

**Light Commissioner Minutes**  
**July 24, 2013**

Present: George Dentino, Chairman; Olivier Kozlowski, Vice Chairman; Jess Aptowitz, Clerk; Doug Annino, Kevin Moran, William Ross, Town Manager; Gary Babin, Director; Tracey Whelan, Recording Secretary

**1. Meeting called to order at 6:05p.m.**

Vice-Chairman Kozlowski called the meeting to order and stated that the meeting is broadcasting live on Mansfield Cable Access and this broadcast will be available at various times for viewing.

**2. Citizen Comments**

None

**3. Review and Approve Minutes of Meeting of May 29, 2013**

**Motion:** To approve the MMED minutes from May 29, 2013 (Annino/Moran) **PASSES 4:0**  
Mr. Dentino was not present at this portion of the meeting.

**4. Director's Report**

**Footprint Power Plant** - Director Babin stated that the Town had been approached by MMWEC, the Town's wholesale power supplier, to participate in a project to purchase a portion of the capacity of a new Salem Harbor Station. Salem Harbor Station is currently a coal fired plant on the North Shore that will be closed in May 2014 and a new plant is proposed on the same site. MMWEC is looking for a commitment from the Town to participate in a feasibility study that they are proposing to its members for a total cost of \$50,000, which would then be shared on a pro rata basis by the systems that sign on to participate.

Mr. Ross explained to the Board that this project is being proposed by a private group, Footprint Power, who plan to remove the existing coal fired station and all of the facilities associated with it. Footprint Power would then develop a 640 megawatt (MW) combined cycle gas turbine plant. Footprint Power has offered MMWEC 145 megawatts or 21.5% of the project and MMWEC is approaching its members to determine their interest. MMWEC estimates MMED's long term power supply need is 9.8 MW, or 6.7% of MMWEC's project entitlement. Mr. Ross stated that the total cost of the project is about \$800 million, the MMWEC share would be \$172 million and MMED's share would be approximately \$11,524,000 plus interest.

Chairman Dentino arrived at this portion of the meeting.

Mr. Ross explained one of the advantages of the project is its location in the ISO New England Northeast Massachusetts (NEMA) load zone, which is considered a constrained area and in need of generation capacity in order to provide stability to the grid. As a result, Mr. Ross stated that for the first five years of operation there would be a monthly payment of \$15 per kW per month, which

would cover about two-thirds of the debt service for the first five years, then revert to a market based rate, which would be somewhat lower.

In addition, because of the efficiency of these newer units it is anticipated that they would be on-line a great deal supplying power in that area. Mr. Ross also noted that there is no need to build transmission because of existing facilities for the current plant.

Mr. Ross stated that one of the key questions is how Footprint Power is handling the hazardous waste clean-up of the site. He said it appears Footprint will form a separate corporation to do the clean-up and utilize other resources, including money from the sale of their share of the plant, to do the clean-up and development of that area. Mr. Ross noted that the city of Salem is strongly in favor of this project as well as the Massachusetts DPU and are trying to move quickly in order to have the project online in 2016, which Mr. Ross felt was a short time frame for a project of this size. Mr. Ross explained to the Board that MMWEC is asking if the Town would participate in a feasibility study only, not a commitment to purchase power or a portion of the plant, which would cost about between \$4,000 and \$5,000.

Mr. Ross explained that the risk is that the construction is scheduled to begin in January 2014 and if the project is not in service by June 1, 2016, the project owners may be subject to significant penalties for not having the capacity available. Mr. Ross noted that before the Town would enter into any agreements there would need to be assurances that there would be no loss of revenue to the Town if the project did not start on time. At this point, additional risks are that the project still needs a firm gas contract; that the Town is unsure of hazardous waste remediation and the money required to perform it; and the fast track for commitment with only preliminary information.

Mr. Ross explained that the potential benefit associated with the project is to add additional capacity at a reasonable price. The Town believes the project can move forward because the State and City of Salem want it to happen and that it will have up to a 70% to 80% run factor. The project is extremely important to Salem because they receive significant tax revenue from the existing plant, which will end when the existing plant is retired, and because they want to see waterfront development in the area. Mr. Ross believed it was worth the \$4,000 to \$5,000 for the Town to become involved in the feasibility study and that when further information is received to bring that back to the Board. Mr. Ross prefers to have the study completed then bring the results back to the Board for guidance and direction.

