Mansfield Municipal Electric Department
Minutes of Light Commissioners Meeting
June 27, 2016

Present: Chairman Frank Delvecchio, Clerk Steve Schoonveld, Commissioner Jess Aptowitz, Commissioner George Dentino, Director Joseph Sollecito, Financial Assistant Jacqueline Lee and Town Manager William Ross

The meeting was held at the Mansfield Town Hall Room 3AB and called to order at 7:00 PM followed by the Pledge of Allegiance. Chairman Delvecchio stated that this meeting is being televised and taped for future broadcast.

A complete copy of the Board packet containing all documents that are referenced in the minutes is on file at the Mansfield Municipal Electric Department office.

Citizens Comments: none

Fundamentals of Energy Risk Management- Director Sollecito stated that he had previously given the Board a preliminary presentation on energy risk management and that Mayhew Seavey from PLM was here tonight to expand upon that. Mr. Seavey said that MMED historically has had a portfolio of which 50% has been long-term contracts and that some of those have been in place for 20-30 years. The remainder is a combination of firm energy and spot market purchases. He noted that the spot market is managed by ISO New England and has a lot of volatility. Off peak hours and weekend prices are lower and less volatile. He said that usually MMED goes out every five years to procure its firm energy purchases. This, however, is not the best strategy as NextEra is currently above the market price so money has been left on the table for a couple of years. A better approach is to buy smaller quantities more often rather than locking in for five years at a time.

To implement this approach of purchasing smaller amounts more often involves two buying triggers. The first is a price trigger which means when the price is low you buy more and when the price is high you buy less. Mr. Seavey explained that you maintain a data base of the price for the last four years and if the current market price for any of the next twelve months is below the 50th percentile of the market price for those months over the last four years then you purchase 60% of the total target volume for that month. The second trigger is a time trigger. If you don't have anything in your portfolio twelve months before the month in question you start to buy small quantities.

Clerk Schoonveld wondered under what circumstances this approach might fail. Mr. Seavey said that may happen in a market that is continuously rising. Clerk Schoonveld also asked if we are at an all time low for the cost of power. Mr. Seavey answered that winter prices are still coming down because pipelines are still being built but we may have seen the bottom price for non-winter prices.

Commissioner Aptowitz expressed his frustration that five years ago the Board was told to jump on the NextEra contract because the price was so low and now they are being told it is not too smart to enter into a five year contract. Director Sollecito responded that at that time

the contract looked attractive. Mr. Seavey said that we learn from our mistakes and that it's not that MMED was going to end up in a bad place after those five years.

Town Manager Ross stated that they did save the ratepayer some money and they didn't know back then what was going to happen. Now they're in a different market and are able to take advantage of that moving forward. Director Sollecito said it's a different strategy but it doesn't mean it's right or wrong. It is a unique advantage to filling up the buckets on an incremental basis.

Commissioner Dentino mentioned Calpine's bankruptcy and said they should try and learn from past mistakes. He questioned whether 80% is the right amount to hedge which is the suggested amount at this time. Director Sollecito said that Mr. Seavey's two trigger strategy is unique but that some MMWEC personnel suggest similar strategy.

Chairman Delvecchio asked Director Sollecito what he was looking to get from the Board this evening. Director Sollecito said they could have another discussion or they could come back to the next meeting and go over contractual obligations. He added that he does like what Mr. Seavey has to say and thinks MMED should have a policy to fill up the buckets at the appropriate speed. Mr. Seavey suggested the next step could be to get a contract in place with a dozen or so suppliers.

Town Manager Ross said he was skeptical at first but now thinks it puts MMED in a good position to take advantage of flexibility. He believes MMED was getting a good price with NextEra and made out pretty good for 2-3 years. He would like to get together again one more time to revisit this and make sure the Board is comfortable. The Board agreed.

Economics of Load Reducing Distributed Generation-Mr. Seavey gave a four part presentation on Distributive Generation. The first part is Transmission Savings. He explained that you have to support your share of the ISO-NE transmission system and that your generator would run during peak hours which would decrease your transmission bill. The second part is Capacity Savings where you pay your share of capacity costs which include 20% of extra capacity to provide backup in case of emergencies. The third part was a Preliminary Economic Analysis. There is an assumption of the use of a 2 MW internal combustion generator burning natural gas which is cleaner and doesn't require a permit. It would be funded from existing MMED funds and the results would be approximately $7 million savings over the life of the plant. The fourth part was the Proposed Project Schedule which would be a little less than twelve months. Based upon installation of similar unit, it would be approximately 6 to 9 months for the generator to be delivered and installed.

Director Sollecito said that he was just looking for feedback and thinks this is a good opportunity for MMED.

Commissioner Aptowitz asked what locations were being considered for the generator. Director Sollecito answered there are three, the wastewater site at the airport; Gilbert Street Substation; and the old MMED building.

Commissioner Aptowitz also questioned the maintenance factor and if this would require adding additional staff. Director Sollecito said what he understands is that this would require minimal maintenance and doesn't think it would require additional staff.

Chairman Delvecchio noted that this is for the purpose of shaving increases in costs and not for generating purposes.

Town Manager Ross recommended to the Board that they give this presentation some thought and he would put it back on the agenda for the July meeting.

