

**DRAFT MINUTES OF REGULAR MEETING
BURLINGTON ELECTRIC COMMISSION**

Wednesday, October 25, 2023

The regular meeting of the Burlington Electric Commission was convened at 5:33 pm on Wednesday, October 25, 2023 at Burlington Electric Department at 585 Pine Street, Burlington, Vermont and virtually through Microsoft Teams.

Channel 17 was present to record this meeting.

Commissioners Lara Bonn, Jim Chagnon, Robert Herendeen, Scott Moody, and Bethany Whitaker

Staff members present at 585 Pine Street included Paul Alexander, Rodney Dollar, Mike Kanarick, Munir Kast, Laurie Lemieux (Board Clerk), Betsy Lesnikoski, Paul Pikna, Darren Springer, and Emily Stebbins-Wheelock.

Staff members present via Microsoft Teams included Erica Ferland and James Gibbons

1. Agenda

There were no changes to the agenda.

2. September 13, 2023 Meeting Minutes

Commissioner Chagnon made a motion to approve the minutes of the September 13, 2023 Commission Meeting; the motion was seconded by Commissioner Herendeen and approved by Commissioners Chagnon, Herendeen, Moody, and Whitaker. Commissioner Bonn abstained as she was not present for the meeting.

3. Public Forum

Peter MacAusland and Alan Bjerke were present for the meeting at 585 Pine Street. Michael Ahern, Senior VP from Ever-Green Energy, Beth Anderson, newly elected commercial, Heather Kuney and Renee Bourget-Place from KPMG were present at the meeting via Microsoft Teams.

Mr. Bjerke is in attendance to discuss BED's fee of \$30 for initiating electric service. Mr. Bjerke previously addressed the Commission regarding this issue and stated that, as a housing provider, he has a standing order with BED so that when the power is disconnected for any reason in one of his apartments, the power account is switched to Mr. Bjerke's existing account and this initiates a \$30 *"Initial Service Fee"*. He also stated that with the use of smart meters, there is no need for an employee to go into the field to read the meter in order to transfer the bill, and a property owner

with a standing order means that there is no new account opening process, no credit checks and the process takes less than 5 minutes.

Mr. Berke stated that approximately a year ago Mr. Springer stated that they would look into this fee and would put the fee change in the next tariff filing. Since that time, a new tariff was filed and Mr. Bjerke spoke with Mr. Kanarick and was told that the department had not completed the study to see what an appropriate fee would be. Mr. Bjerke feels that the department is not working on this issue and stated that unless the department has new information that has not been shared with Mr. Bjerke.

Ms. Stebbins-Wheelock stated that the department has been working on this issue for approximately 6 months and have completed most of the analysis.

Ms. Stebbins-Wheelock stated that as Mr. Berke stated, when you look at the labor costs to make the transfer, they're greatly reduced because we don't have to send a truck to the location. The department calculations were prior to having AMI meters and was entirely based on labor time and vehicle time because that's what was involved. Presently there is some labor involved, there is no vehicle time unless it's an opt out meter. However, there are costs that we now have that we've never had to incorporate into the fee before. The department pays annual depreciation expense on the meter data management system asset that's in service, and the AMI head end software asset that's in service, we pay annual support and maintenance contracts to those two vendors to help us keep these systems reliable and upgraded, we also have our IT Department who take care of all of this. Ms. Stebbins-Wheelock stated that we have some new work to do to figure out how we properly allocate the expenses. We have reached out to other utilities across the country and here in Vermont, GMP has some ideas on this subject and we are waiting to hear back from them.

The department has a meeting scheduled in two weeks to regroup on this and to see if we've heard from any other utilities on this.

Ms. Stebbins-Wheelock stated that the operating guidelines are a tariff change that we would have to file, but it's independent from the rate case tariff process because fees as opposed to rates on electric service are different. Ms. Stebbins-Wheelock stated that this fee affects approximately 5,000 accounts, \$150K which is significant revenue source for the department. BED would like to address all fee changes in one filing and not individual filings for each fee.

Ms. Stebbins-Wheelock stated that the department would file a request by the end of the calendar year for the tariffed miscellaneous service fees and the operating guidelines and then it's up to the PUC on how long it would take for them to approve or deny the request. It is our hope that that if we file these by the end of the calendar year that we would have a PUC decision by July.

4. Commissioners' Corner

Commissioner Moody stated that Commissioner Herendeen has served on the Burlington Electric Department Commission for 16 years making him the longest serving commissioner and this is Commissioner Herendeen's last meeting. We want to thank him for his deep insight and never-ending probing questions of the department which has made a tremendous difference over the years. This evening the department dedicated the bike rack outside of 585 Pine Street with a commemorative plaque. Commissioner Herendeen has biked to a majority of the meetings in all kinds of weather throughout the years and we wanted to honor his many years of service by dedicating this bike rack to him. A huge heartfelt thanks to Commissioner Herendeen for all his years of service.

