

NET ZERO ENERGY
BURLINGTON VERMONT



FY 2025 Budget

Burlington Board of Finance

May 13, 2024



FY25 Budget Context

- Sales to customers flat; residential electrification gains outweighed by commercial efficiency and reduced SF
- 3 years of rate increases < demonstrated need
- Lower forward prices for sale of excess winter energy, increasing budget pressure, but reducing downside risk
- Continued inflationary pressures
- Level-funded controllable operating expenses
- Weak starting cash position for FY25 due to worse-than-budget results for REC revenues and excess winter energy sales in FY24
- Last year of 2022 Net Zero Revenue bond capital financing
- Goal is modest improvement in Moody's rating metrics while minimizing rate increase



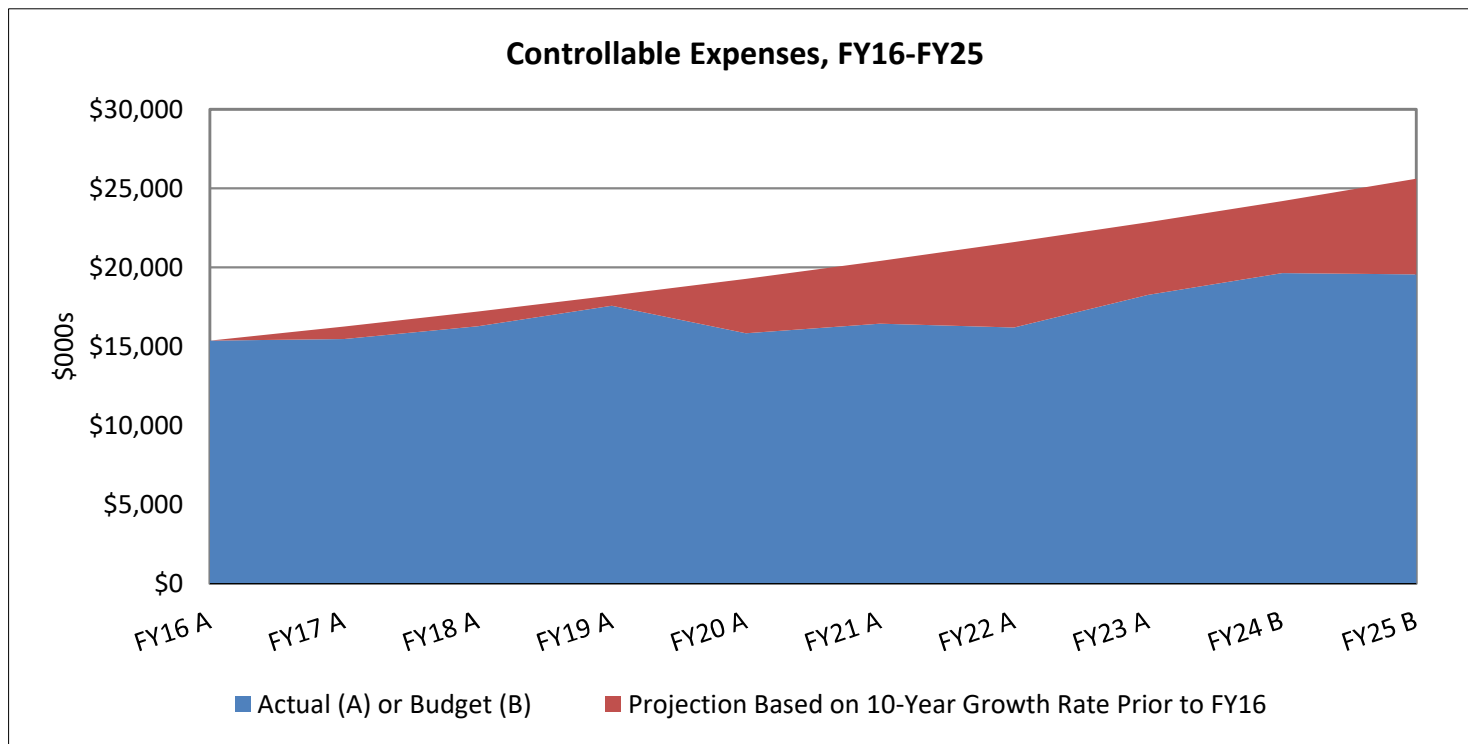
FY25 Budget Overview & Key Assumptions

- **Operating Revenues \$67.6M** – 3.8% higher than FY24 budget
 - Rate increase of 5.5% effective Sept 1 to respond to inflation and other uncontrollable cost increases
 - Flat kWh sales to customers
 - REC sales revenue of \$7.6M down 7.4% compared to FY24 budget due to lower production volumes in CY24
 - New conduit rental rates effective 7/1/24
- **Operating Expenses \$68.2M** – 2% higher than FY24 budget
 - Sales of excess winter energy (offset to purchased power expense) down \$3.5M or 78% due to lower forward prices and less excess energy
 - Assumed energy prices = \$52.16/MWh full-year average; \$72/\$93/84 for Dec-Feb
(FY24 = \$73.60/MWh full-year average; \$119/\$155/\$144 for Dec-Feb)
 - Transmission expense up \$783K or 8%
 - Net power supply expense/MWh = \$85.49 (54 cents higher than FY24 budget)
 - 4% COLA per IBEW contract
- **Grants/Capital Contributions** – \$2.2M, \$1.8M higher than FY24 based on construction activity
- **Net Income \$3.4M** – \$3M more than FY24 budget as passed | **6/30/25 Operating Cash \$9.8M** (\$8.8M in FY24)



