

**MINUTES OF THE
MUNICIPAL LIGHT BOARD
JUNE 30, 2015**

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 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 was Advisory Chair, Thomas Frisardi.

APPROVAL OF MINUTES

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

VOTED: To approve the May 19, 2015 Public Session Minutes as written.

CITIZEN SPEAK

The Chair 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.

Employee Recognition. Board Chair, Katharine Gibson recognized Richard F. Joyce and Debra J. Healy for their twenty years of service. Both Ms. Healy and Mr. Joyce said it was an honor to work for such a professional Board and great community.

DIRECTOR’S ITEMS

Financial Statements. The Director reviewed the forecast versus actual financial results for May. Net Income for the month exceeded the forecast by \$100,000. The Board and Director reviewed the Available Cash on page 3 of the Financial Statements. Compared to May 2014 the MLP’s 2015 cash has decreased by \$934,000. Mr. Joyce identified the following “one time” expenses that total \$1,335,000:

Verizon Pole Purchase	\$308,000
Distributed Antenna System	475,000
Building Demolition	315,000
Telephone System Purchase	117,000
Solar Rebate	120,000
Total	<u>\$1,335,000</u>

Old Substation Roof Replacement. The Town’s Facilities Director, Joseph F. McDonough has been working with the MLP’s insurance carrier, Massachusetts Interlocal Insurance Association (“MIIA”) to determine the amount of coverage available to replace the Old Substation roof damaged by wind gusts on March 18, 2015. The Old Substation was built in the early 1900’s and is a designated historical building. MIIA has agreed to replace the copper roof to preserve its historical status. The MLP will be responsible for the \$25,000 deductible.

The Director followed-up with the Wellesley Historical Commission (“WHC”) and Community Preservation Committee (“CPC”) as requested by the Board at the April meeting. Both the WHC and CPC appear to be interested in preserving the Old Substation and willing to evaluate a funding request. The Board and Director discussed a number of issues that needed to be addressed prior to requesting CPC funds. Everyone was in agreement the Old Substation renovation/preservation should be a priority in Fiscal Year 2016.

Eversource Dig Safe Violation. Superintendent James W. Verner received a telephone call from the Department of Public Utilities (“DPU”) questioning the MLP’s Dig Safe mark-out on February 11, 2015 when Eversource dug into the MLP’s sub-transmission lines. Mr. Verner expressed concerns that the DPU would ignore the MLP’s photographs and other evidence and rely solely on Eversource testimony. The Board and Mr. Joyce discussed the previous decision in which the DPU concluded Eversource was in violation. Mr. Joyce stated he would address the misinformation Eversource provided in a written rebuttal the following day. The Board requested that a copy of the rebuttal be provided to State Representative Alice Hanlon Peisch.

Distributed Antenna System (“DAS”) Update. Assistant Superintendent Kevin M. Sullivan reviewed the time line and cost estimate for the fiber installation. The MLP is on schedule to complete the installation by the end of July. The forty-five (45) pole-mounted antennas will be purchased by American Tower Corporation (“ATC”) and installed by the MLP. ATC has finalized a License Service Order (“LSO”) with a major carrier. The LSO involves all 45 pole antennas and three (3) within the Babson College campus. Mr. Sullivan was confident the DAS installation schedule was achievable and provided positive feedback with respect to the partnership with ATC. Mr. Dugan anticipated that the MLP Board and staff would receive a significant number of inquiries once the location of the DAS nodes was communicated throughout the Town. Mr. Joyce said the locations could be communicated to the public but the name of the carrier had to remain confidential until the network was operational.

Fiscal Year 2015 (“FY15”) Write-Offs. Customer Service Supervisor William H. Marsh reviewed the MLP’s procedures to collect water, sewer and electric revenues. FY15 was an extremely difficult year in collections with the proposed write-off of \$85,021.17. This compares poorly to the five-year average of \$17,729. Eleven (11) residential accounts totaling \$67,205.99 were deemed to be uncollectible. This amount included \$20,229.62 of accumulated interest. In FY15 there were six (6) commercial accounts totaling \$17,815.18 that were uncollectible. The Board and Mr. Marsh discussed the electric termination policy and retention of Wellesley attorney Richard J. Plouffe. Mr. Marsh informed the Board that there were no proposed write-offs of water and sewer accounts. All Board Members expressed a concern regarding the increased write-offs in FY15 and requested more frequent updates throughout Fiscal Year 2016 (“FY16”). Upon a motion by Mr. Donohue and seconded by Mr. Criswell, it was

VOTED: To approve the write-off of the eleven residential and seven commercial electric accounts in the amounts of \$67,205.99 and \$17,815.18, respectively.

FY16 Streetlight Rate. Massachusetts allows two different methodologies for establishing public power streetlight rates: 1) cost of service; or 2) Massachusetts General Law 164, section 58 formula. Given that the formula methodology was 4.1 cents per kilowatt-hour less than the cost to serve, the Board expressed a preference to continue using the formula since the Town would realize a FY16 savings of \$77,000. Upon a motion by Mr. Donohue and seconded by Mr. Dugan, it was unanimously

VOTED: To establish the Fiscal Year 2016 streetlight rate using the formula within Massachusetts General Law 164, section 58 which resulted in a charge of \$0.12924/per kilowatt hour.

