

**MINUTES OF THE
MUNICIPAL LIGHT BOARD
FEBRUARY 10, 2014**

PURSUANT TO notice given the Wellesley Municipal Light Board (“Board”) met in the Wellesley Municipal Light Plant (“MLP”) Gordon F. Kingsley Board Room, 4 Municipal Way, at 5:30 PM.

PRESENT

Those present included Chairman Edward J. Stewart, III, Commissioners Paul L. Criswell, David A. T. Donohue, Owen H. Dugan and Katharine Gibson; Municipal Light Plant Director Richard F. Joyce and staff members Joseph A. Bisol, Kevin P. Bracken, Michael Coppellotti, Trevor P. Criswell, Debra J. Healy, William H. Marsh, Suzanne M. Newark, Donald H. Newell, Daniel J. Trant and James W. Verner. Advisory Representatives Andrew W. Patten and Thomas Frisardi were also in attendance as were Sustainable Energy Committee (“SEC”) members Suzy Littlefield and Ellen L. Korpi.

APPROVAL OF MINUTES

Upon a motion made by Mr. Criswell and seconded by Mr. Donohue, it was unanimously

VOTED: To approve the January 6, 2014 Public Session Minutes as written.

Upon a motion made by Mr. Criswell and seconded by Mr. Stewart, it was unanimously

VOTED: To approve the January 6, 2014 Executive Session Minutes as written.

CITIZEN SPEAK

The Chairman presented all of those in attendance with the opportunity to speak on matters of interest with respect to the MLP. No one in attendance wished to speak.

Mr. Stewart thanked Superintendent Donald H. Newell for his fourteen years of dedicated service and congratulated him for his selection as the Ipswich Municipal Light Plant Manager.

DIRECTOR’S ITEMS

Mr. Stewart recognized the success of the Town’s SEC and asked Ms. Littlefield and Ms. Korpi to provide an update. The SEC has promoted two successful Town-wide campaigns “Power to Choose”; and “Power to Save”. The SEC is in the beginning stage of offering a third campaign “*More* Power to Save” in addition to free home energy audits, this campaign includes thermal imaging of most Wellesley homes and solar installations. Sagewell is coordinating the SEC campaign with Astrum solar selected as the solar installer.

Solar Installation Rebate. The Director reviewed the benefits the MLP would receive from solar installations. The Forward Capacity Market (“FCM”) charge is expected to almost triple by

Fiscal Year 2017 (“FY17”). Using a five kilowatt (“5 kW”) solar installation as an example the MLP would receive just over 2 kW of capacity during the summer peak, Mr. Joyce estimated the annual financial benefit to be \$219.29 in FY17. In addition, solar installations provide transmission savings for six months, April through September. Estimated transmission savings of \$127.44 combined with FCM savings provide the MLP with an annual financial benefit of \$346.73.

Mr. Joyce reviewed three solar subsidy programs in which the MLP would realize paybacks of 2.9 years, 3.6 years and 5.0 years. Mr. Donohue discussed the solar incentives provided by federal and state programs. Mr. Criswell noted Wellesley had no generation plants in Town and encouraging solar installations was one of the few options available to reduce FCM and transmission costs. The Board discussed the cost-benefits of various incentives and upon a motion made by Mr. Dugan and seconded by Mr. Criswell, it was unanimously

VOTED: To establish a solar rebate program available to Wellesley property owners that install photovoltaic panels on their premises from this date forward through December 31, 2014. Funding will be provided from non-operating profits upon the MLP’s confirmation of completion. Solar rebates will be based on the number of installed kilowatts (“kW”) as follows:

Installation Size	Rebate
2.00 to 2.99 kW	\$700.00
3.00 to 3.99 kW	\$1,050.00
4.00 to 4.99 kW	\$1,400.00
5.00 to 5.99 kW	\$1,750.00
6.00 kW and above	\$2,100.00

Regional Greenhouse Gas Initiative (“RGGI”). Business Manager Debra J. Healy provided an update on the progress made with the RGGI legislation. All Massachusetts residents and businesses served by municipal electric companies are assessed a RGGI charge by ISO-New England (“ISO-NE”). Unlike investor-owned electric utilities, however, public power systems receive none of the RGGI funds back, for Wellesley this equates to a loss of \$200,000 annually. State Representative Alice H. Peisch is the lead sponsor of legislation that would require the return of RGGI funds to the MLP and the other 40 public power systems. Ms. Healy reviewed the amendments made to the legislation and was confident the revised legislation satisfactorily addressed any, and all, concerns raised. Mr. Joyce and the Board noted the exceptional leadership provided by Representative Peisch throughout this process.

Energy Portfolio. The Director identified five factors that resulted in energy costs exceeding the December 2013 forecast by \$700,000. These were:

- 1) Forecasts are developed as part of the Town’s annual budgeting process. The FY14 energy forecast was based on October 2012 data. In volatile markets such as New England’s natural gas prices the thirteen month interval results in significant fluctuations. For this reason the MLP staff relies on the Five-Year Financial Forecast which is updated periodically.
- 2) December base load requirements were under estimated by 3.5%, 750 megawatt hours (“MWH”).