Holding Down Controllable Expenses

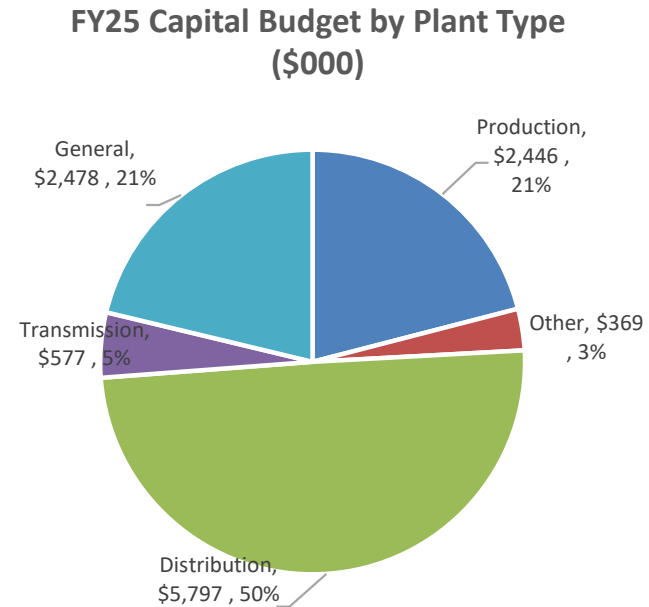
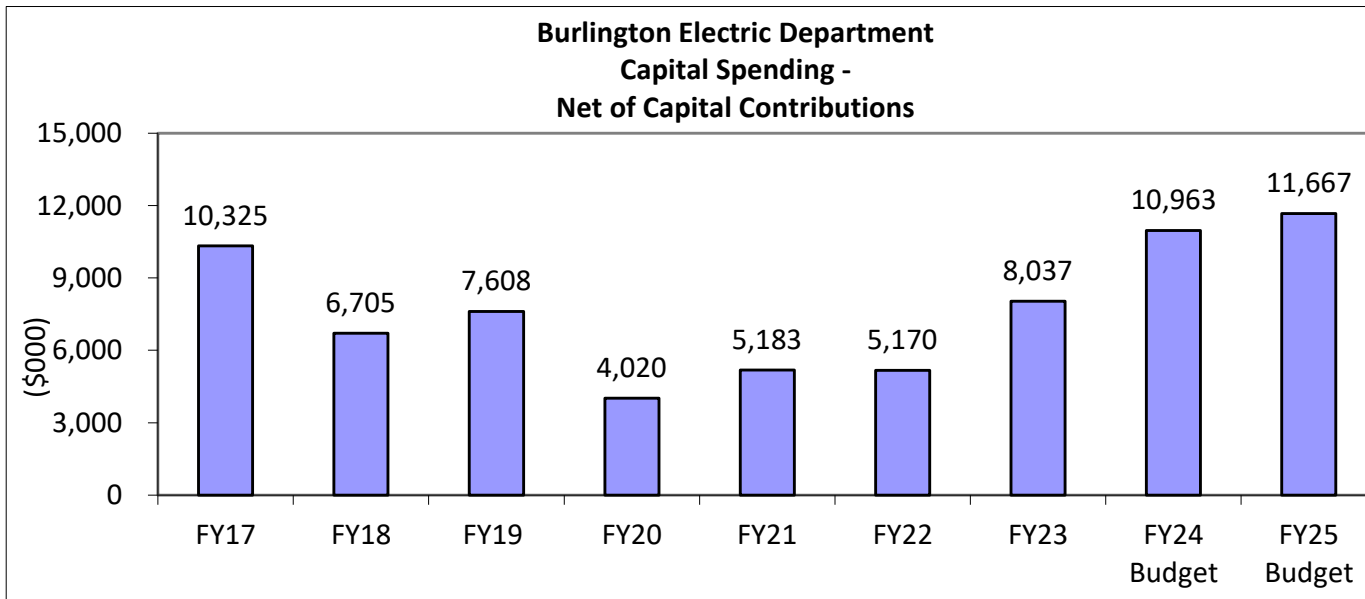
Controllable, non-power supply O&M expenses 0.4% or \$80K lower than FY24 budget



Continued fiscal discipline since FY16 has moderated annual increases in controllable expenses to 3.3% on average, compared to 5.84% between FY07-FY16



