

**Mansfield Municipal Electric Department
Minutes of Light Commissioners Meeting
March 25, 2013**

Present: Chairman George Dentino, Commissioner Kevin Moran, Commissioner Jess Aptowitz, Commissioner Olivier Kozlowski, Director Gary Babin, Financial Assistant Jacqueline Lee and Town Manager William Ross

Absent: Commissioner Douglas Annino

The meeting was called to order at 7:10 PM followed by the Pledge of Allegiance. Chairman Dentino stated that this meeting was being televised live and taped by Mansfield Cable Access.

Motion: To approve the minutes of the December 12, 2012 Light Commissioners meeting (Kozlowski/Aptowitz) Passes 3/0/1 (Moran abstains)

Motion: To approve the minutes of the January 23, 2013 Light Commissioners meeting (Kozlowski/Aptowitz) Passes 4/0

Cost of Service and Rate Design - Mayhew Seavey of PLM, who was at the October Light Commissioners meeting to present the results of a cost-of-service study and proposed rate changes, again appeared in front of the Board. Mr. Seavey said that according to his analysis, MMED's future net income is forecast to remain the same and there is no need to increase rates.

He addressed a question that was raised at the October meeting as to whether to lower LT/HT commercial rates to a 5% overall rate of return. Mr. Seavey reported that in FY14 there will be a large increase in depreciation expense because of new substation so that the rate of return would drop to 3.2% before the PILOT. He stated that if the LT/HT rates were lowered to a 5% rate of return then the LT/HT rates would be more competitive with National Grid. He also pointed out that to do so would lower overall revenue by one-half million dollars and that it is not sustainable unless something else was done to make up for this loss of revenue.

Mr. Seavey then reviewed two options. The first is for MMED to raise the residential rate immediately by a one cent increase in order to restore the lost LT/HT revenues. The second option is to have a ½ cent increase in 2014, also in the residential rate, and another ½ cent increase in 2015. He pointed out this would make sense given the minimal rate of return on the residential class and that this increase would be offset by a decrease in power supply costs.

Commissioner Moran asked Mr. Seavey if he saw any possible fluctuation in the power market prices in the next five years, maybe a spike that would affect MMED. Mr. Seavey answered that the rates are quite stable.

Commissioner Aptowitz said did not agree with having the residential revenues make up for the lost business revenues. He is not in favor of increasing the residential rates. He believes everything should just be left alone to fall where it may.

Commissioner Moran thought the Board should follow Mr. Seavey's suggestions, pointing out that they are trying to market the industrial park to businesses because of the need to increase the tax base. He stated that he is also for the residents and believes this makes the most long-term sense for the residents.

Commissioner Kozlowski said that in the beginning of the discussion Mr. Seavey talked about how just reducing the commercial rates and doing nothing to compensate for that would not be sustainable. He wondered, however, if MMED could get by even a year or two without touching the residential rates. Mr. Seavey said he was not sure but could take a look at the model. He believed that over the course of five years it would not be a good trend. Director Babin added that if MMED simply reduced the commercial rates without a residential adjustment it would mean supporting capital expenses out of depreciation instead of operating cash.

Town Manager Ross reminded the Board that MMED is subject to severe storms and to plan for those unforeseen circumstances you have to have cash on hand to rebuild the infrastructure. If MMED were to cut back on commercial rates without raising the residential rates then one option would be for MMED to cut back on capital expenses but right now there is a plan to connect the two substations. He told the Board that they need to decide what direction they want to take. Mr. Ross also commented that municipalities have always been known for favoring the residents when implementing rates.

Chairman Dentino said that it doesn't bother him to leave things the way they are and he thinks the rate of return is fine. He believes it should be status quo with the residents while MMED treads water. He stated that since MMED does such a good job with maintenance of transformers, cutouts, etc. that there should not be a great need for cash for those sorts of expenses.

Commissioner Aptowitz commented that the depreciation fund will grow because of the new substation. Commissioner Moran stated that he is concerned that in 3-5 years there won't be enough tax revenue coming out of the industrial park. He believes that either services will then need to be cut or the tax base will need to be increased.

Town Manager Ross asked the Board if he is hearing that they want to keep rates as they are. Chairman Dentino said that he would like to have Commissioner Annino there before they take a formal vote.

FY14 Capital Budget - Director Babin first reviewed the FY14 capital budget of \$3,208,903 which the MMED staff had developed and presented to CIP. Within the capital budget there are four project classifications. The first classification is one-time projects which include two fiber optic projects, the paving of Bird Road and the installation of the new third circuit from the Bird Road Substation.

The second classification is recurring projects which includes overhead single phase primary upgrades; direct burial underground residential single phase upgrades; the East Mansfield manhole and conduit extension; advanced radio read meters and pole replacements.