- 3) Abnormally cold temperatures increased energy purchases by 5%, 1,000 MWH's.
- 4) ISO-NE ancillary costs to fund winter generation incentives tripled compared to December 2012.
- 5) Natural gas prices as a result of pipeline capacity constraints increased significantly resulting in spot market prices that reached \$1,600/per MWH.

December 2013 energy costs resulted in a complete review of the energy purchasing strategy. The staff modeled energy purchases ranging from 100% "peak hedged" to "100% open" portfolios. The 100% hedged strategy would have increased the MLP's costs by \$400,000 while the 100% open position would have resulted in a \$700,000 increase. Mr. Joyce was of the opinion the MLP had to adopt three purchasing strategies: 1) blend & extend for the winter months; 2) 80% – 90% base load hedge for shoulder months; and 3) 100% base hedged for summer months. The MLP staff will quantify these strategies and present final recommendations to the Board.

Financial Statements. Accounting Supervisor Joseph A. Bisol reviewed the December and Year-To-Date ("YTD") financial results. Despite the sharp increase in energy costs the MLP is on track to make a \$836,000 profit in FY14 prior to the Town payment. The MLP's ending cash balance of \$7.1 million compares to \$7.3 million in December 2012. Approximately one-fifth of the cash balance is reserved to offset the future cost of substation upgrades.

Distributed Antenna System ("DAS"). Negotiations continue between American Tower Corporation ("ATC") and cellular telephone carriers. All parties have entered into non-disclosure agreements, however, ATC has indicated the interest of the carriers has exceeded expectations. MLP staff and ATC have explored three sites for the DAS Hub with the Weston Road Substation appearing to be the most desirable. The Board and staff discussed the Weston Road location. Mr. Joyce was confident a DAS network for two carriers would be operational by the end of 2014.

Appliance Rebate Program. Office Manager, Suzanne M. Newark compared the FY14 Appliance Rebate activity to 2013. To date 168 rebate applications were received compared to 270 during the same period last year. Ms. Newark also compared the MLP's appliance rebates with programs offered by Massachusetts investor-owned electric utilities and public power systems similar in size to Wellesley. Ms. Newark concluded each program was unique and Wellesley's rebates were in line with those offered by other utilities.

Quarterly Reliability Report. Mr. Newell summarized the second quarter FY14 reliability results. The MLP only experienced five power outages between October 1, 2013 and December 31, 2013. A total of 107 customers experienced a service interruption with 71 of those having power restored within an hour. The MLP's System Average Interruption Duration Index for FY14 is below six minutes. Mr. Newell attributed the lack of outages to the Board's decision to upgrade the distribution infrastructure and an effective tree trimming program.

Administrative Building Refund. The Permanent Building Committee ("PBC") is close to resolving all outstanding building issues with the general contractor's bonding company. The PBC's project manager, Ryegate, Inc. estimates \$85,000 of unused contingency funds will be returned to the MLP. In addition, the Board and PBC previously agreed to \$145,000 settlement to compensate the MLP for costs incurred as a result of the eight month completion delay.

Telephone System. The Director updated the Board on the progress made to replace the telephone system used by the Department of Public Works (“DPW”) and the MLP. The replacement parts required to operate the current telephone system are largely unavailable. The MLP is working with School Department employee Joe Hutton in the design and purchase of a replacement telephone system. The School Department recently completed a competitive bid in the purchase of a new system. Mr. Hutton has been in contact with the winning bidder, Carousel Industries, to explore the possibility of providing the DPW and MLP with a telephone system at the same price as the School Department. In the past the MLP has purchased the telephone system for the DPW and was reimbursed over a three-year period. The Board expressed their support for the purchase of a new telephone system using the School Department’s vendor if prices were comparable.

Employee Attendance. During calendar year 2013 the MLP had 25 of 31 employees that never missed a day of work due to illness or work injury.

Town Payment. Article 8 of this year’s Town Meeting requires a Board vote to approve the \$1,000,000 payment to the Town. On a motion made by Mr. Stewart and seconded by Mr. Dugan, it was unanimously

VOTED: To provide the Town of Wellesley with a Fiscal Year 2015 payment of \$1,000,000 funded at the end of each quarter in \$250,000 increments.

Miscellaneous.

- Warrant Articles 10, 26 and 31 were reviewed; and
- Weston resident has requested to be served by the MLP.

Executive Session. The Secretary, Mr. Dugan, polled each Member for authorization to enter into Executive Session for the sole purpose of evaluating Supervisory and Production Union Bargaining Agreements and potential litigation of jointly-owned poles. Each Member responded in the affirmative and the Board entered into Executive Session at 7:40 PM.

Return to Public Session. The Board returned to Public Session at 8:05 PM.

ADJOURNMENT

The Board Meeting adjourned at 8:05 PM.

Respectfully submitted,

Owen H. Dugan, Secretary