Continued Robust Capital Program

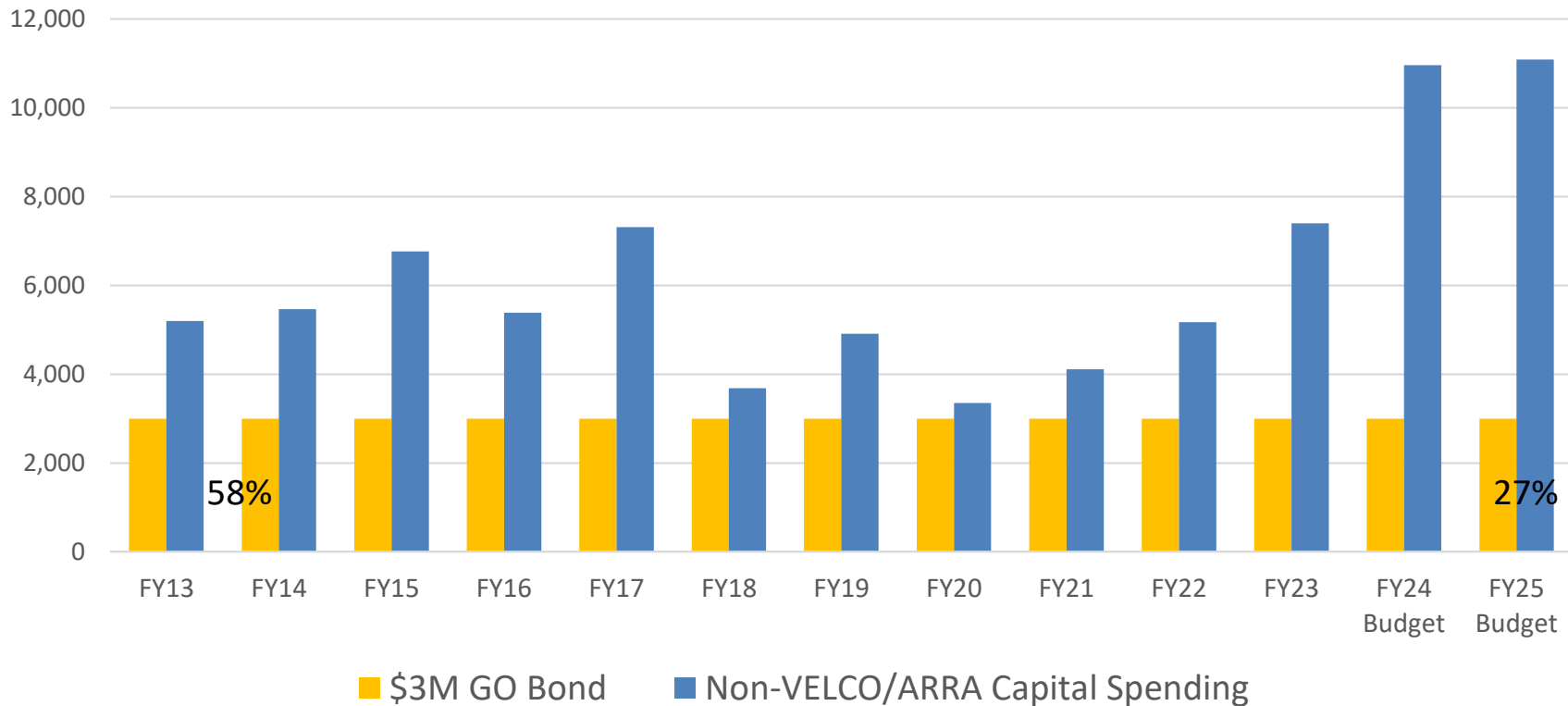


- \$11M investment equates to 13.4% of net utility plant in service
- \$577,000 VELCO equity investment
- Assumes \$3M general obligation bond and \$8.9M from 2022 NZE revenue bond
- Funds EV chargers, new fleet EVs, distribution and IT system upgrades, generation plant investments, and FERC relicensing of WinooskiOne



Erosion of GO bond funding value

BED Capital Spending vs GO Bond Funding, FY13-FY25





FY25 Budget Continues Investment in Net Zero Energy

- 100% renewable electricity maintained
- Continued and enhanced incentives for heat pumps, EVs and “superusers,” e-mowers, e-bikes, e-transit buses, induction cooking, geothermal test wells, and multi-family building charging
- Continued funding for electrification rebates (Tier 3): \$1.434 million
- BED energy efficiency programs/rebates: \$2,084,858
- Matching funds for potential federal and state grants for dam replacement, grid infrastructure, battery storage, EV charging, demand response, and technology investments
- Level 3 and Level 2 public EV chargers – “reverse RFP” to seek community input on locations
- Continue electrifying BED fleet; seeking grant for a second all-electric bucket truck
- New heat pump rate pilot program pending PUC approval
- Planning for 2025 Net Zero Energy/Grid Reliability revenue bond issuance



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McNeil/District Energy Resolution

- **Wood Chip Dryer RFI** (completed) – Wood chip dryer funding included in FY25 budget, subject to economic analysis, Joint Owners' agreement, and additional procurement process. Additional measures such as thermal coating and controls optimization also possible.
- **Third-Party Study on Forestry** – Included \$25,000 in FY25 budget.
- **TEUC/Electric Commission/BED study on future of McNeil** – Included \$25,000 in FY25 budget. (For comparison, this is more than the prior VEIC study on McNeil and more than the economic and carbon analyses prepared on McNeil by INRS.)



