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 was 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 increase the rebate amount for electric motorcycles and to add induction cooktops to the list of items eligible for a BED rebate. 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. Actual net income for September was $238k, a negative variance of $91k compared to budget.

Sales to customers revenue was above budget by $280k. Other revenues had a negative variance of $23k vs budget.

Net power supply expense was worse than budget by $153k for the month. Ms. Stebbins-Wheelock noted that much of this variance was driven by fuel expense due to McNeil running more in September than had been budgeted, following lower-than-budget production in this summer. Purchased power expense was favorable to budget, again due to higher-than-budget McNeil production, and transmission expense was favorable to budget by $57k.

Other operating & maintenance expense had a positive variance of $378k compared to budget and operating income was better than budget by $484k.

Other income & deductions was less than budget by $586k, mostly due to the timing of receipt of FEMA public assistance funds.

Capital spending for September fiscal year-to-date was $1,810M. Year-to-date capital spending is 16 percent of budget, due to timing of projects.

Operating cash at the end of September was $9.3 million compared to a budget of $11.4 million, due to timing of receipt of general obligation bond funding in October instead of in September as budgeted.

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. Days cash on hand with the $10M line of credit is 160, without the line of credit is 96.

Commissioner Whitaker asked about the slower pace of capital projects as compared to budget. Ms. Stebbins-Wheelock responded that for IT capital, the largest projects are new system implementations, which follow a competitive vendor selection process and contract negotiation. Department makes is best guess when budgeting about the schedule, but sometimes the process takes longer than anticipated. Munir Kasti, COO and Manager of Utility Services & Engineering, responded that for distribution projects, the Department budgeted for three switches (combined cost approximately $1 million) based on receipt in September, but only one has been received thus far and it was missing fuses; the other two are still delayed. Similarly, the Department is waiting to receive close to $1.5 million of transformers that were ordered over a year ago; every month the timeline is pushed back a few more months. For the Winooski One dam replacement, it took longer than anticipated to find an installation contractor, but the project is now underway.

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 5, 2024. With 79.6% voting in favor, the vote was an even stronger showing of support than our first Net Zero Energy Revenue Bond vote during the December 2021 special election. BED will work with our financial advisors to look at timing of an issuance and the interest rate environment, while also keeping an eye on the drawdown of our current revenue bond. This bond approval will ensure that BED has 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 Transportation Energy and Utilities Committee (TEUC) reviewed and approved an energy benchmarking ordinance proposed by BED and the Department of Permitting and Inspections (DPI) as a first step toward tracking energy use in space heating under the building emission reduction ordinance concept. The full Council will act on the Ordinance on December 9 and, in the interim, BED is seeking stakeholder input. Community members also may provide public input at the next regularly scheduled TEUC meeting.

The annual BED calendar contest celebration will be on November 21. We look forward to sharing the new 2025 NZE calendars with our community and appreciate the continued support of our 4th graders, 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 the legislature. BED will focus on ensuring that any federal grants that we have will be obligated before any changes are made. State changes most likely will be around the Clean Heat Standard.

FY2024 Audited Financial Statements

BED Controller, Amanda Hurlbut, presented the Department's audited financial statements for FY24.

First, Ms. Hurlbut presented the Statement of Net Position, also known as the balance sheet. In FY24, capital assets net of accumulated depreciation were $99.8 million, an increase of approximately $3 million compared to FY23, due to investments and improvements in physical infrastructure. Cash and cash equivalents were $12.3 million, an increase from FY23 to FY24 of approximately $3.5 million. Ms. Hurlbut noted that the Department's cash position at the end of FY23 was relatively low, so it is good to see improvement. Restricted investments-deposits with bond trustees were $15.4 million, a decrease of $5 million compared to FY23, due to drawdowns from the 2022A Revenue Bond construction fund for capital expenditures. Other asset lines remained relatively consistent from FY23 to FY24.

Ms. Hurlbut then reviewed the liabilities section of the Statement of Net Position. Current liabilities totaling $12.5 million for FY24 indicate amounts due in the next 12 months. Noncurrent liabilities totaling $105.7 million for FY24 include the non-current portion of our general obligation and revenue bonds. Revenue bond liabilities decline each year unless there is a new issuance, whereas general obligation bonds tend to remain consistent as every year a new bond is issued but an old bond matures. Ms. Hurlbut noted that the Department's net pension liability increased by $1.2 million in FY24 to $22.8 million, driven by actuarial determination based on changes in investment performance and other factors. The Department's total net position was $66 million in FY24, an increase of $1.2 million as compared to FY23.

Commissioner Vota asked how many years of general obligation debt are reflected in the $45 million long-term debt item. Ms. Hurlbut responded that the oldest outstanding bond is from 2011. Mr. Commissioner Vota observed that some of the older bonds seemed to be for amounts larger than $3 million. Ms. Stebbins-Wheelock responded that circa 2009, the City issued a large GO bond on behalf of the Department when a planned revenue bond could not be issued due to the financial crisis. Ms. Stebbins-Wheelock stated that she believes some of the larger GO amounts for prior years represented refinancings in addition to annual issuances, but that she would confirm that for the Commission.

Commissioner Whitaker asked if it was common for utilities to be highly leveraged. Ms. Stebbins-Wheelock responded that yes, utilities have large asset base that requires annual reinvestment and typically have access to relatively low-cost capital. The alternative would be to collect sufficient excess cash in rates to cover annual capital investments.

