MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION

Wednesday, October 16, 2024

The regular meeting of the Burlington Electric Commission was convened at 5:05 pm on Wednesday, October 16, 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, Paul Charbonneau, Erica Ferland, Amanda Hurlbut, Mike Kanarick, Munir Kasti, Betsey Lesnikoski, Darren Springer, and Emily Stebbins-Wheelock were present.

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

KPMG Auditors Heather Kuney and Renee Bourget-Place were present via Microsoft Teams.

Members of the Public Nick Persampieri, Ashley Adams, Andre Oyagas and Greg Hancock were present via Microsoft Teams.

Agenda
No changes to the Agenda.

Meeting Minutes
- Commissioner Vota made a motion to approve the minutes of the September 11, 2024, Commission Meeting; Commissioner Bonn seconded the motion. Vote: 4 ayes 0 nays (Commissioner Whitaker was not present for this vote).

Public Forum
No members of the public requested to speak.
Mr. Persampieri submitted written comments (Exhibit A) attached hereto.

Commissioners' Corner
No items presented.

General Manager's Update
No verbal update provided.

FY25 July Financials

CFO and Manager of Strategy & Innovation Emily Stebbins-Wheelock presented the August FY2025 financial results.

- The Department's net income for the month of August was $1.685 million compared to a budgeted net income of $1.965 million. A negative variance of $280k.
- Sales to customers compared to budget were down $174k for the month. Other revenues had a positive variance of $14k to budget, due mostly to a variance in EEU revenues. Power supply revenues were at a negative variance of $20k to budget.
- August's net power supply expense had a favorable variance of $120k to budget that included a positive variance on fuel offset by an unfavorable variance on purchased power. Both wind and McNeil production were under budget. The FirstLight contract that was signed in July was not budgeted for, causing an unfavorable variance between now and December. Transmission had a slight positive variance.
- Other operations and maintenance expense had a negative variance of $387k. This larger delta was due to $211k in uncollectible expense from an estimate that we gave to a customer for service work that was inadvertently billed and never recognized as revenue. This bill will be cancelled to correct the variance.
- Other income had a positive variance of $150k.
- Capital spending for August fiscal year-to-date was $909k or 8% of budget.
- Operating cash at the end of August was $9.2 million, $400k better than budget.
- The most-recent-12-months Debt Service Coverage Ratio was 6.22 and the Adjusted Debt Service Coverage Ratio was 1.41.

FY2024 Audit Presentation

BED's Controller Amanda Hurlbut presented the FY2024 Draft Audit with KPMG representatives Renee Bourget-Place and Heather Kuney. These are preliminary audit findings due to one outstanding audit item, an actuary report for GASB 75 disclosure. That will require one final adjustment to the financial records which should be completed by the end of the week. BED anticipates having all documentation to KPMG by mid next week. KPMG will need 3-4 days to complete their review process before the audit is finalized and the FY24 financial statements are issued along with the auditors' opinions.

Ms. Bourget-Place and Ms. Kuney stated the line items that they are required to share with the Commission as part of their audit are listed in Exhibit B attached hereto.

Commissioner Vota asked what kind of audit findings have come up in past years. Ms. Bourget-Place shared that in previous years, there have been some control deficiencies surrounding inventory. There were a couple of years where controls over inventory were not strong enough but that was remediated. Ms. Kuney added that for the proposed audit entries, oftentimes these have involved non-GAAP (generally accepted accounting principles) policies that the Department has and the difference between recording something in accordance with GAAP versus the Department's policy.

It wasn't something that rose to the level that KPMG would have requested to be reported, but it was high enough that we needed to report it to the Commission.

Commissioner Hobbs asked for clarification of required communications. Are they specific to Burlington Electric Department or just standard practice? Ms. Bourget-Place confirmed that these required communications are part of the professional audit standards and not just for Burlington Electric Department. All audits require auditors to communicate those things to the governing board.

Commissioner Bonn asked what the next steps are in the audit process for addressing significant risks. Ms. Bourget-Place explained that this is also is part of standard auditing practices, in which auditors always presume that there is a fraud risk related to management override. It requires that the auditors design specific procedures to alleviate that risk and satisfy themselves that there is not material misstatement due to fraud. Once the auditors have done all of these things and have satisfied themselves, there's nothing further to be done. Ms. Bourget-Place stated that as far back as she can remember, there has been no findings related to fraud at Burlington Electric Department.