Mr. Babin stated the nature of the arrangement that MMWEC is ultimately looking for is for the Town to enter into a Power Sales Agreement, which is similar to the entitlements the Town has at the Stony Brook units, Seabrook and Millstone. Mr. Babin noted that once you enter into a PPA you are financially obligated to support your share of the cost and there are step-up provisions if a party defaults on the agreement. MMWEC was only recently approached by Footprint Power, primarily because they can offer tax free financing, which helps out Footprint. Mr. Babin noted that MMWEC would be looking for a financial commitment through a PSA by the end of September.

Mr. Annino asked if the entire site was to be developed to which Mr. Ross reported yes. Mr. Annino was surprised given the size of the site and asked if Footprint Power was developing the entire site. Mr. Babin noted that Footprint Power has bought the site but stated it is to their advantage to seek joint partners to share in that financing. Mr. Annino's concern is the difference between development project and the power plant project; there are two different entities involved.

Mr. Annino wondered if there was any background information or research provided to which Mr. Ross stated only what had already been given to the Board, which was that the site has been acquired, and base work completed (site clean-up, adequate gas supply with turbine placement). Mr. Annino questioned what the feasibility study will encompass. Mr. Ross believed the study would be for the power plant only and would focus on whether this project works financially, as they believe it will, as well as the cost per kWh. Mr. Babin further noted that MMWEC is conducting an ongoing negotiation in order to protect the MMWEC participants interests.

Mr. Moran asked if the Town is drawing power from this plant now and, secondly, with regard to the Seabrook and Stony Brook obligations, since that debt will be retired in future years how would this overlap. He also asked how this project fits in with the recommendations from the Seavey Cost of Service Study. Mr. Babin said that MMED is not involved with the existing plant and that the debt service on the existing projects for Seabrook and Millstone runs out in 2017. With respect to the Seavey Study, Mr. Babin stated that this project has not been considered because this study is confidential to MMWEC and its members at this point. Mr. Moran then asked if there is a possibility of making a fundamental change in the assumptions that the Town has in the current study Seavey did on the rates and could it have a significant impact. Mr. Ross answered that the Town will not know that information until the feasibility study is completed.

Mr. Kozlowski asked if the Town does not participate in the feasibility study does that mean the Town is out of the project, to which Mr. Ross stated yes. Mr. Kozlowski asked for further clarification regarding the Town's commitment if we agree to the study and will the results of the study be completed before the September deadline date to sign on. Mr. Ross and Mr. Babin both stated that by committing to the feasibility study the Town is not committing to the project and that the results of the study will be available prior to that September deadline date. Mr. Babin felt that this discussion is what will establish the parameters of what MMWEC participants will be looking for from the feasibility study. Mr. Ross further stated that the Town would receive credit for the power generated and compared it to a "paperless transaction". Mr. Babin stated the key concept is the site location because the NEMA load zone is a constrained zone, for which the ISO is willing to pay a premium.

Mr. Aptowitz isn't concerned with the \$4,000 to \$5,000 but was wary on how can the feasibility study be completed in such a short period of time. Mr. Aptowitz stated, with all due respect to the citizens of Salem, that Mansfield should not have to contribute to the revitalization of the waterfront of Salem. Mr. Aptowitz would like to focus only on the cost for the power plant and the breakdown of those numbers associated with the plant. Mr. Kozlowski furthered Mr. Aptowitz's point by stated that the Town should not be held accountable for the clean-up portion of the site as well.

Chairman Dentino sees the project as a joint ownership between MMWEC and Footprint Power, where MMED does not become a true participant other than having a percentage of MMWEC's share. Chairman Dentino felt that until the Town has a true list of who is participating in the project there is really no basis for cost, as it is pro rata based. Mr. Ross stated he did have that same question for the Executive Director of MMWEC, who stated that MMWEC would have to adjust allocations, take less out of the plant or possibly sell shares to non-members once participants sign on and the list is finalized. Mr. Babin reported that 19 of the 21 MMWEC members expressed interest but was unsure whether that interest would translate into action.

Secondly, Chairman Dentino noted with Footprint being the partner to MMWEC, and according to the information provided, Footprint has already agreed to work with the city of Salem on the development of the waterfront and on everything outside the power plant. This is concerning to Chairman Dentino as it puts MMWEC in "no man's land". Mr. Babin stated that this is all still in negotiation.

Mr. Ross reported that Footprint Power will be forming a separate LLC for the development of the waterfront area and that it would probably be financed from their profits from selling power. Chairman Dentino noted there are a lot of questions. Chairman Dentino said that Footprint Power will receive the majority of the profit and that MMED is just a tail end to MMWEC's portion and questioned if MMED would be better suited as a tail end to Footprint Power. Mr. Ross felt that as an MMWEC participant the Town would be better protected than if it partnered with Footprint.