The third classification is billable projects. An example of that would be the service for the new plaza on School Street.

The fourth classification is projects that are classified by plant account, which Director Babin reviewed.

Commissioner Aptowitz questioned whether the computer hardware and software listed on the Capital Work Plan Cost Summary was for the office as he thought that had been replaced not that long ago. Director Babin said it is.

Chariman Dentino asked in regards to the direct burial of the cables and underground conduit if MMED was bearing the entire cost. Director Babin said they are. Town Manager Ross said that they would be going onto easements that they already own.

FY14 Operating Budget - Director Babin then reviewed the FY14 operating budget. He began by saying that the budget was developed assuming the rates as they are now, which will produce a lower rate of return. Director Babin told the Board that Distribution, Administrative & General and Customer Service expenses are all increasing. While explaining some of the variations in the past budgets, he said the most significant factor impacting MMED expenses is funding the Post Employment Health Care Liability (OPEB). This is included in the FY14 budget at a cost of \$149,000, whereas past budgets did not include this.

Other items in the budget that are projected to increase are street light maintenance, collection charges due to increasing credit card transactions, postage and maintenance/repairs for vehicles. Director Babin also said he is projecting a decrease in sales due to vacancies in the industrial park. He told the Board that he always monitors the transmission expenses, which is holding pretty steady at about 1.5 cents per kilowatt hour.

Commissioner Aptowitz questioned the increase in Administrative and General Salaries. Director Babin said the increase was due to the OPEB. He said that his salary and Accountant Thomson's salary are also included in this expense and that he would check into it and get back to them.

Commissioner Aptowitz inquired as to whether there is still an on-going contract negotiations issue with MMED employees. Town Manager Ross answered that it is still not settled.

Director Babin asked that the Board approve the two budgets that had just been presented to them. Chairman Dentino said he would rather not do that at this time but would like to wait to approve all Town budgets at the same time.

2012 DPU Report - Chairman Dentino questioned the missing pages of the DPU report that the Board was being asked to approve. Director Babin explained that there are a lot of blank pages in the DPU report template and that pages were left out because the staff did not think they would be of interest to the Board so he included what he felt were the relevant pages. Chairman Dentino said he had a problem with voting on something that had missing pages. Director Babin said that he would get the Board a copy of the report in its entirety.

Commissioner Aptowitz questioned the due date of the report. Director Babin said it is due by the end of March but he didn't believe that filing a little late would be a problem with the DPU. Commissioner Aptowitz suggested that the Board could sign the report next Wednesday at their Selectmen's meeting.

Town Manager Ross took responsibility for leaving the pages out of the copies of the DPU report that the Board had received. He said he felt many of the pages were not applicable and that a lot of the pages just had zeros on them. He said there is a Selectmen's meeting already planned for next Monday and suggested that the Board could sign the report at that time.

Financial Statements for January 2013- Director Babin reviewed the financial statements for January 2013. The net operating income year-to-date through January was \$1,462,444 while non-operating income was \$156,108. The total net income through the month of January was \$1,618,552. He said that MMED's operating cash position through January was \$8,027,880 and the Generation Charge Accounts Payable stood at \$164,517.

Director Babin reported that energy sales were up in January because it was a cold month relative to January 2012. He also reported that the significantly lower balance shown in the depreciation fund relative to 2012 was due to paying the costs associated with the new substation. He told the Board that the amount of customer deposits has leveled off and is consistently around \$850,000 each month.

Director Babin wanted to point out that on the balance sheet Accounts Receivable in January 2012 was \$1.2 million lower than January 2013 because of the \$1.1 million rebate that was given to the customers through a reduced Generation Charge.

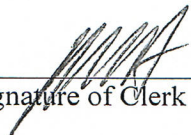
Commissioner Aptowitz questioned Director Babin about collections and wanted to know if there were any issues they should know about. Director Babin said they were starting to get into the shut-off season and residential accounts are the focus at this time of year.

Commissioner Moran questioned the percent decline in High Tension sales and wondered if there was any one factor or is it a continuing trend. Director Babin thought it may be related to customer bankruptcies but will take another look at that.

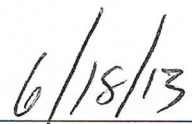
Chairman Dentino questioned how often MMED staff takes CPR courses and the cost. Director Babin said it's required every two years for certification and was unsure of the exact cost. Chairman Dentino asked if Director Babin was aware that the fire department will do it for free. Town Manager Ross said he would check that out.

Motion: To adjourn the Light Commissioners meeting at 9:10pm
(Moran) Passes 4/0

Respectfully submitted: Jacqueline Lee



Signature of Clerk



Date of Approval