premium increases and by doing so, successfully saved $98,869 in premium for a final premium of $679,814.70.

To help offset the increase in TIV’s, H&B asked the current carriers to use a ratable TIV at McNeil of $230M, rather than $252M.

In addition, to support BED’s efforts to get as close to possible from the budget perspective, H&B is reviewing/pursuing the following:
• Optional deductible changes at McNeil (forthcoming)
• Optional deductible changes at W1H and the GT (forthcoming)
• Review of the insured asset values to identify any errors or options to separately insure an asset (such as the railroad cars; they are currently the only BED asset valued at ACV vs. RC)

H&B looked at moving the Workers' Compensation and Auto lines from Travelers to Liberty Mutual in July, but Liberty Mutual's energy program was undergoing a restructuring that was deemed not favorable at the time to BED to consider (higher auto deductibles, etc.) They continue to review these each year.

H&B looked at combining BED and the COB's cyber insurance policies to provide premium savings to BED. Due to the terms of the policies, it was in BED's benefit to maintain a separate policy.

IMPACT ON BUDGET:
Our FY'25 budgeted amount of $712,134 (produced in January 2024 and adopted in June 2024) was calculated using 5 months at the "current/known" premium amount ($679,815) and 7 months at the projected amount ($735,220). Note this projected renewal amount of $735,220 was derived by assuming an estimated 5% straight rate increase from H&B as well as an estimated 3% increase in our TIV's.

Thus, using the "not to exceed" premium of $715,989 would amount to a 2.6% reduction in our estimated renewal within the FY'25 budget and a 5.32% increase over our expiring premium of $679,815. Again, please note in our insurance agent's (H&B) cover letter, there is a possibility of a lower estimated renewal premium, which is still to be finalized.

The "not to exceed" premium of $715,989 would amount to a 1.57 decrease in our total FY'25 budget for this line of business (from $712,134 to $700,916).

Commissioner Vota made the motion to authorize the General Manager of the Burlington Electric Department or their designee, to execute the Property, Boiler & Machinery insurance coverage renewal contract with AIG/ZURICH/STARRTECH/AEGIS for the policy period 11/20/2024 through 11/20/2025 with a not to exceed premium of $715,989, as outlined in this memo, subject to review and approval of the City Attorney's office, the City's CAO, Board of Finance and the City Council. The motion was seconded by Commissioner Bonn, Commission vote; 5 ayes 0 nays.

Commissioners' Check-In
The discussion covered several key topics regarding heating systems and home energy efficiency. Commissioner Bonn shared her firsthand experiences with home heating, specifically the use of a hybrid system that transitions from electric to natural gas. This reflects a broader trend towards hybrid heating solutions among homeowners, utilizing a mix of energy sources like natural gas, electricity, and wood.

Additionally, the conversation highlighted emerging innovations, such as the development of induction cooktops compatible with battery storage, which represent significant advancements in energy usage flexibility. The meeting concluded with an emphasis on upcoming rebates and programs related to energy efficiency, affirming the importance of stability in these initiatives for consumers as they navigate technology transitions in heating and cooking systems.

Adjourn
Commissioner Bonn made a motion to adjourn at 6:38; the motion was seconded by Commissioner Whitaker, Commission vote; 5 ayes 0 nays.

The meeting of the Burlington Electric Commission adjourned at 6:28p.m.

Attest: ______________________________

Elena Alexander, Board Clerk