KPMG - Executive Session

Commissioner Hobbs made the motion that premature general public knowledge regarding KPMG's evaluation of BED's management with the Commission would clearly place the Burlington Electric Department at a substantial disadvantage per Title 1, Section 313 (a)(1) of the Vermont Statutes; Commissioner Bonn seconded motion. Commission vote; 5 ayes 0 nays.

Commissioner Bonn made a motion to enter into Executive Session at 5:39pm to discuss the KPMG information with the auditors under the provisions of Title 1, Section 313(a) (1)(A) of the Vermont Statutes; Commissioner Whitaker seconded the motion. Commission vote; 5 ayes 0 nays.

Commission Moody made a motion to exit Executive Session at 6:01pm; Commission Bonn seconded the motion. Commission vote; 5 ayes 0 nays

IT Forward Update and CIS Contract Approval

Ms. Emily Stebbins-Wheelock and IT Director Erica Ferland presented the Commission with a background of the Department's "IT Forward" initiative and how BED has come to the decision to enter a contract with SpryPoint to implement a new CIS, a new customer portal replacing the SilverBlaze portal, and a new mobile workforce management solution.

Ms. Stebbins-Wheelock explained that the IT Forward initiative dates back to 2017, when BED identified the need to replace its core business systems, including its customer portal and customer, financial, and meter data management systems. Initially, the Department hoped to contract with a single vendor for all of these solutions, but due to changes in the utility software market, is now pursuing a multi-vendor, “best fit” solution.

The Department implemented its new Meter Data Management system, SmartWorks Compass, in April 2023 and its new customer web portal, SilverBlaze, in August 2023. The Department is also planning to implement an Outage Management System as phase 3 of its SCADA/ADMS project. The current recommendation to the Commission is to approve a contract with SpryPoint for a Customer Information system, Mobile Workforce Management system, and a new customer portal. Future RFPs are planned for a Financial Information system, a Work and Asset Management system, a Payment Processor, and an Integrated Voice Response system.

The vendor selection process for CIS/Portal/Mobile Work Management began in April 2023. A cross-functional team 13 BED employees from Customer Care, Billing, Communications, IT, Energy Services, Policy & Planning, and Finance viewed introductory vendor demos and updated requirements before issuing an RFP in December 2023. The Department received responses from 6 vendors. The team invited 5 vendors for day-long on-site demos and selected 3 finalists for follow-up demos and reference checks.

The team has selected SpryPoint, a relatively new, privately held SaaS-based company that has been growing rapidly and gaining new customers. SpryPoint was selected based on the following criteria:
Ability to handle BED’s functional requirements, including a strong rates/billing engine, account management, and rebate processing.
Modern SaaS platform and agile approach aligned with BED’s strategic vision for Innovation.
Growing customer base reflective of BED peers (including many smaller municipal utilities) and references.
Pricing/10-year cost of ownership
Availability of companion mobile fieldwork management and work order/asset management solutions

The key terms of the proposed SpryPoint contract are as follows.
The Software-as-a-Service (SaaS) subscription agreement:
Covers license/use, hosting/infrastructure, all updates and upgrades, and ongoing support/maintenance of CIS, portal, and mobile work management.
Auto-renews annually unless either party gives notice.
Annual subscription fee, $145,250, subject to annual budget appropriations, with annual increases = to CPI x 1.25
Termination for convenience clause
An attached statement of work includes:
Fixed fee pricing for implementation, $940,800 (revenue bond-funded).

Milestone-based payment structure.
Cites BED’s requirements.

The contract has additional exhibits for insurance, service levels, customer data protection.

Commission Chair Moody asked why the Department’s current payment processor, Paymentus, is listed as “planning rebid for pricing.” Ms. Ferland explained that once the customer web portal has been switched to SpryPoint, BED will evaluate its payment processing needs to see what best fits for our customers. Is Paymentus providing the appropriate service for the cost? Are there other market options that would be more favorable on a cost standpoint?

Commissioner Whitaker asked if the rebid cycle for the Paymentus contract seemed longer than normal since it was signed in 2012. Ms. Stebbins-Wheelock stated that generally speaking, most IT systems useful life is roughly 10 years. That said, there are current contracts that would benefit from more frequent rebidding.

