

**MINUTES OF THE
MUNICIPAL LIGHT BOARD
OCTOBER 20, 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, William H. Marsh, Suzanne M. Newark, Kevin M. Sullivan, Daniel J. Trant and James W. Verner. Also in attendance was Advisory Representative Frank Pinto.

APPROVAL OF MINUTES

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

VOTED: To approve the September 22, 2014 Public Session Minutes as amended and the September 22, 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.

Special Town Meeting. Mr. Dugan provided the Board and staff with an update on the Warrant Articles for the October 27, 2014 Special Town Meeting. Commissioner Criswell discussed the potential use of a portion of the "North 40" land for a solar farm.

DIRECTOR'S ITEMS

Energy Comparison. Excluding Wellesley College, Fiscal Year 2015 ("FY15") megawatt-hour ("MWH") sales are down by 10% compared to July and August of last year. To determine the accuracy of the MLP's energy forecast the staff reviewed each individual component of energy expenses. For this period energy costs from Energy New England ("ENE") and Braintree's Watson Plant were estimated to be \$55.50/MWH. Actual costs were \$57.58/MWH. Based on MWH sales of 46,674 this added cost of \$2.08/MWH increased energy costs by \$97,000 for these two months. The cost increase was directly attributable to the MLP's balanced block purchasing strategy which resulted in excess power during unseasonably moderate summer temperatures. Although not an "apples-to-apples" comparison, the load following purchasing strategy included a 10% premium and would have increased costs by \$247,000.

Mr. Joyce was more concerned with the increase in "ancillary costs" charged by ISO-New England. The MLP projected these costs to be \$95,000 while actual costs of \$233,000 exceeded the estimate by \$138,000. The staff also noted July and August 2014 costs exceeded the prior year's costs by \$128,000. At the current monthly rate ISO-New England's ancillary costs would add \$600,000 to the MLP's energy costs. The Board and staff discussed the need for this

additional compensation to generators. Trevor Criswell will follow-up with ISO-New England and request an explanation.

Forward Capacity Market. To accurately account for Forward Capacity Market ("FCM") costs the FY15 Financial Statements were revised to reflect the MLP's share of the Watson Plant capital investment cost. In prior years the annual expense was based on the then current FCM charge. The Director compared FY15 costs using the prior methodology and noted there was no change to the Income Statement or Balance Sheet other than a re-allocation of FCM and energy expenses beginning in FY15.

Financial Statements. Accounting Supervisor Joseph A. Bisol reviewed the Financial Statements. The Balance Sheet available cash of \$7.2 million compared to \$6.8 million for FY14. Mr. Bisol attributed this increase to changes made by Financial Services for the MLP's funding of pension and Other Post Employment Benefit ("OPEB") expenses. In the past the MLP's annual pension and OPEB obligation was funded with one lump sum payment at the beginning of the fiscal year. In FY15 these payments are being spread-out over three transfers. Mr. Bisol also reviewed page 15, "Fiscal Year 2015 Comparative Operating Statement" and noted FY15 net income after the \$1 million Town Payment was less than \$250,000.

Reliability Report. For the first quarter of FY15 the MLP experienced seven electrical outages affecting 283 customers. Of this amount, 269 (95%) had electricity restored within an hour. This compares to seven outages for the first quarter of FY14, however, last year 2,275 customers were without power. Of the seven FY15 outages, three were caused by squirrel contact, two were weather related, one each from a motor vehicle accident and cable fault.

Fiscal Year 2016 ("FY16") Capital Plan. Superintendent James W. Verner presented the MLP's \$2,861,906 capital request. Of this amount, \$2,541,906 (89%) is for infrastructure upgrades, \$250,000 (9%) for vehicle replacement and \$70,000 (2%) is for general plant. The FY16 Capital Plan is \$220,000 below last year's estimate and the lowest amount for the past five years. Mr. Verner explained the benefit for each individual project. The Walnut Area conversion would provide the additional benefit of a tie-line between both Wellesley and Nstar's substations. The primary benefit of the tie-line is to restore electricity more quickly with a secondary benefit of maximizing substation use rights. The Board asked how often the Osmose pole survey should be performed and if this work could be done in-house. Mr. Verner said a complete pole survey should be done every ten years. He was also of the opinion Osmose staff could verify the pole conditions more accurately and less expensively than MLP line operation employees. The Board and staff discussed the Five-Year Capital Plan and vehicle purchase in more detail. Upon a motion made by Mr. Criswell and seconded by Mr. Dugan, it was unanimously

VOTED: To approve the Fiscal Year 2016 Capital Work Plan budget of \$2,861,906 as presented.