MMED's FY17 Operating Budget-Director Sollecito reviewed the FY17 Operations Budget Summary; the table comparing the FY17 budget to the FY16 budget; then the FY17 Statement of Income and Surplus. Commissioner Aptowitz noted that sales are down and commented that although green energy is great, MMED still needs to be able to cover their fixed costs. He reminded the Board that MMED has lost some big businesses like the Chocolate Factory.

Clerk Schoonveld inquired as to who from the Town Hall works on MMED's budgets besides Town Manager Ross and Town Accountant John Stanbrook. Town Manager Ross said he and Mr. Stanbrook are working together implementing the Board's policies and intend to bring forward the formulas they are working on and believes they are on target.

Motion: To approve the MMED FY2017 Operating Budget (Aptowitz/Schoonveld) Passes 4/0

MMED's FY17 Capital Budget-Director Sollecito commended his staff, Engineer Chris Cox, Office Manager Laurie Anderson and Staff Accountant Ken Thompson for their great support as there was a tremendous amount of work involved in putting together this capital budget.

Director Sollecito reviewed once again with the Board, time of use meters, and how they could give customers incentives to shift their workload and take advantage of this savings. First, MMED would need to understand how and when the customer uses electricity in order to develop an attractive rate structure.

Director Sollecito noted that the $25,000 for Office Renovations is based on two year old prices and that the updated cost of the renovations is actually going to be $36,000.

He reminded the Board that the repurposing of the digger truck was not because of the age of the truck but because the hydraulics were useless. He said that he did challenge the staff, however, on the replacement of Truck 16. This is not a mileage issue but an issue of safety of equipment that needs to be carried. An example is wire that cannot be secured in the flatbed and he does believe that the replacement of this vehicle is warranted.

Director Sollecito discussed the building efficiency upgrades and stated that the electric costs for MMED are currently $14,000 per year and that lighting is 40% of this load. He told the Board that he has also had an analysis of the windows as one whole side of the complex is

windows. He said the replacement of these windows is not included in this budget as he feels it is too costly but that it may be brought back at a later date.

Chairman Delvecchio questioned whether the Capital Improvement Committee approved all of this. Town Manager Ross said he couldn't get a quorum of them and that they couldn't wait on putting this budget in place so some items have been approved and some have not.

Director Sollecito stated that the Municipal Complex Underground Project is a large part of MMED's capital budget. He said that the preliminary estimate was too low and the cost is much more than anticipated. Town Manager Ross said that they may redesign it and stay with the overhead service and go across the street with the wires. He said if the cost to underground the service is near the half million dollar amount they will not be spending it.

Clerk Schoonveld questioned the manhours for capital projects as he saw two different figures listed on the handout. Director Sollecito will research that and get back to him.

Commissioner Aptowitz questioned the increase in Office Renovations from $25,000 to $36,000. He noted that it was not due to the added cost of the security cameras as that was a separate line item for an additional $27,000. Director Sollecito explained that the architect simply came back with a higher price for the same work.

Commissioner Dentino said he doesn't see the reason for the $36,000 cost. He questioned the entrances and the set-up of the office and thinks the current lay-out is well designed. He pointed out there is one gigantic office which he suggested could be cut down to a smaller office and a meeting room. Director Sollecito explained that he wants just one entrance so that there is no roaming through the office by the customers. By doing this he feels customer information will be kept more confidential.

Motion: To approve the MMED FY2017 Capital Budget subject to revisiting the Municipal Complex Underground Project and Site work (Aptowitz/Schoonveld) Passes 4/0

MMED's Projected Five Year Capital Budget-Director Sollecito reviewed the five year capital plan for MMED. He noted the LED roadway lighting and said that he anticipates a grant that will help with the cost of this. He pointed out that the big item in this budget is the replacement of the two Gilbert St. Substation transformers.

Commissioner Aptowitz questioned the need for the two blue cars and wondered if it was really necessary to have both of them. Director Sollecito said that it is necessary, as one is used by the office staff for daily trips to the Town Hall while the other one is used by the operations staff for going to training.

Minimum Cash Reserve Calculation-Chairman Delvecchio suggested tabling this until the next meeting. He noted this is not urgent but deserves a lengthy discussion. Director Sollecito clarified this is not a policy, it is a proposed method. It was agreed to table this.

Motion: To approve the minutes of the April 6, 2016 Light Commissioners meeting (Aptowitz/Dentino) Passes 3/0/1 (Schoonveld abstained)

Motion: To approve the minutes of the March 16, 2016 Light Commissioners meeting (Aptowitz/Dentino) Passes 3/0/1 (Schoonveld abstained)

Motion: To approve the minutes of the June 1, 2016 Light Commissioners meeting (Schoonveld/Aptowitz) Passes 4/0

Security Deposit Policy for Commercial and Industrial Customers- The concern had been previously raised about commercial customers being able to forego placing a deposit with MMED by signing up for direct debit or recurring credit card. Chairman Delvecchio wondered if they should consider tabling this. Commissioner Aptowitz, who initiated the subject, said that he feels more confident that the current staff is adhering to the Board's policies while previously he felt there was some swaying from them. He said that he is good as long as the staff sticks to the policy. No breaks or deals with customers unless they go through the Board first.

Motion: To adjourn at 9:40pm (Aptowitz/Schoonveld) Passes 4/0

Respectfully submitted: Jacqueline Lee

Signature of Clerk

July 25, 2016

Date of Approval