Commissioner Vota asked what the cost will be to implement the new SpryPoint solutions and what is the breakdown of outage management and customer information? Ms. Stebbins-Wheelock stated that both the SilverBlaze portal and the SpryPoint portal are full cloud SaaS solutions. The Department is currently paying approximately $48k/year in annual fees for SilverBlaze and the SaaS fee for the SpryPoint portal would be less than half of that. There will be approximately $50k of implementation fees for the set up but BED would be saving 50% annually in operating expense. The SilverBlaze implementation ended up taking about 2 years instead of the expected 6-9 months, the cost was higher after factoring in internal labor.

Commissioner Whitaker asked if SpryPoint was still venture capital funded or if they have their own revenue stream. How long have they been around? Ms. Stebbins-Wheelock did not know the answer to their funding source but noted that SpryPoint has been in business since 2011.

Commissioner Vota asked what the CPI x 1.25 means and what percentage that would be for an average year. Ms. Stebbins-Wheelock stated that each year the annual fee will be increased by a factor composed of the consumer price index plus 1.25 to cover inflation and infrastructure costs.

Commissioner Vota asked if the $50k portal implementation cost is included in the $940,800k. Ms. Stebbins-Wheelock confirmed that yes, the $50k is included in that figure.

Commissioner Bonn asked that if SpryPoint is a Canadian company, how do they consider the differences? Do they have customers in both US and Canada? Ms. Stebbins-Wheelock confirmed that SpryPoint does have customers in US and Canada. All the references provided were US-based companies and BED does not see any underlying issues as we have used Canadian companies in the past. Commissioner Bonn asked if the references SpryPoint provided were companies that were trying to integrate multipurpose services. Ms. Ferland confirmed that BED asked the references who their existing providers were, and how well SpryPoint integrated with other applications. BED felt that the reference companies were trying to do the same things we are trying to do and have had success.

Commissioner Whitaker asked if the funding would come from the existing or new revenue bond. Ms. Stebbins-Wheelock stated that it would be a combination of the two bonds should the November vote pass and the new bond is issued. Ms. Stebbins-Wheelock emphasized how important the new CIS is to BED and even if the November bond vote does not pass, BED would try to figure out a way to move forward with the contract.

Commissioner Hobbs made the motion that the Board of Commissioners recommend to the Burlington City Board of Finance to approve a one-year auto-renewing software-as-a-service contract for $145,250 with SpryPoint for CIS services with an implementation cost of $940,800, subject to City Council approval. Commissioner Bonn seconded the motion. Commission vote; 5 ayes 0 nays.

Bank of America Credit Card Update
Mr. Alexander and Mr. Charbonneau presented to the commission members:
We use the BOA credit card(s) for many transactions (in-store purchases, online orders, maintenance service agreements, etc.)
We have used the BOA credit cards since at least 2001.
We had a change in the Director of Purchasing & Facilities position here at BED (JT to PC) effective 1/25/24.
As such, the BOA reached out to us via phone in the last few weeks and requested a formal transfer of the cardholder's name on this account with approval from at least 2 board members, as we are listed as a "Non-profit business account", not a "Corporate account", and to then forward on to them such meeting and approval minutes.

Commissioner Moody asked if the Mr. Charbonneau's purchasing ability falls under the auditors guidelines as stated earlier. Mr. Alexander confirmed that there are processes in place, and they will continue to follow those.

Commissioner Vota made the motion to (unless otherwise notified in writing) for the BED Board of Electric Commissioners to authorize Paul Charbonneau, Director of Purchasing & Facilities at the Burlington Electric Department, to be formally listed/named as BED's main point of contact and primary cardholder for the related Bank of America's credit card(s) program and to at the same time, remove the name of the prior Director (Jeff Turner), effective immediately. Commissioner Bonn seconded the motion. Commission vote; 5 ayes 0 nays.

McNeil Economics IRP Rebuttal Testimony

Mr. Springer addressed Mr. Persampieri's written comments by stating that the chart (Exhibit A) attached hereto refers to fiscal years 2014 through 2023 for the IRP that was filed in 2023. It includes the last 10 fiscal years for which we have audited financials; we do not have audited financials for FY24 yet.