Distributed Antenna System. Kevin M. Sullivan reviewed the development of a distributed antenna system ("DAS") budget. Radio frequency tests have been completed at the various locations requested by American Tower Corporation ("ATC"). Based on these results fifty-eight (58) tentative DAS locations were identified. ATC has established a November 1st goal to present a firm budget estimate to be utilized in negotiations with one of the major carriers. The current schedule anticipates a collocation agreement will be finalized during the first week of December. Once this agreement is approved the name of the carrier and node locations can be made public. The Board and staff discussed the bidding and installation timelines. Mr. Joyce was of the opinion the MLP would be able to install 150,000 feet of fiber optic cable by the end of FY15.

Mr. Sullivan circulated 144-strands of fiber cable and discussed the importance of having the highest quality of splicing. The MLP has identified a number of contractors to solicit competitive bids from for the splicing. The Board thanked the staff for all of its effort to bring wireless coverage to Wellesley businesses and residents without installing large cell towers.

FY15 Director's Objectives. Mr. Joyce informed the Board that none of the MLP's fourteen objectives were completed during the first quarter. Significant progress was made in the following six objectives:

- 1) DAS design and installation;
- 2) Evaluation of Joint-Pole Agreement;
- 3) Remediation and demolition of vacant building;
- 4) Evaluation of capacity cost increases;
- 5) Replacement of telephone system; and
- 6) Establishment of new safety record.

Vacant Building Demolition. The Director reviewed the milestones achieved for the demolition of the vacant administration building. The contractor, J. R. Vinagro, was three days ahead of schedule with the remediation of asbestos and other hazardous materials. The delay in receiving the demolition permit will likely push the demolition behind schedule. The contractor could not apply for the demolition permit until all utilities were disconnected and electricity was required for the remediation. When Vinagro submitted its demolition application they were informed it would take 10 to 14 days to process. Even in the worst case the Director expected the demolition to be completed by Thanksgiving.

Commissioner Paul L. Criswell left the meeting.

Tuition Reimbursement. The Board reviewed the proposed Tuition Reimbursement Policy and requested two revisions: 1) an increase in the amount of reimbursement; and 2) a sliding scale reduction in the two-year employment requirement to payback the tuition reimbursement. Mr. Joyce will revise the Policy as requested and include on the November Board agenda.

Commissioner Paul L. Criswell returned to the meeting.

Electric Rate Increase. The Director reviewed the increased power supply costs the MLP has incurred since the 5% rate reduction was implemented in October 2012. In Fiscal Year 2012 transmission costs were \$3.4 million. This past year these same costs increased to \$4.6 million. Significant increases in ISO-New England "ancillary" expenses have also been experienced in the first quarter of FY15. At the current rate "ancillary" costs will exceed FY14 by \$600,000. The 5% rate increase would generate approximately \$1.5 million. Mr. Joyce recommended an increase in the Purchase Power Adjustment charge from \$0.04086/per kilowatt-hour ("kWh") to \$0.04722/per kWh. This would result in an average increase of 5% for all Wellesley electric ratepayers. The actual percentage increase would depend on each consumer's monthly usage. Wellesley residents consuming 750 kWh's a month would see an increase of \$4.77. Even with the increase the MLP's electric rates will remain among the lowest in Massachusetts and New England. Upon a motion made by Mr. Stewart and seconded by Mr. Criswell it was unanimously

VOTED: To increase the Municipal Light Plant's Purchase Power Adjustment charge from \$0.04086/per kilowatt-hour to \$0.04722/per kilowatt-hour effective with the November cycle billings.

Next Meeting. The next Board meeting was scheduled for Monday, November 24, 2014 at 5:30 PM.

ADJOURNMENT

The Board meeting adjourned at 7:15 PM.

Respectfully submitted,

Paul L. Criswell, Secretary