Commissioner Moody stated that Beth Anderson has been appointed as the new commissioner and she is with us tonight on Teams. Commissioner Anderson will be at the next commission meeting on November 8, 2023.

5. GM Update

Mr. Springer stated that we have an update on the report that was issued October 13 relative to the rate case and the Moran Frame.

There was a decision from the PUC approving our FY23 rate case. There have been two surcharges on our bills, one for FY23 and now for FY24. The FY23 will now be incorporated into our rates.

Mr. Springer commended the work of the BED team and also Bill Ellis, our PUC and regulatory attorney who worked on the issue around Moran frame rate recovery which ultimately the Commission agreed to include and commended the efforts that were made in crafting an MOU that is fair for ratepayers relative to the Moran frame.

The NZE Festival was successful in being a bigger event than last year. We had a lot of great vendor partners, educational partners, food, and drink partners who use no fossil fuels on site.

A meeting was held today of the legislative working group on the renewable energy standard. BED participates as a voting member of this group which looks at potential changes to the renewable energy policy at the state level.

Mr. Springer stated that BED is interested in a charter change to increase our credit line from \$5 million to \$10 million, to keep up with budget and inflation increases since it was last authorized. We are working on bringing an item to BOF and Council to get this on TMD ballot. It would support stronger financial metrics for our credit rating. BED has not utilized its current line of credit and does not anticipate doing so.

The Ordinance Committee has held two meetings on the carbon fee ordinance. The committee announced its intent to finalize any action at the next meeting and then it would be ready to move to the City Council.

Mr. Springer stated thanked the Commission Chair for his comments regarding Commissioner Herendeen's service to the City of Burlington, and stated that we have in our possession a proclamation from Mayor Miro Weinberger. Mr. Springer read the proclamation which highlighted Commissioner Herendeen's career, not only as a commissioner but other contributions he has made over the years. In the end the Mayor proclaimed October 25, 2023 as Robert "Bob" Herendeen Day.

6. KPMG Audit Presentation

Ms. Stebbins-Wheelock welcomed Ms. Renee Bourget-Place and Ms. Heather Kuney from KPMG. Ms. Bourget-Place is the lead partner and Ms. Kuney is the manager for BED's audit engagement. KPMG will be presenting slides for the Commission in public session and at the appropriate time the Commission is free to move into Executive Session. At this time Ms. Stebbins-Wheelock turned the presentation over to KPMG.

Ms. Bourget-Place was the lead partner for Burlington Electric until 2017 and explained that for rotation purposes within KPMG, the firm limits the tenure of a lead partner on a particular engagement to 10 years after which a lead partner needs to be off an engagement for 2 years. Since it was time for a new lead partner, Ms. Bourget-Place is again BED's lead partner.

Ms. Bourget-Place explained the Executive Summary and what would be covered in the within the presentation.

At this time Ms. Bourget-Place turned the presentation over to Ms. Heather Kuney.

- Outstanding matters include completion of final down-to-date procedures and a management representation letter.
- There are two uncorrected audit misstatement related to the amortization of the GO bond premium and discount and the recording of an out of period expense recorded in the EEU Fund.
- There were no corrected misstatement differences identified.
- Non-GAAP policies and practices: The Department has adopted certain accounting policies that, if applied to significant items or transactions would not be in accordance with U.S. generally accepted accounting principles. The Department has evaluated the effect of the application of such policies and practices on the financial statements and concluded that such effect is not material to the 2023 financial statements.
- There were no significant changes to the risk assessment and audit strategy.

- KPMG has evaluated the key factors and assumptions used to develop management's estimates and found them to be reasonable in relation to the financial statements taken as a whole KPMG's assessment of the risks associated with valuation estimates has not changed significantly from the prior years, as there have been no modifications in the accounting judgments made by management.
- KPMG has evaluated the key factors and assumptions used to develop management's material estimates and found them to be reasonable in relation to the financial statements taken as a whole.
- KPMG has reviewed the significant financial statement disclosures and compared them against required disclosures, noting the presentation appears appropriate.
- There were no difficult matters or disagreements with management, and no actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.

KPMG expects to issue an unmodified opinion on the Department's FY2023 financial statements.

Commissioner Chagnon moved to find that premature general public knowledge of 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, Subsections (a) (1) and (a) (3) of the Vermont Statutes because such information may risk contractual relationships with BED counterparties in the regular sale and purchase of energy and is considered an evaluation of BED personnel. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

Commissioner Chagnon moved that the Commission enter into Executive Session to discuss the KPMG information with the Commission under the provisions of Title 1, Section 313, subsection (a)(1)(A) of the Vermont Statutes. This motion was seconded by Commissioner Herendeen and approved by all Commissioners present. The Commission moved into Executive Session at 6:19 p.m.

