

**MINUTES OF THE
MUNICIPAL LIGHT BOARD
MAY 12, 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, Michael Coppellotti, Trevor P. Criswell, Debra J. Healy, Cynthia R. Lowe, Suzanne M. Newark and James W. Verner. Also in attendance were Advisory Representative Andrew W. Patten and Sustainable Energy Committee Chair Ellen L. Korpi.

APPROVAL OF MINUTES

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

VOTED: To approve the February 10, 2014 Public Session Minutes as written.

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

VOTED: To approve the February 10, 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.

DIRECTOR'S ITEMS

Verizon Settlement. The Director reviewed the correspondence received from Verizon. Given the significant progress Verizon has made in the removal of double poles and replacement of Osmose poles, the MLP agreed to withdraw its complaint with the Massachusetts Department of Telecommunications and Cable. All Board Members were in agreement with the withdrawal.

Financial Statements. Accounting Supervisor Joseph A. Bisol reviewed the March 2014 and Fiscal Year 2014 (“FY14”) financial results. Purchase power costs continue to exceed the budget due to significant increases in spot market prices. The Board and Director discussed the MLP’s hedging strategy and the impact temperatures have on daily/hourly prices during summer and winter peaks.

As a result of purchase power and transmission increases the FY14 projected net income has been reduced to \$493,000 prior to funding the Town payment. Mr. Bisol reviewed the MLP’s non-operating revenues and year-to-date profit of \$862,000.

Quarterly Reliability Report. Supervisory Electrical Engineer, Michael Coppellotti reviewed the third quarter and year-to-date FY14 reliability reports. During the third quarter the MLP experienced three power outages compared to eight for the same period last year. Two of the three outages were motor vehicle accidents. Year-to-date 2,407 customers experienced an interruption of electric service compared to 4,156 through the third quarter of Fiscal Year 2013. The Board complimented Mr. Coppellotti for providing a detailed update and the staff for making reliability such a priority.

Wellesley College Amendment. Mr. Joyce summarized the Sixth Amendment To The Electric Supply Agreement (“Agreement”) with Wellesley College. This Agreement is very similar to the Fifth Amendment with the only change to the extension of the termination date to May 31, 2015. The Director also discussed the side agreement in which Wellesley College has agreed to purchase one megawatt of electricity from the MLP during all Fiscal Year 2015 (“FY15”) off peak hours. A secondary, but equally important component of the side agreement is Wellesley College’s continued commitment to participate in the Voluntary Renewable Energy Program. The College purchases an amount equal to 5% of their total electricity consumption at an annual cost of \$52,000. Upon a motion made by Mr. Donohue and seconded by Mr. Criswell, it was unanimously

VOTED: To authorize the Municipal Light Plant Director to execute the Sixth Amendment To The Electric Supply Agreement with Wellesley College as presented.

FY14 Director’s Objectives. To date 9 of 13 objectives have been completed. Two objectives, Open House and Energy Policy, will be completed during the month of May. MLP staff has received and confirmed much of the Other Post Employment Benefit (“OPEB”) information. The only remaining step is to complete a ballpark net present value calculation to confirm the reasonableness of the OPEB liability. The Director was confident OPEB would be completed but not the pension portion of the objective. Mr. Joyce was optimistic the Watson Plant cost-benefit would be finalized by the end of FY14.

Administrative Building Demolition. Town Meeting’s approval of Warrant Article 26 authorizes the MLP to proceed with the demolition of the former administration building at 2 Municipal Way. Demolition funding will come from the \$252,000 refund from the Permanent Building Committee and \$95,000 approved as part of FY15 Capital Plan. The preliminary hazardous materials remediation cost estimate exceeded the MLP’s budget due to the discovery of asbestos in the floor tiles throughout the building as well as the second floor acoustical ceiling tiles. To reduce remediation and demolition costs the MLP will combine the scope of work into one competitive bid solicitation and allow a window from August 22, 2014 through October 31, 2014 for completion. Mr. Donohue suggested language that required the contractor to remain on site and complete the demolition once started. All Board Members were in agreement.

Energy Policy. The MLP’s energy costs comprise approximately 60% of the annual operating budget. Recent spikes in hourly spot market prices have made it impossible to effectively hedge purchases with fixed blocks at firm prices. In January 2014 one hour in the spot market reached \$827/megawatt-hour (“MWH”). Since hourly peak price spikes are almost always driven by the temperature, the MLP’s current Power Supply Policy is ineffective during volatile summer and winter peak demand periods.

Mr. Joyce reviewed the MLP’s current hedged position from FY14 through December 31, 2018. During this period the MLP has hedged 633,000 MWH’s at a price \$3.7 million below current

market prices. The Director also reviewed monthly energy prices and the remaining "open" position through the end of 2018. Energy prices for calendar years 2017 and 2018 were well below FY15 reflecting the likelihood new natural gas pipelines would be constructed. The Board and staff were in agreement that the MLP should reduce, or eliminate the remaining open position if these MWH prices can be obtained from competitive bids.

The Director reviewed two strategies that would mitigate the exposure to price spikes during the winter and summer months. Energy New England ("ENE") has recommended a "Load Following" ("LF") strategy in which a supplier absorbs all of the risk of fulfilling the MLP's hourly energy requirements. ENE provided the staff with blended LF price estimates through 2018. The MLP also modeled an alternative hedging strategy which purchased 100% of the average monthly energy purchases using fixed blocks. The disadvantage of this strategy is that the MLP's portfolio would have some hours committed to purchase too much energy and require a sell back at a loss. There would also be hours the MLP would be required to purchase on the spot market.

Based on the models prepared by the MLP, the 100% fixed purchase would provide considerable savings compared to the LF alternative. Mr. Joyce attributed these savings to the premium suppliers would include in their price as compensation for the risk associated with providing energy during peak hours. The MLP's model did not quantify the exposure for the purchase of spot market energy and has asked ENE to complete that analysis.

The Board expressed their appreciation to the staff for the extensive analysis on the energy purchasing options. All Board Members were in agreement long-term prices created a good buying opportunity and the staff should eliminate the MLP's open position if prices can be locked-in through the competitive bid process. The Board was also in agreement that the savings achieved from the 100% purchase option were worth pursuing. The Board authorized the staff to pursue the MLP's 100% fixed purchase strategy subject to ENE's confirmation of the MLP's energy models.

ADJOURNMENT

The Board Meeting adjourned at 7:10 PM.

Respectfully submitted,

Owen H. Dugan, Secretary