Continued Investments in Equity & Accessibility in FY25

- Energy Assistance Program providing 12.5% rate discount to income-qualified customers
- Project & Equity Analyst “office hours” at King St. Laundromat, Community Gardens, Family Room at ONE Community Center, BHA facilities, and community events
- Continued partnership with community organizations, including CVOEO, Legal Aid, AALV, Vermont Language Justice Task Force, and others
- Planned focus groups on energy, electricity use, and quality of life issues via CVOEO Ambassadors Program, which organizes “house parties” with various ethnic and cultural groups in Burlington
- Participation in community events including Earth Day, Juneteenth, Pride Celebration, Community Garden Work Day, Harvest Run, and others
- Communications efforts, including new Town Meeting TV program, new video explaining electric bills, and future videos on energy use translated into 9 languages



FY25 Budget Credit Rating Metrics

	Target	FY 2024 Budget	FY 2025 Budget
Days Cash on Hand	>90	90	94
Debt Service Coverage Ratio	1.25 ⁽¹⁾	3.68	4.88
Adjusted Debt Service Coverage Ratio	1.50	1.11	1.20

(1) Minimum per General Bond Resolution



Outlook for FY25

- FY25 budget assumptions more conservative for winter power supply
- Charter change to increase BED's line of credit to \$10 million
 - Approved by voters, passed House, pending in Senate
- New 2-year line of credit approval request coming to Council 6/3
- Proposed updates to Misc. Service Fees coming to Council 6/3; then to PUC
- Future NZE/Grid Reliability revenue bond issuance during Cal Year 2025
 - 2024 Election Day ballot item likely
- H. 289/Renewable Energy Standard update could impact future budget planning around new renewables and changes to municipal rate approvals

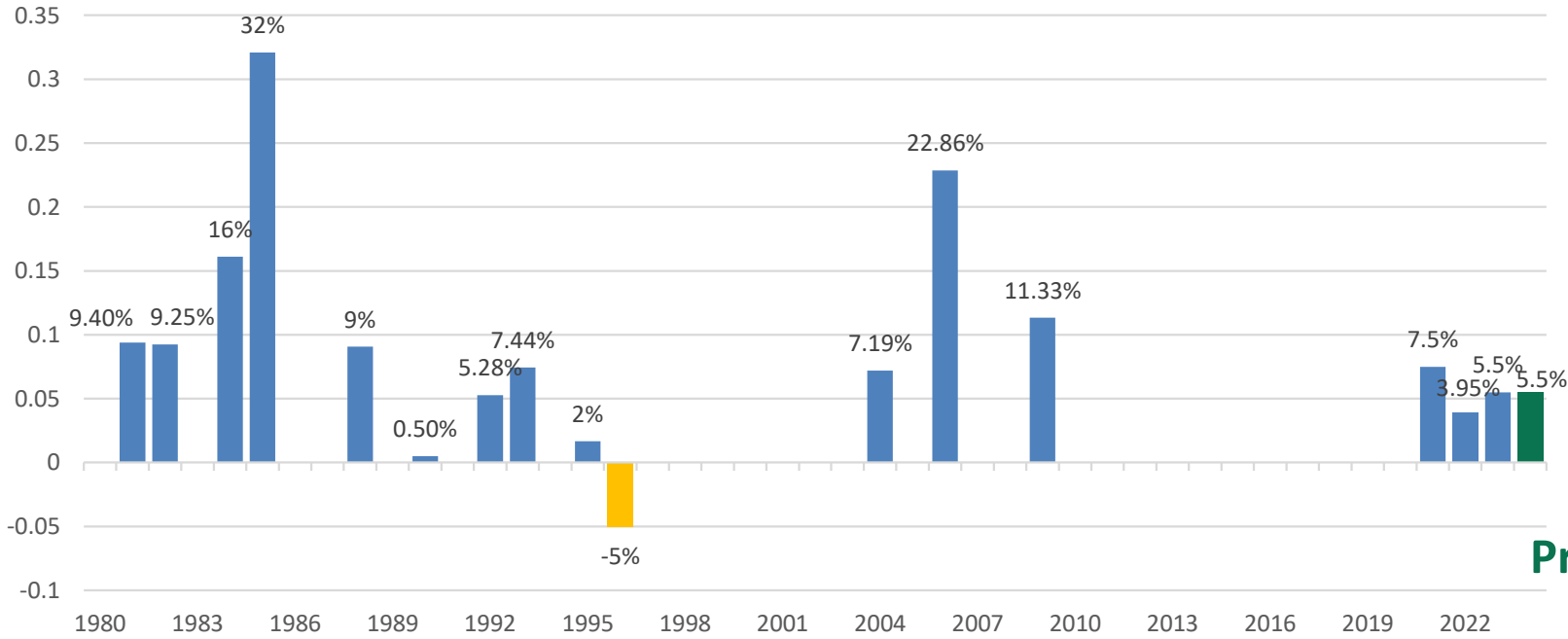
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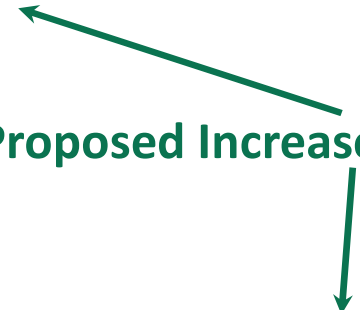
FY25 Rate Case – 5.5%