Mr. Babin stated that MMWEC is the entity that has the bonding authority for this project. Chairman Dentino is concerned with the timing of the process, particularly backup information regarding assessments for each participant. The Chairman felt there should have been more information. Mr. Moran stated that the Town will not get these details unless it participates in the feasibility study and if the Town decided to opt out of the study then it will not have the opportunity to review the study and decide to be a part of the project or not. Mr. Babin noted that the process being considered by the Board is to determine who is interested in the project. Mr. Ross noted he has many of the same concerns as Chairman Dentino but felt it was worth the \$4,000 to \$5,000 to find out.

**Motion:** That William Ross, Manager of Mansfield Municipal Electric Department, be authorized to proceed with the initial feasibility study, not to exceed \$5,000, of MMWEC Special Project 2013A Footprint Power Salem Harbor Project and that any further commitment to actually participate in the construction of the project or purchase power from the project will require additional review and action specifically approving participation by the Board of the Mansfield Municipal Electric Department. **(Moran/Annino) PASSES 5:0**

Mr. Babin reported he will relay the Board's concerns to MMWEC on what they would like to see in the feasibility study. Mr. Babin will also inquire as to when and how the assessment will be received.

**Cost of Service Study** - Mr. Babin then referred to the final report for the 2013 Cost of Service Study included in the Board package. This study, performed by Mayhew Seavey of PLM Electric Power Engineering, includes a summary of historical and projected rates of returns for different customer classes. Mr. Babin has summarized the report as follows:

1. The current rate design structure that went into effect in January 2008 has performed largely as expected in terms of producing the target rate of return of 6%.
2. The Board has elected to keep the current rate structure in place. This is expected to produce between \$2.5 and \$2.7 million in Net Income for the period from FY13 through FY17.
3. While the nominal amount of Net income will remain the same, the rate of return will decline to approximately 5% because the amount of plant in service, on which the rate of return is calculated, has increased approximately \$7 million in the last year due to the addition of the Bird Road Substation.

4. The current depreciation rate of 5% will continue in effect because of the need to support MMED's aggressive capital improvement plan. Between use of annual Net Income, existing operating cash reserves and the depreciation fund, this will generate sufficient cash to support a capital program estimated at \$14.5 million through FY17.

5. There is no planned use at this time for MMED's Rate Stabilization Fund of \$1.65 million on deposit with MMWEC. This provides a comfortable contingency fund to address unexpected changes in power supply costs or for other unanticipated circumstances.

6. The Board has elected to maintain the current rates of return on the commercial classes of customers at between 8.2% and 9.2% because of the adverse impact on residential customers of lowering commercial rates of return to the 5% range. Competitiveness issues were raised in the study for those commercial customers relative to National Grid rates.

7. An analysis of the economics of the Net Metering tariff has shown that there has not been an adverse financial impact from the installation of approximately 1.1 MW of solar energy generation in Mansfield, primarily because of the institution of a Net Metering Surcharge on those customers with solar facilities.

8. Based on the Net Metering economics, the study recommends increasing the allowable percentage of installed solar capacity from 2% (1.1 MW) to 4% (2.2 MW) of MMED's historical peak demand (55.5 MW). This would only be permitted provided the installation did not have a negative impact on the stability and quality of services provided by the MMED electric system.

9. The Generation Charge will begin to decline in 2014 due to the NextEra contract going into full effect and again in 2017 due to the precipitous decline in MMWEC debt associated with the Power Sales Agreements for generation plants in which MMED maintains an interest.

Mr. Moran would like to begin the process of increasing the allowable percentage of solar installed capacity as he felt there was interest in doing so and the study shows that the Town can support a higher percentage. He would like to see the net metering tariff changed to do so. Mr. Moran also asked that once the Footprint Power feasibility study is complete can the Board look to see if any of the assumptions in the Seavey study are going to be affected by that. There may be a need to adjust this due to the Salem Harbor Project.

Chairman Dentino felt MMED was doing a great job holding the rates where they are and not having any increases. However, he felt the Board could start taking a look at the commercial rates to see if there is room at possibly lessening them.

## **5. Comments from Commissioners**

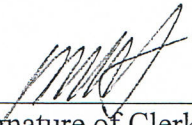
None

**6. Any Items Not Anticipated By The Chairman 48 Hours Prior To This Meeting**

None

**7. Adjournment**

**Motion:** To adjourn the MMED Light Commissioner's meeting 7:01pm (Annino/Kozlowski)  
**PASSES 5:0**

  
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Signature of Clerk  
/Tracey Whalen

  
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Date of Approval