Distributed Generation. Kevin M. Sullivan summarized the cost-benefit analysis for an investment in distributed generation (“DG”). Mr. Sullivan along with committee members Kevin P. Bracken, Trevor P. Criswell and Daniel J. Trant have concluded there are too many unknowns at this time to warrant a \$2.1 million investment. The Committee ruled out natural gas DG due to the cost to construct a gas line to the MLP’s Wellesley Hills Substation. A two megawatt diesel generation provided a border-line, positive financial result, however, the majority of the benefits would not be realized until the debt was retired in 2036. The Board and staff discussed the key assumption which projected a \$7.70 Forward Capacity Auction (“FCA”) price beginning in 2020. A lengthy discussion ensued relative to the numerous variables that will affect FCA prices over the next twenty years. The Board and staff agreed that an investment in energy conservation initiatives was a better alternative than a riskier investment in DG.

Internet Exploratory Committee. A number of Massachusetts public power systems are beginning to offer Internet services. The Director was of the opinion the MLP should evaluate this opportunity by creating an ad hoc Internet Exploratory Committee (“IEC”). Similar to the DAS committee the IEC would be comprised of Board Members, MLP staff and Town residents with Internet expertise. Mr. Joyce discussed the many contributions James Eisenstein and Gary McCabe provided in the DAS decision-making process. All Board Members were in agreement and authorized the Director to form an ad hoc IEC.

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

VOTED: To elect the following slate of Municipal Light Board Officers for Fiscal Year 2016:

Chair: Owen H. Dugan
Vice-Chair: David A. T. Donohue; and
Secretary: Paul L. Criswell

Executive Session. The Secretary, Paul L. Criswell polled each Board Member for authorization to enter into Executive Session for the sole purpose of discussing the extension of the Employment Agreement for the Director and the continuation of the Management Team Bonus. Each Board Member responded in the affirmative and the Board entered into Executive Session at 7:20 PM.

Return To Public Session. The Board returned to Public Session at 8:00 PM. Those present included Chair Katharine Gibson, Commissioners, Paul L. Criswell, David A. T. Donohue, Owen H. Dugan and Edward J. Stewart, III. Also in attendance was Advisory Chair Thomas Frisardi.

Management Team Bonus. With Mr. Criswell abstaining, upon a motion made by Mr. Dugan and seconded by Mr. Stewart, it was unanimously

VOTED: To continue the Municipal Light Plant’s Management Team Bonus program initially designed by Susan P. Williamson in 2001 and re-evaluated in 2015 by RP Consultants with the following revisions:

- Bonus pool will be reduced from 10% to 6%; and
- Increased bonus payment to Assistant Director and Superintendent with the establishment of a two-tiered bonus distribution.

Director's Employment Agreement. Upon a motion made by Mr. Donohue and seconded by Mr. Stewart, it was unanimously

VOTED: To extend the Municipal Light Plant's Director, Richard F. Joyce Employment Agreement to June 30, 2018 with a 5% increase in the salary that was last increased on July 1, 2013.

ADJOURNMENT

The Board Meeting adjourned at 8:05 PM.

Respectfully submitted,

Paul L. Criswell, Secretary

**EXECUTIVE SESSION MINUTES OF THE
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JUNE 30, 2015**

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PRESENT

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Mr. Criswell left the meeting at 7:20 PM.

Management Team Bonus (“MTB”). Mr. Joyce reviewed the management salary survey spreadsheets prepared by RP Consulting. When the MTB was established in 2001 the MLP’s management salaries were 10% below comparative systems. The 2015 survey indicated MLP salaries were 14% below the eight comparative systems and 8% below those six systems of similar sizes. The Board and Director discussed the lack of turnover among management employees and the positive impact of the MTB. Mr. Joyce also discussed how the bonus pool was funded by external business revenues and not by Wellesley electric ratepayers.

The Director was of the opinion the bonus program played an important role in promoting a “team first” culture. Since its inception MTB objectives have successfully established priorities for safety, reliability, dark fiber leases, T-Mobile network, Acton and Newton streetlight maintenance, Mass Development-Devens, Verizon pole purchase and the on-going distributed antenna system (“DAS”) deployment. Mr. Joyce recommended the adoption of the two-tier bonus distribution to compensate the Assistant Director and Superintendent for expanded roles in the MTB. The Director also recommended a reduction of the bonus pool from 10% to 6%. When the MTB was established in 2001 only seven management positions participated. Due to the success of the program three positions were added during the past fourteen years. The Board Members expressed their support for the continuation of the MTB along with the recommended revisions.

Mr. Criswell returned to the meeting at 7:40 PM.

Richard F. Joyce Employment Agreement. Mr. Joyce and the Board discussed the MLP’s accomplishments in the recent past and the many challenges all electric utilities must address during the next few years. The MLP’s challenges will also include the initial 48-node DAS deployment and future expansion. The Director expressed his appreciation to serve Wellesley residents and businesses for the past twenty years and the opportunity to work with such a committed and professional Board. Mr. Joyce and the Board discussed various extension options and salary expectations.

Mr. Joyce left the meeting at 7:55 PM.

Board Members discussed extending the length of the Employment Agreement for up to three years at various levels of compensation.

ADJOURNMENT

There being no further items to be discussed in Executive Session, Mr. Criswell polled each individual Member to return to Public Session. Each Board Member responded in the affirmative and adjourned the Executive Session at 8:00 PM.

Respectfully submitted,

Paul L. Criswell, Secretary