BED Rate Changes Since 1980



Proposed Increase



Rate Increase	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
BED	11.33%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	7.50%	3.95%	5.50%	5.50%
GMP	0.00%	0.00%	0.00%	0.00%	0.00%	0.40%	2.00%	-1.46%	0.73%	0.93%	5.43%	-0.50%	2.70%	4.69%	2.34%	5.29%
WEC	0.00%	0.00%	0.00%	0.00%	0.00%	4.00%	0.00%	0.00%	5.95%	4.00%	5.95%	0.00%	0.00%	14.19%	12.83%	0.00%
VEC	0.00%	0.00%	0.00%	0.00%	2.93%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.29%	0.00%	1.96%	8.19%	8.76%



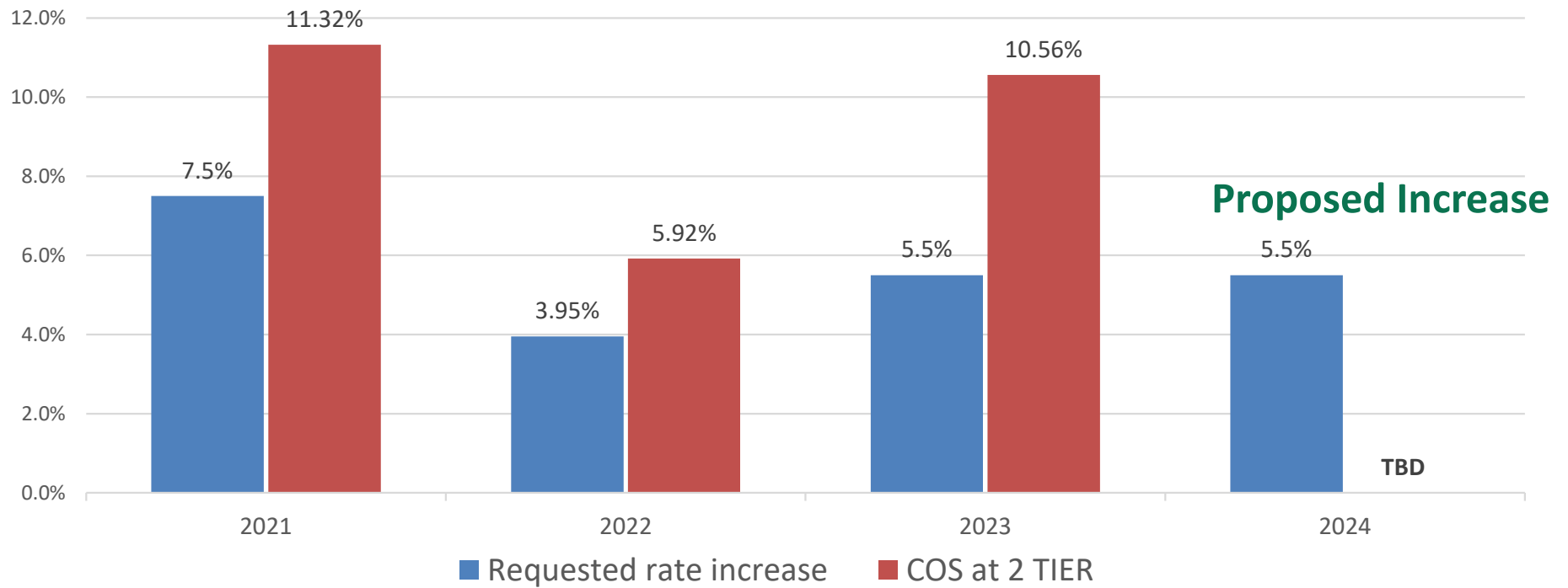
Rate Increase Drivers

Need to increase operating revenues commensurate with increased operating expenses to maintain strong credit rating and adequate cash reserves

- Flat sales to customers
- Flat/declining REC revenues due to relatively stable prices and variation in production across the portfolio
- Higher purchased power costs due to lower forward prices for sale of excess winter energy
- Increased transmission costs
- Continued inflationary pressures in other O&M expenses
- 3 years of rate increases < demonstrated need