Commissioner Whitaker made a motion to exit Executive Session at 6:26 p.m. This motion was seconded by Commissioner Chagnon and approved by all Commissioners present.

Commissioner Whitaker made a motion to accept the KPMG audit report. This motion was seconded by Commissioner Chagnon and approved by all Commissioners present.

7. FY24 August Financials

Ms. Stebbins-Wheelock presented the August 2023 financial results.

The Department's net income for the month of August was \$1,754K compared to a budgeted net income of 1,698K, which is \$57K better than budget.

Sales to customers was worse than budget by \$275K or 2%. Other revenues, primarily EEU, were less than budget by \$76K. REC revenue was \$89K lower than budget.

Net power supply expense was favorable to budget by \$257K in August. Fuel expense was favorable to budget by \$329K because McNeil production was 39% under budget. Purchased power expense was \$18K better than budget. Transmission expenses were within budget.

Other operating and maintenance expenses were unfavorable to budget by \$107K due to timing of outside services expenditures.

Capital spending for August was \$1.6M or 14% for the year.

Operating cash at the end of August was \$4.5M compared to a budget of \$6.1M.

The debt service coverage ratio is 4.05, the adjusted debt service coverage ratio is 1.40, and the days cash on hand is 105.

8. District Heat Update

Mr. Springer stated that joining this presentation is Mr. Michael Ahern, our partner at Ever-Green Energy who has been assisting us at every step to develop this project and doing all the feasibility work.

Mr. Springer began the PowerPoint presentation showing the GHG emissions which shows that thermal and ground transportation sector emissions came down during the pandemic and then showed a moderate rebound. This graph also shows that the commercial sector is going in the wrong direction. Mr. Springer stated that when we think about district energy and the opportunity we think quite a bit about the commercial sector and what we might be able to do to bend that downwards.

In the Energy Action Networks most recent report it's worth noting that fossil fuel combustion was responsible for between 81-91% of the anthropogenic human caused greenhouse gas emissions over that prior decade. According to the IPCC, the dominant driver of this is the burning of fossil fuels. The Energy Action Network report also shows the difference between biogenic and non-biogenic carbon. One being something that is above ground and part of the cycle already and another being something that is dug up and introduced into the atmosphere. We have heard a lot of public discussions about how we count wood in terms of carbon and BED doesn't get to decide that.

Mr. Springer stated that it's not BED's decision, we follow the guidance from the IPCC, the EPA, and the State of Vermont where both the emissions from cutting a tree, harvesting a tree and the

sequestration and storage benefits from growing a tree are both captured in the same sector, which is the land use sector.

Mr. Springer stated that in the 2023 State of Vermont emissions inventory/emissions methodologies they have a set of factors within land use that cover changes within the land use sector. They also have emissions relative to bioenergy, but they do not count at the stack emissions because those emissions are for something like a biomass plant.

The Innovative Natural Resource Solutions report states that between 2007 and 2020, we saw in the lands where McNeil receives wood from is an important point. This is we're not the only activity in those lands, we are receiving wood that is left over wood from other higher value operations, but in those lands, upstate New York and Vermont, the net change is a good thing. More carbon stored of over 24 million tons, so that accounts for all the harvesting, all the growth, and all the sequestration. Mr. Springer stated that this is not BED claiming that value, but that's what the land use change is in those areas and that's a positive thing. If we were seeing significant deforestation in those areas, that number would look quite different and we should be concerned about that.

The National Renewable Energy Lab Department of Energy harmonized 3000 different life cycle studies over a period of years. The next graphs shows coal, oil, and natural gas with relatively high amounts of CO₂ required to produce kWh of energy.

The IPCC 2022 report on climate mitigation that was part of their 6th assessment report, their most recent set of reports, included bioelectricity and bioelectricity with carbon capture as 2030 mitigation options, indicating they believe that this technology still has a role to play.

In thinking about McNeil, Mr. Springer wanted to point out that McNeil takes in for the majority of the fuel wood residues which is the tops and limbs, the disease damage trees, and the low value wood that's left over from higher value operations.

The next graph looks at McNeil's wood supply over a period of years. In 2022 roughly 88.5% came from the wood residues and the leftover wood from those types of operations, 10% sawmill residue, 1.5% waste wood yard, and less than .5% from the low value round wood that we keep on site for fuel security. It's important to note that our appendix to our woodchip contracts states very clearly that we will not accept wood from a site that's being harvested solely for energy production.

