

**MINUTES OF THE
MUNICIPAL LIGHT BOARD
SEPTEMBER 22, 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 Chair Katharine Gibson, Commissioners, Paul L. Criswell, David A. T. Donohue, Owen H. Dugan and Edward J. Stewart, III; MLP Director Richard F. Joyce and staff members Joseph A. Bisol, Kevin P. Bracken, Michael Coppellotti, Trevor P. Criswell, Debra J. Healy, Cynthia R. Lowe, William H. Marsh, Suzanne M. Newark, Kevin M. Sullivan, Daniel J. Trant and James W. Verner. Also in attendance were Advisory Representatives Thomas Frisardi and Frank Pinto and Sustainable Energy Committee Chair, Ellen Korpi.

APPROVAL OF MINUTES

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

VOTED: To approve the August 26, 2014 Public Session and 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

Solar Rebate Extension. The MLP has received a request from the Sustainable Energy Committee ("SEC") to extend the solar rebate for installations completed by June 30, 2015. The SEC solar campaign has been a success and the installer, Astrum, has not been able to complete the installations as timely as the SEC had expected. To date 56 Wellesley locations have registered for a solar installation with another 10 to 20 locations likely with the MLP's continued support. To date the MLP has funded approximately \$105,000 in rebates well below the \$175,000 upper limit amount estimated. Mr. Joyce was of the opinion there were four compelling reasons to continue the rebate:

- Wellesley homeowners and businesses are receiving a quality installation;
- Astrum's price is very competitive especially now that the Town has attained the 250 kilowatt ("kW") threshold;
- SEC has implemented an effective process with the Town's Building Department for the issuance of a solar building permit; and
- Even with the extension the MLP would not exceed the \$175,000 budgeted amount.

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

VOTED: To extend the Municipal Light Plant's solar rebate program to Wellesley homeowners and businesses that sign-up for a solar installation by December 31, 2014 conditional upon the installation being completed and operational on, or before, June 30, 2015.

Financial Statements. Accounting Supervisor, Joseph A. Bisol reviewed the July 2014 financial results. The MLP's net income of \$238,000 was \$25,000 less than July 2013. Below normal temperatures for the month resulted in a 10% reduction in kilowatt-hour ("kWh") sales. The MLP has available cash of \$7,414,000 of which \$2,000,000 has been set aside for major infrastructure improvements. Based on the Fiscal Year 2015 ("FY15") budget the MLP is projecting a profit of \$600,000 if a 5% rate increase is implemented in November.

Mr. Stewart asked why Forward Capacity Market ("FCM") costs increased by 24% compared to last July. Mr. Joyce said the increase was due to a change in the accounting for Watson capacity costs. In the past Watson's capacity was based on a formula that multiplied the current FCM price by the MLP's 10,500 kW entitlement. ISO-New England calculates the FCM charge based on the construction cost to place new generation assets in service. Reflecting the Braintree debt expense as a FCM cost is consistent with the methodology used by ISO-New England. In FY15 all of Watson's debt costs are included in the allocation. This re-allocation has no impact on the Income Statement or Balance Sheet. Mr. Stewart asked if the staff can revise the prior year's FCM and purchased power expenditures for comparative purposes. The staff will provide the comparison at the October Board meeting.

Telephone System Funding. The MLP received a request for the temporary funding of a Town-wide telephone system. Town Departments are experiencing the same problems the MLP encountered in February 2014. Various components of the telephone system have been failing and since no new parts are being manufactured repairs are being made with second-hand parts. The Town had planned to systematically replace the telephone system over three years. The FY15 budget included \$80,000 to begin the replacement process.

The request from Mr. Larsen and Mr. D'Orazio is for the Board to approve a transfer of \$80,000 from the MLP to allow the Town to replace the telephones for all departments. This replacement includes the following buildings:

- Town Hall;
- Main Library;
- Warren Building;
- Police Station; and
- Fire Station #1.

Mr. Dugan asked if telephones within all Town Departments would be compatible. Mr. Joyce said all telephones would be Avaya and all Town Departments, including the MLP, would realize annual savings from a shared maintenance agreement and centralized administration by the Information Technology Department. Upon a motion made by Mr. Donohue and seconded by Mr. Dugan, it was unanimously

VOTED: To approve the Municipal Light Plants' transfer of \$80,000 to the Town of Wellesley Information Technology Department for

the partial funding of a Town-wide Avaya telephone system; it is further agreed that the Municipal Light Plant will be reimbursed by receiving three equal payments of \$26,666.66 in Fiscal Years 2016, 2017 and 2018.