BED Requested Rate Changes vs. Cost of Service since 2021



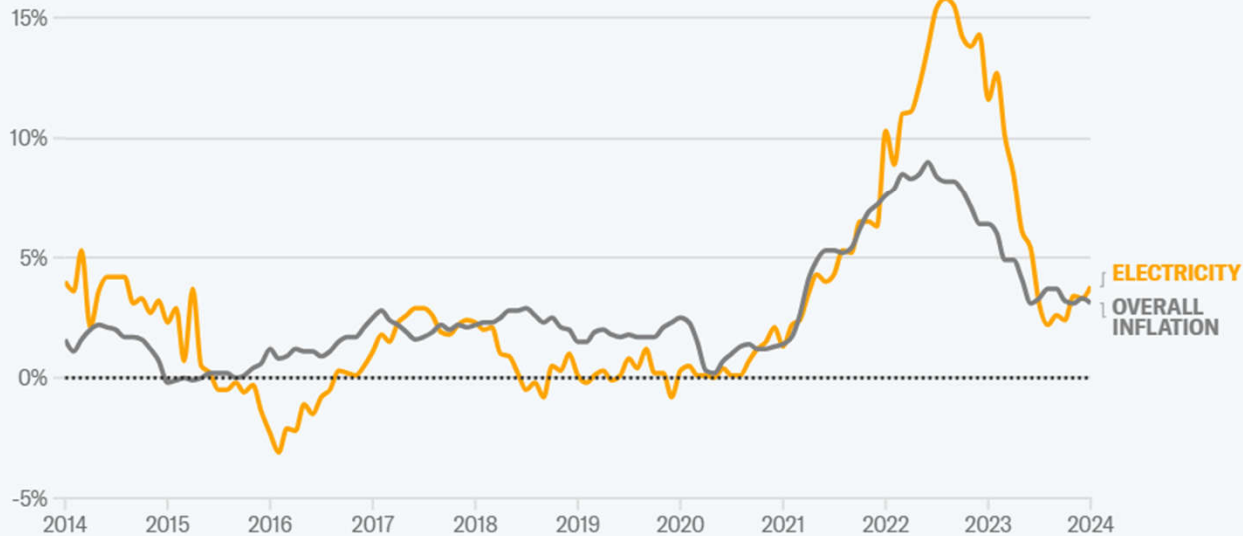


U.S. Electricity Prices Rising Faster than Inflation

STICKY ELECTRICITY PRICES

Electricity prices have ticked higher for the past six months as overall inflation has cooled.

YOY % CHANGE



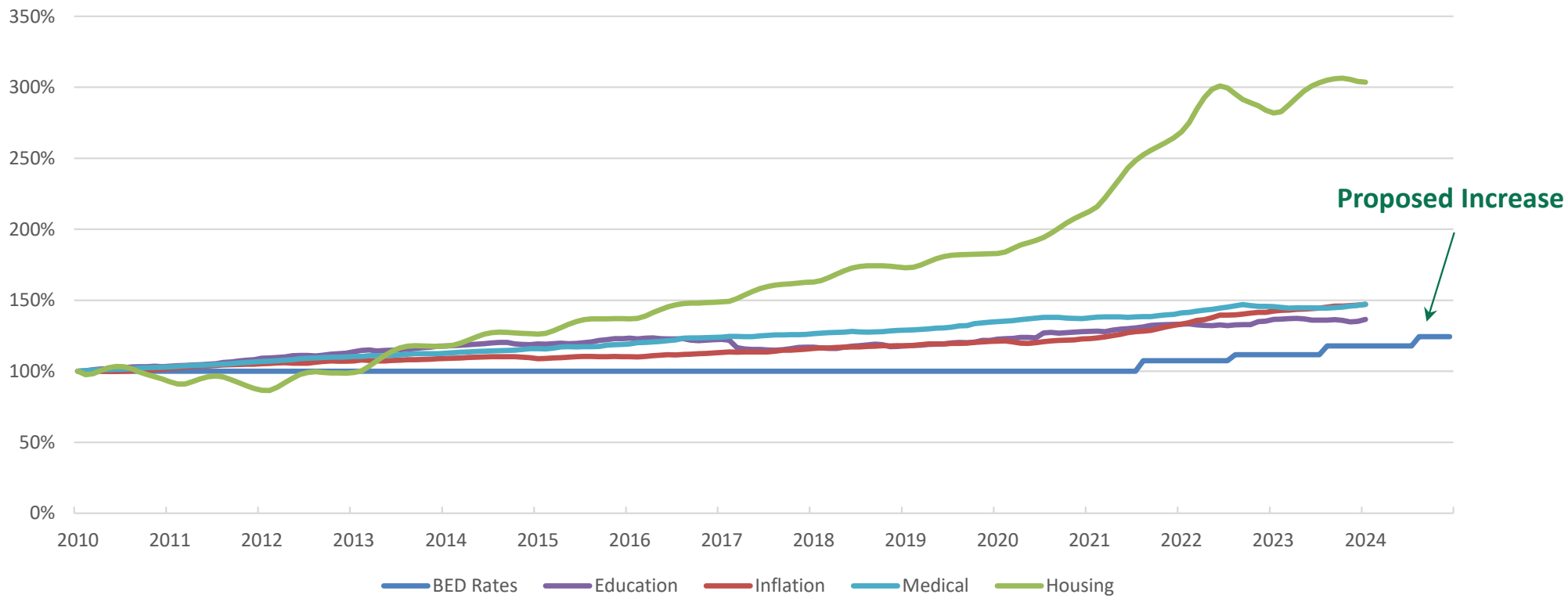
SOURCE: BUREAU OF LABOR STATISTICS

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- Nationally, electricity averaging 7.7% annual increases over past three years
- Transmission cost increases, volatility in fuel prices are drivers
- <https://www.utilitydive.com/news/us-electricity-prices-rise-customer-eia-outlook/710113/> and <https://money.usnews.com/investing/articles/5-areas-where-inflation-is-highest>