An important issue is the carbon lag between the emissions at the stack and the regrowth of trees. The Manomet report, which was not very favorable for biomass generally, issued in Massachusetts and is the foundation of a lot of the concerns that have been raised about biomass. This report indicated that when you're using the residues those types of products that we're using in McNeil, are far more favorable from a climate standpoint than natural gas, electric, or other fossil fuel resources, and that you can have about 70% of the carbon loss repaid within a decade, which is a far faster period than people talk about 100 years or longer.

The next piece is District Energy. What is District Energy? In Burlington context its efficient underground distribution system to connect multiple renewable thermal sources to customer buildings. The United Nations Environment Programme calls district energy “a secret weapon for climate action and human health” and stated that “forward-looking cities are connecting district energy with efficient buildings, waste and renewables to create integrated urban systems and achieve resilience and circularity.”

Mr. Springer stated we are recovering the waste heat at McNeil, the steam extraction from McNeil, and a supplementary electric boiler at McNeil that can run. This means that three different energy sources will provide efficient underground steam distribution system up to the Medical Center with a condensate return line that can potentially connect to other customers as well.

What does District Energy mean for Burlington?

This will improve McNeil’s efficiency by 10%. We will use local renewable thermal resources instead of fossil gas. It will reduce over 220K MMBTU of natural gas usage every year. It will cut commercial sector natural gas use by 16% in Burlington, it will cut Burlington’s carbon dioxide emissions by approximately 13K tons annually.

Mr. Springer stated that we have gone through three phases of feasibility. We have a grant from Senator Leahy of over \$5M to support some of the capital costs, we have a district energy nonprofit 501C3 run by Ever-Green that was supported by the City Council in 2022 that would finance and operate the project and is in a partnership that includes BED, the city, UVM Medical Center, VGS and Ever-Green.

Mr. Springer reviewed the key points of the analysis, explained the UVM Medical Center’s energy systems and it’s uses, and the key financial terms. These financial terms include capital investment financed through the 501C3. There is no taxpayer, no rate payer financing. There's no general fund dollars and our role would be similar to VGS which means BED would provide the incentives.

BED will use Tier III credits under the Renewable Energy Standard. VGS will use Clean Heat credits under the recently passed Affordable Heat Act. Burlington District Energy will manage the construction and operation of the project. UVM Medical Center will purchase the renewable steam and received the renewable attributes.

Mr. Springer informed the Commission of the key operational terms, and explained the route that would be constructed to the UVM Medical Center.

The Commission asked questions on many of these items brought forth this evening, which Mr. Springer answered to their satisfaction.

At this time, the Commission was prepared to vote on the term sheets related to district energy.

Commissioner Whitaker made a motion to recommend to the City Council approval of the term sheets related to district energy, specifically the Tier 3 term sheet and the Thermal term sheet between BED and the Burlington District Energy System non-profit. The motion was seconded by Commissioner Chagnon and approved by all Commissioners present.

9. Proposal to Enter REC Sales for a Rolling Five (5) Year Period

Mr. Springer stated that the Commission has granted this authorization in the past and it's been a while (2017) since the Commission has granted this authorization. Mr. Springer stated to publicly divulge strategy around REC sales which would put the Department at a substantial competitive disadvantage in the buying and selling of RECs and asked that this go into Executive Session. Mr. Springer stated that if the Commission would like to act on this proposal at this meeting that the Commission would come out of Executive Session and publicly vote on the proposal.

Commissioner Chagnon moved to find that premature general public knowledge of the Commission's discussion regarding the proposal to enter into REC sales for a rolling 5-year period would clearly place the Burlington Electric Department at a substantial disadvantage per Title 1, Section 313 (a)(1) of the Vermont Statutes. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

Commissioner Chagnon moved that the Commission enter into executive session at 7:41 p.m. with BED staff to discuss the proposal to enter into REC sales for a rolling 5-year period under the provisions of Title 1, Section 313(a) (1) (A) of the Vermont Statutes. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

Commissioner Whitaker moved to exit Executive Session at 7:55 p.m. The motion was seconded by Commissioner Herendeen and approved by all Commissioners present.

Commissioner Herendeen moved that the Commission delegate to the General Manager authorization to enter into REC sales for a 5-year period to include the RECs associated with the current calendar year and the following four years, and to report to the Commission with semi-annual reports of REC sales. The motion was seconded by Commissioner Bonn and approved by all Commissioners present.

10. Commissioners' Check-In

Commissioner Moody took this opportunity to again thanked Commissioner Herendeen for all his commitment and work over the years.

Commissioner Moody also welcomed our new Commissioner, Beth Anderson and stated that we all look forward to working with her.

Commissioner Herendeen stated that the Burlington Electric Department is so competent and so inventive that there is not really a lot to do as a commissioner and his one regret was that he didn't generate more ideas but has enjoyed his 16 years as a Commissioner.

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

The meeting of the Burlington Electric Commission adjourned at 8:00 p.m.

Attest:



Laurie Lemieux, Board Clerk