Ms. Hurlbut then moved to the Statement of Revenues, Expenses, and Changes in Net Position, also known as the income statement. Sales to customers revenue for FY24 was $54 million, an increase of $4 million compared to FY23 due mostly to a 5.5 percent rate adjustment. Other revenues, REC revenues and EEU reimbursements, were $10.1 million, a decrease of approximately $2.4 million compared to FY23.

Total operating expenses were $63.9 million in FY24, an increase of $2.8 million; however, in FY23 operating expense was reduced by just over $4 million related to approved regulatory accounting treatment to amortize lost excess winter energy revenue. Taking this reduction in FY23 into account, operating expenses in FY24 were effectively $1.2 million less than in FY23. when accounting for prior reductions in purchase power expenses. Production expense was $10.7 million in FY24, a decrease of just over $1.5 million compared to FY23, mostly due to decreased fuel expense at McNeil. Purchased power expense was $16.8 million in FY24, a increase of $3.3 million compared to FY23. Other power supply expenses, transmission, and distribution expenses were fairly consistent between FY23 and FY24. Customer accounting, service, and sales was $6.4 million for FY24, a decrease of $1.2 million compared to FY23 due to a decrease in EEU program expense. Administrative and general expense was $7.7 million for FY24, an increase of $1.4 million compared to FY23 due to increased costs for salary, pension, and other employee benefits. Overall, the Department's operating loss was $134,000.

Dividend income was $4.5 million in FY24, largely consistent with FY23 as the Department made no new equity investments in Transco in FY24. Interest income of $812k was $311k higher in FY24 than in FY23. Unrealized gain on investment was $403k in FY24, an increase of $350k compared to FY23. Grant income was $650k in FY24, of which $560k related to the electric bucket grant.

The Department's total increase in net position, or net income, for FY24 was $1.25 million.

Commissioner Whitaker asked where the $1.25 million goes or is used. Ms. Stebbins-Wheelock responded that it flows to our cash reserves and helps support a strong adjusted debt service coverage ratio, which looks at whether an entity is generating sufficient revenues to cover both operating expenses and debt service plus a modest but healthy cushion. Ms. Stebbins-Wheelock also noted that the Department of Public Service uses a rule of thumb of a 2 times-interest-earned ratio for an allowable, healthy net income for municipal utilities.

Ms. Hurlbut next reviewed the Statement of Cash Flows, which shows changes in cash for the fiscal year. Net cash provided by operating activities was $7.6 million, an increase of $5.1 million as compared to FY23. Cash outlay for capital and related financing was $13.4 million, slightly increased from FY23. Cash outlays for non-capital financing activities were $1.5 million, a decrease of approximately $600k from FY23. Cash provided by investment activities was $5.3 million in FY24.

Finally, Ms. Hurlbut reviewed the financial statements for the Department energy efficiency utility fund. The EEU balance sheet for FY24 was relatively consistent with FY23, with a net position of

$1.8 million compared to $1.9 million. On the EEU income statement, total additions to the fund were $2.8 million, consistent with FY23. Deductions from the fund fell significantly in FY24 to $2.9 million from $4.5 million in the prior year, primarily due to decreased payments for district energy work in FY24 as compared to FY23.

Commissioner Bonn asked whether a recent ISO-NE ruling regarding a decrease in the value of efficiency would affect BED. Mr. Springer responded that it may, since the EEU fund receives forward capacity market revenues.

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 (e.g. furniture, computers, fences, office equipment, inventory, etc.).

Our current Property/B&M Insurance coverage with AIG/Starr Tech/Zurich/AEGIS, for which we pay an annual premium of $679,814.70, is scheduled to expire on November 20, 2024. Last year, the Burlington Electric Commission, Board of Finance, and City Council 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, from $1M to $2M, as well as at the Gas Turbine (GT) & Winooski 1 Hydro (W1H), each from $500k to $1M.

Our insurance agent, Hickok & Boardman: H&B "Acrisure", has worked diligently with our existing four carriers and still is 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), 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 percent lower than our estimated renewal premium at November 20, 2024 in the FY25 budget of $735,220). Please note our insurance agent H&B has shared the possibility of achieving a lower renewal premium by using deductible options and last-minute pricing negotiations (still to be finalized).

Our 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 W1H, as well as the GT from $500,000 to $1M to offset premium increases and, by doing so, successfully saved $98,869 in premiums for a final premium of $679,814.70.

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

In addition, to support BED's efforts to keep to its budget, 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 nsure an asset (such as the railroad cars, 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 City of Burlington'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 FY25 budgeted amount of $712,134 (produced in January 2024 and adopted in June 2024) was calculated using five months at the "current/known" premium amount ($679,815) and seven months at the projected amount ($735,220). This projected renewal amount of $735,220 was derived by assuming an estimated 5 percent straight rate increase from H&B, as well as an

estimated 3 percent increase in our TIVs.

Thus, using the "not to exceed" premium of $715,989 would amount to a 2.6 percent reduction in our estimated renewal within the FY25 budget and a 5.32 percent increase over our expiring premium of $679,815. Again, H&B's cover letter notes the 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 percent decrease in our total FY25 budget for this line of business (from $712,134 to $700,916).

Commissioner Vota made the motion to authorize the General Manager of Burlington Electric Department or his designee, to execute the Property, Boiler & Machinery insurance coverage renewal contract with AIG/ZURICH/STARRTECH/AEGIS for the policy period November 20, 2024 through November 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 Chief Administrative Officer, the 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 toward 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