The top section of the chart shows values associated with McNeil that appear on BED's financial statements as well as additional values that do not. The bottom section of the chart is the same, but uses more conservative assumptions and excludes certain elements. For example, the PILOT payment from McNeil to the City General Fund is a benefit to City taxpayers, not BED, but we are being a little more conservative by excluding it in the second chart because we are looking at the ratepayer value only.

The key point being, the intervenors' testimony was based on plant profit and loss statements that are provided at McNeil joint owners' meetings. McNeil is managed as a joint asset with two other utilities, which is different from BED's other 100%-owned facilities. The financial impacts on BED, however, are subsumed within BED's financials. The McNeil profit and loss statements are not audited, and they include language indicating that they are based on certain assumptions. For example, we do not know the revenues that the joint owners get from their share of McNeil's RECs, so we simply double BED's McNeil REC revenues as an assumption. Similarly, BED does not know what the other joint owners book for depreciation on their ownership share of the plant. The profit & loss statements therefore are not necessarily the right metrics by which to judge the financials of the plant. Not only are they not audited, but they also do not include any other values to BED that are important and directly connected to McNeil. BED's rebuttal testimony referenced fiscal years 2014 through 2023. The numbers in Mr. Persampieri's e-mail referenced 2024 non-audited financials and excluded the 2014 more favorable financials.

As shown, in the bottom half of the chart, a more conservative valuation of McNeil's benefit to BED over the last 10 years is estimated at $7.3 million. Even if you included half of the FY24 profit and loss statement, BED would still, over these eleven years, have a net cumulative positive benefit from its ownership of McNeil. If you exclude any of the 2024 value streams, BED still has a net positive benefit over the 11-year period.

James Gibbons walked through the calculations for each column of the rebuttal testimony document (Exhibit C) attached hereto in the IRP docket, including both value streams that are included in BED's financial statements and those that do not. Mr. Gibbons noted that values that are not included in BED's financial statements generally take the form of an avoided cost, which is a cost that you did not pay because you owned an asset. The only way you could record a value for that avoided cost would be to over-inflate the expense (to reflect what you would have paid) that would then be offset by a positive value stream (reflecting what you saved) and we don't typically do that in our financial statements.

The expenses are audited and the chart indicates BED's share of McNeil's expenses. This includes depreciation and amortization, which is a non-cash expense, as well as cash expenses such as fuel O&M, insurance, and things of that nature. The value streams that occur through the ISO markets are the ones that appear on our income statements. Energy revenues specific to McNeil, however, are not an audited value. BED's audited financial statements show aggregate energy receipts from ISO-NE, but do not break down energy sales by resource. Capacity revenues are payments for a generating unit that has the ability to generate, regardless of whether it is producing energy at a given time or not. Capacity revenues in aggregate are audited and tested on BED's financial statements. Ancillary revenues are relatively de minimis but do appear in aggregate on BED's financial statements.

Mr. Gibbons explained that the green-shaded columns represent values (or avoided cost) to BED that are not reflected in our audited financial statements.

First is Ryegate Savings. Any utility in Vermont that receives 1/3 of its energy from woody biomass generation is not assigned a portion of the Ryegate energy contract with the State. If BED did not have McNeil and acquired a chunk of another biomass plant, our share would probably be 6 to 7%. Then we would have a partial offset because we did not take 25 megawatts of biomass off, you took 25 megawatts of biomass off and then added a few megawatts back on. That is the "above-market" value of Ryegate that BED avoids by having McNeil.

Commissioner Whitaker asked why Ryegate is showing a positive under BED when it is not something BED uses. Mr. Gibbons explained that if McNeil was removed from our costs, BED would save all of the expenses under the first blue "Expenses" column, but immediately incur Ryegate costs equal to what is shown in column H. One cannot claim the full savings of taking McNeil out of BED's portfolio without recognizing that BED would acquire Ryegate costs in return. Column H represents the above-market costs of Ryegate that BED would incur if we did not have McNeil; it is either an offset to any savings of not having McNeil or it is a value stream to having McNeil.

Commissioner Vota asked what are the components of the above-value costs? Mr. Gibbons explained that they are all components that you are seeing in blue and a couple of the ones you are seeing in green. For example, if we removed the McNeil expense column, that would be a savings. Then you would lose all of the revenues in the blue columns but at the same time acquire an assignment of Ryegate power because of that. When you take the cost of the power and subtract the revenues from the power is above-market. BED's share of the above-market Ryegate costs that we would have to bear is $208k in the first year.