Tuition Reimbursement Policy. Commissioner Criswell recused himself and left the meeting. The Director outlined a number of problems the MLP has experienced with the Town's Educational Benefit Program. The two major issues are with the \$300/per term reimbursement restriction and the overly burdensome approval process. The Town's policy was last updated in April 1997 and does not provide a real financial incentive for employees to further their education. The \$300 reimbursement pertains only to management and non-represented employees. For comparison purposes Mr. Joyce summarized the educational reimbursement financial incentives provided within the bargaining agreements for the Police Department, Fire Department and School Department.

Under Massachusetts General Law, Chapter 164, the Board and Director have complete authority for all facets of the MLP's operations. Mr. Joyce asked the Board to exercise that authority in the approval of a more current Tuition Reimbursement Policy for MLP employees. The Board was in agreement more financial incentives/rewards should be provided to management employees taking courses during non-work hours. The Board and Director discussed various reimbursement options and the need to include language requiring the re-payment of the incentive should employees voluntarily terminate their employment soon after completing the approved educational course. The Board asked to have the Tuition Reimbursement Policy placed on the next agenda with the recommended improvements.

Distributed Antenna System ("DAS"). Mr. Criswell returned to the meeting. The MLP and American Tower Corporation ("ATC") have made a great deal of progress in the conceptual design of a Town-wide DAS network. ATC is continuing to negotiate with carriers and is optimistic that a collocation agreement could be finalized with one carrier within the next four months. The staff is working on a firm cost estimate for the fiber installation while ATC is finalizing the costs for the hub and node equipment. If all continues to go well the MLP's final cost estimate will be completed in mid-October.

Energy Purchase. The MLP has begun implementing a 100% balanced block strategy by locking-in fixed prices. On September 15, 2014 Energy New England requested firm prices from the nine power suppliers the MLP has master agreements with. Prices were requested for the full amount of the "open position" for FY15 through FY19. From September 8th when ENE provided formal notification to suppliers until September 15th two events resulted in a spike in wholesale electricity prices:

- Prediction of below normal winter temperatures in the northeast; and
- Announcement by Algonquin Gas of a steep increase in their delivery costs.

Based on prices received the staff decided to reject all bids for FY15 through FY18. Two prices were selected for FY19. Both Shell Energy North America and EDF Trading North America submitted identical prices of \$63.65/megawatt-hour ("MWH") for 25% (50,668 MWH's) of the FY19 energy requirements. The staff will continue to monitor winter prices and expects to enter into fixed contracts and significantly reduce spot market purchases for the remainder of FY15.

Five Year Financial Forecast ("Forecast"). Trevor P. Criswell reviewed the draft Forecast for FY15 – FY19. Two important assumptions influenced the Pro Forma Income Statement and Statement of Cash Flow: 1) no load growth throughout the Forecast period; and 2) 5% rate increase implemented in November 2014. Much of the Forecast is focused on the financial impact of FCM price increases beginning June 1, 2016. Based on the latest ISO-New England

FCM auction, the staff expects capacity prices to increase by 260% from FY16 to FY18. This cost increase alone would result in a rate increase of 18%. The Board reviewed the impact of the 5% rate increase. Available cash would increase from \$7.2 million to a high of \$9.2 million in FY17 and down to \$2.4 million at the end of FY18.

The Board expressed concerns regarding the creation of a Rate Stabilization Fund with the 5% rate increase. Mr. Joyce referred to the United States Energy Information Administration rate comparison included in the Forecast. Wellesley's average electric rate, excluding the discount, is 12.69 cents while the average electric rate in Massachusetts is 18.19 cents. Since Massachusetts electric consumers are currently paying 43% more than those served by the MLP, even with a 5% increase Wellesley's rates will remain below the average. It was also noted the RSF would be in effect for a short period of time as higher FCM prices would go into effect on June 1, 2016.

The Board asked the staff to prepare forecasts with various rate increase assumptions. The staff was also asked to calculate the monthly cash impact various rate increases would have on customers.

Miscellaneous

- 1) Letter of appreciation for the \$1,000 donation to the Doug Flutie, Jr. Foundation for Autism from the MLP's golf tournament;
- 2) Building demolition "Notice to Proceed" to J. R. Vinagro Corporation;
- 3) Recognition of the superior accounting services provided by Joseph A. Bisol; and
- 4) Mr. Dugan provided an update on the progress the Town is making in its evaluation of the purchase of the "North 40" from Wellesley College.

Executive Session. The secretary, Paul L. Criswell polled each member for authorization to enter into Executive Session for the sole purpose of discussing the MLP's negotiations with the expansion of plant assets and the Director's employment contract.

Return to Public Session. The Board returned to Public Session at 8:00 PM.

ADJOURNMENT

The Board Meeting adjourned at 8:00 PM.

Respectfully submitted,

Paul L. Criswell, Secretary