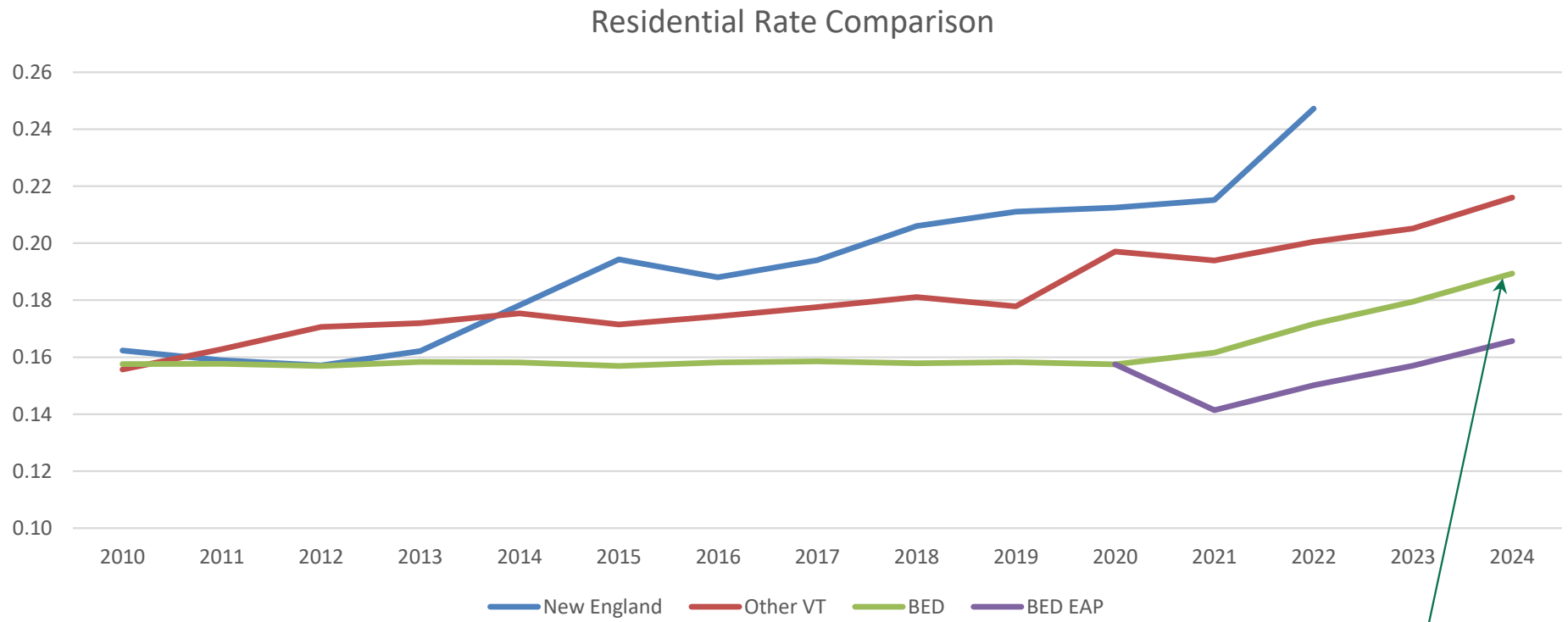
Change in Cost of BED Electricity vs. Other Goods/Services since 2010



¹ Data sources from FRED Economic Data and BED sales



Rate Comparison: Residential, 2010-2024



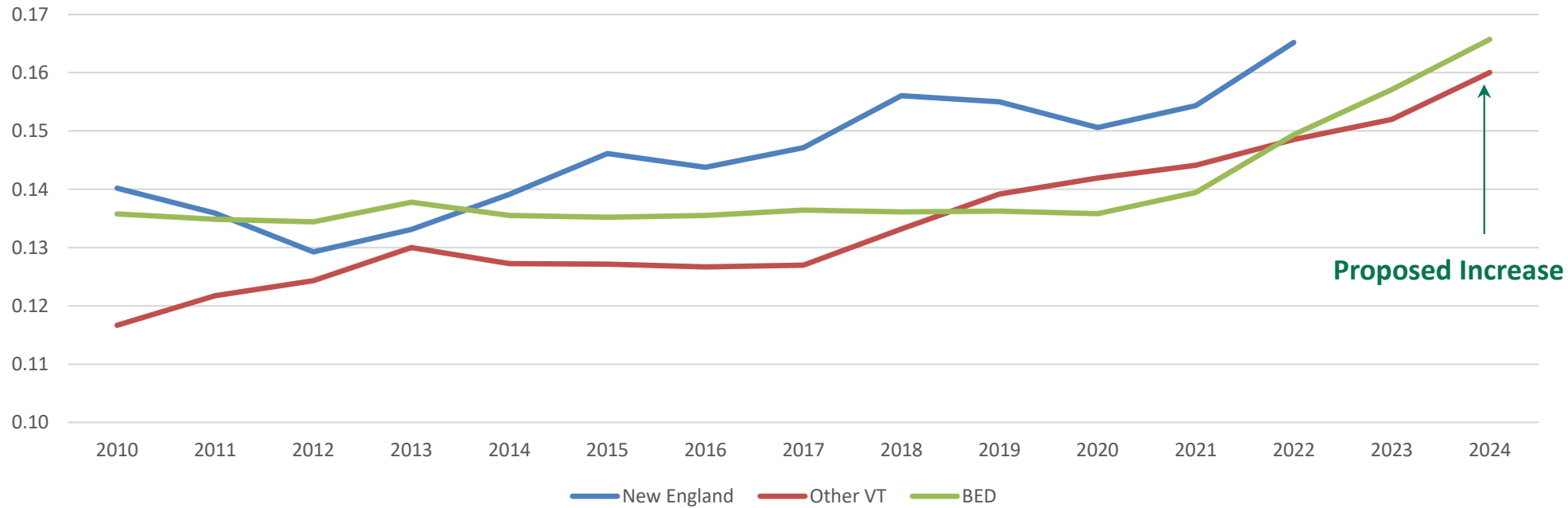
Proposed Increase

Source: BED sales data, EIA data up to 2022, Other VT 2023 and 2024 based on GMP rate increases