Second, IGAP Credit. Under the 1991 VELCO Transmission Agreement, referred to as the 91 VTA,in-state generation that is connected at sub-transmission voltage and in an area that has sufficient load to absorb that generation receives a transmission credit based on the unit's seasonal claim capability rating (ISO New England capacity value), which reduces your VELCO transmission bills. Without McNeil, BED would have paid higher VELCO bills by the amounts shown on the chart.

Third, Standard Offer. BED avoids costs from having to take higher-priced power under standard offer contracts. We have assigned 30% of our savings from standard offer to McNeil as a rough estimate. Mr. Springer added that the standard offer exemption is generation-based. One of the assertions made in Mr. Persampieri's e-mail stated that BED could get a standard offer exemption by having a different renewable contract; that is a hypothetical. These numbers are based on the actual renewability that BED had during each of these years, and this is the attributable portion for MC Neil.

Fourth, Tier 3. BED runs strategic electrification programs under Tier 3 of the Renewable Energy Standard, and the amount of credit a utility receives under those programs is a function of how renewable the utility's resource mix is. We have assigned some portion of the renewability each historical year to the units that provided that renewability, which for McNeil is about 30%.

Fifth, Tier 2. BED qualifies for an exemption from having to build new in-state renewable generators of five megawatts or less by being 100% renewable in each year. Again, we have assigned some portion of the renewability each historical year to the units that provided that renewability, which for McNeil is about 30%.

Sixth, Long-term contract premium. This is a conceptual value that the PUC ascribed in the standard offer program to the value of having stable long-term prices. In many ways, McNeil acts like an insurance policy in years without a market disruption. McNeil's prices are not linked to the natural gas markets in New England, they are linked to wood prices and to a lesser extent to oil to diesel prices for transportation. This is not a calculable value, but the PUC ascribed a value of 2% in the docket.

Finally, Payment in lieu of taxes. McNeil does not pay property taxes, but does make a payment in lieu of taxes (PILOT) to the City of Burlington general fund. All things being equal, BED believes that an injection to the City general fund is better than not having an injection to the general fund. And in this case, half of the injection is paid for by non-Burlington entities, Green Mountain Power and Vermont Public Power Supply Authority. We have chosen to ascribe half of the payment lieu of taxes as a benefit to the City of Burlington.

Commissioner Whitaker asked for clarification on how the values were calculated. Mr. Gibbons explained that the chart does not show the formulas for the calculations but the rebuttal testimony submitted describes the calculations in detail. Commissioner Whitaker stated that she did not want to vote on something she could not see calculations on. Mr. Springer explained to the Commission that this is an informative agenda item only and requires no vote. Commissioner Whitaker understood and wanted to clarify that the Commission is not responsible for the calculations submitted and would like to better understand how the formulas were calculated. This information can be found in the rebuttal testimony in the IRP docket.

Commercial Negotiations – Executive Session
Mr. Springer shared that he and the Mayor held a meeting discuss the idea of trying to transfer 100% of the plant and site at McNeil to BED and the reasons why we were pursuing that. There is a letter agreement that says that we are going to enter into negotiations with the joint owners for up to a six-month period to have those discussions.
Commissioner Bonn made a motion to find that premature general public knowledge of the commercial negotiations would clearly place the Burlington Electric Department at a substantial disadvantage per Title 1, Section 313 (a)(1) of the Vermont Statutes. Commissioner Vota seconded the motion. Commission vote; 5 ayes 0 nays

Commissioner Bonn mad a motion that the Commission enter into executive session at 7:40 with BED Staff to discuss the commercial negotiations under the provisions of Title 1, Section 313(a) (1) (A) of the Vermont Statutes. Commissioner Vota seconded the motion. Commission vote; 5 ayes 0 nays.

Commissioner Vota made the motion to come out of executive session at 8:06. Commissioner Hobbs seconded the motion. Commission vote; 5 ayes 0 nays

Commissioners' Check-In
No check-in topics presented.

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

The meeting of the Burlington Electric Commission adjourned at 8:17p.m.

Attest: ______________________

Elena Alexander, Board Clerk