Rate Comparison: Commercial & Industrial, 2010-2024

Commercial & Industrial Rate Comparison

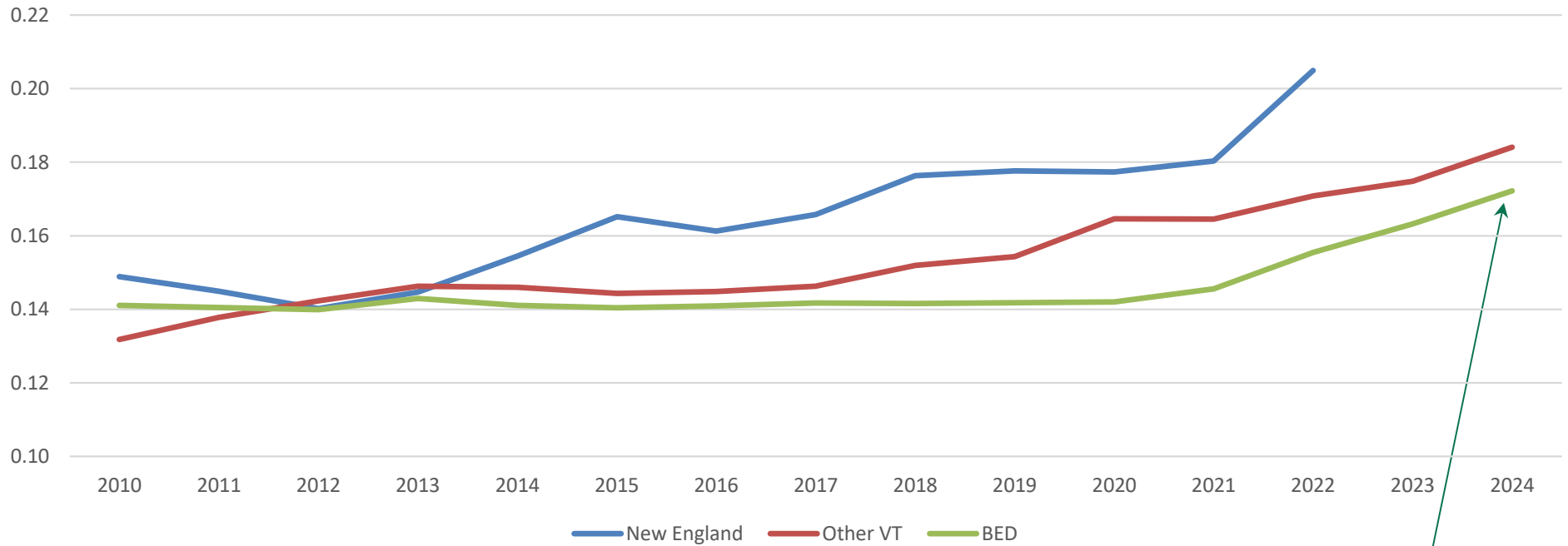


Source: BED sales data, EIA data up to 2022, Other VT 2023 and 2024 based on GMP rate increases



Rate Comparison: Total Cost to Serve, 2010-2024

Total Electric Rate Comparison



Source: BED sales data, EIA data up to 2022, Other VT 2023 and 2024 based on GMP rate increases

Proposed Increase



Effect on Customer Bills

Group	Average Monthly Use (kWh)	Average Monthly Bill ¹		
		At Current Rate	At Proposed Rate	Increase
Residential	410	\$82.05	\$86.56	\$4.51
Small General	417	\$103.73	\$109.44	\$5.71

¹ Accounting for Franchise Fee

² Calculations based on average monthly energy for rate classes. The rate increase will have larger bill impacts for customers with higher energy usage



Effect on Energy Assistance Program Customers

- Estimated bill impact is \$5.33/month¹ on average
- EAP enrollment can mitigate the rate increase impact on the monthly bill

Period	LMI Bill (Before EAP Credit)	EAP Credit
Current Rate	\$ 96.95	-\$12.12 (12.5%)
Proposed Rate	\$ 102.28	-\$12.79 (12.5%)

- Eligibility: 185% of Federal Poverty Level & Current Participant in Vermont State Fuel Assistance Program
- 238 customers enrolled as of 4-30-24. Anticipated to help 800-1,500 residential customers based on enrollment of eligible customers for similar assistance programs²
- Pilot program still in effect – waiting for PUC to approve final tariff

¹ Low/Moderate-income usage modeled on customers currently enrolled in BED's Energy Assistance Program (489 kWh/month)

² Anticipated enrollment based on uptake of eligible customers in other Vermont Energy Assistance programs (VGS: 14%, GMP: 25%)