

**Concord Municipal Light Board
January 9, 2019
Draft 3**

Pursuant to a notice duly filed with the Town Clerk, a meeting of the Municipal Light Board was held on Wednesday, January 9, 2019, at 7:30AM, at the Light Plant Public Meeting Room. Present were Board members Gordon Brockway (Chair), Lynn Salinger, Dan Gainsboro, Peggy Briggs and Wendy Rovelli. Also in attendance were David Wood, CMLP Director; Laura Scott, CMLP Power Supply and Rates Administrator; Carole Hilton, CMLP Customer Service Administrator; Mark Howell, Concord Chief Technology Officer; Matt Cummings, CMLP Financial Manager; Kate Hanley Director of Sustainability, Kerri Lafleur, Town Finance Director/ Treasurer-Collector, Jan Asceti, Energy Conservation Coordinator; Michael Lawson, Select Board; Brian Foulds, David Allen, Eugene Chang, Brad Hubbard-Nelson, Bob Shatten.

Note: definitions for acronyms used in these minutes:

- *CARES: Conservation and Renewable Energy Services*
- *CMLP: Concord Municipal Light Plant*
- *ENE: Energy New England*
- *HVAC: Heating, Ventilation and Air Conditioning*
- *kWH: Killowatt hour*
- *MLP: Municipal Light Plant*
- *MWh: Megawatt hour*
- *MTC: Mass Tax Connect*
- *NISC: National Information Solutions Cooperative*
- *REC: Renewable Energy Credit*
- *TOUR: Time of Use Rate*

Meeting handouts:

CMLP 2019 Operating Forecast Walk-Thru, Jan 9, 2019

CALL TO ORDER

The meeting was called to order at 7:30 AM. It was noted that the meeting was being recorded by the Director in the absence of the recording secretary.

FUTURE MEETINGS

February 13, 2019 at 7:30AM. Future dates will generally be the second Wednesday of the month for the remainder of calendar year 2019

Ms. Rovelli noted that while collecting feedback on the December 12th minutes, there was a difference of opinion on who retained rights to the RECs on the new solar residential installations under the new DOER residential solar program. There was clarification provided that confirmed "Under the new DOER residential solar program, CMLP retains rights to the RECs for the installation." This statement will be added to the final minutes.

It was moved by Ms. Salinger, seconded by Mr. Gainsboro and voted unanimously to
Approve the Minutes, for the December 9, 2018 Light Board Meeting.

DIRECTOR'S REPORT

Mr. Wood reviewed the status of several ongoing projects:

- **Cambridge Turnpike** - The Light Plant has partnered with Public Works in contracting for conduit work which will include water, sewer and utility. Weather conditions did allow the contractor to install a new manhole at the intersection with Lexington Road.
- **CMLP HVAC** – The contractor has submitted equipment specifications and the light plant's consultant has approved the list. The contractor will now proceed with the purchase which will take about 4 weeks. The HVAC system recently failed and while the equipment was under warranty labor expense was still incurred. In the last 6 months, the light plant has spent nearly \$50K in repairs due to HVAC failures

- **NISC-** The go-live date for the Customer Care & Billing has moved out one month to May as the merging the electric and water databases have proven more complicated than expected. This will allow more time for training. This delay does not impact the Financial phase go live in December
- **Keyes & Walden Street Lighting** – Street Light drawing have been approved. Some pre-wiring was completed during construction, so the new lights can be installed when they arrive...
- **AMI (smart meter)** – Six vendors have been on site to review products details with staff. This week staff will be meeting to discuss the procurement process and there will be an update on the project timelines at February's board meeting.
- **Telecom Update** – There are currently 1250 customers. Mr. Howell will provide a full update in February.
- **Town Warrant** – The warrant is going to print this week and will include an article for the Light Plants Payment In lieu of Taxes (PILOT) in an amount of \$452K. The amount is derived from a formula based on 2017 Sales.

ENE BOARD MEMBER

Mr. Wood's 3-year term on the Energy New England, LLC board of directors is ending and he needs the board to vote to ratify his reappointment.

Ms. Briggs moved, and Mr. Gainsboro seconded and it was unanimously voted

That pursuant to Section 3.2 of the Operating Agreement of the Energy New England, LLC, the Town of Concord Town manager hereby appoint David Wood as a Class C Director of the Energy New England, LLC Board of Directors for a term of three years.

RENEWABLE ENERGY CREDIT PRCHASES

Mr. Wood, Ms. Scott and Mr. Cummings met with ENE to lay out a strategy for REC purchases. In 2018, the light plan has collected \$580K and the light plant has the option to purchase RECs anytime between now and June (for 2018). Ideally Mr. Wood would like to complete purchases by February 15th. The intention is to keep some portion of the funds in reserve, but Mr. Wood would like to treat the purchases as a 2018 expense. We will then have a sense of what % of our supply is carbon free in February, in time for public hearings.

A REC is minted for each 1MWh generated and the cost is currently in the range of \$5 - \$6. Ratepayers contribute funds based on kWh (currently \$0.01 kWh). A \$5 REC is equal to a \$.005 kWh, so we are collecting more than our original strategy targeted for 2018. We may have the ability to achieve a 50% carbon free power supply with this funding. A question was raised as to how much reserve should we maintain and that ratepayers did not want to see future rate shocks with additional rate increases. Mr. Wood commented that we expect small increases in REC prices for 2019, but the board will be revisiting REC purchase strategy and funding moving forward. There was consensus by the board that achieving the carbon free goal faster is preferred. Ms. Rovelli reminded the board that the funds were not exclusively collected for purchase of RECs, but can be used toward purchase of green energy.

Mr. Shatten asked that the board consider using extra funds to install new generation in town.

2019 BUDGET

Mr. Wood walked thru a summary presentation of the 2019 Operating Forecast which includes a majority of the graphs from the detailed budget book. The handout is helpful for citizens to understand the highlights of the budget as the detailed budget book is made available only to board members. During the presentation Mr. Wood highlighted the following points:

- The largest change since the draft budget reviewed on January 3rd was a correction in the treatment of capital plan which was incorrectly hitting the bottom line, by treating capital expenditures as an operating expense; this correction, resulting in a reported improvement in the rate of return.
- For 2019, the CMLP Forecast shows \$30.5M in revenue, \$29.1M in expense, and net income of \$1.4M, or a 4.5% rate of return.
- Actual sales volume (kWh) reflects the variability observed in actual degree days each year. The budget however, is based on a 5 year average which explains that differences from actual.
- The number of accounts by rate category is a valuable perspective from a servicing perspective, but it is important to recognize that the percentage of sales by rate category is quite different, and that is what drives our revenues. The cost of service study planned for 2019 will provide insight into the net

revenues contributed by each rate category. Commercial customers for example represent 52% of our demand, but roughly 14% of accounts...

- The 2018 Budget Expenses represents budget cost plus actual REC purchases in the Cost of Power by Cost Category slide (page 6).
- On the Cost vs Volume by Energy Source Type graph, the bars represent volume while the lines reflect cost. In the reporting of cost, the light plant historically reported cost net of REC sales, but costs will now appear to increase because the light plant will retire REC's.
- Volatility in Operating and Maintenance costs are driven primarily by the power supply costs. Fixed costs are represented by Customer Account Cost and Administrative & General Costs on the Operating & Maintenance Costs graph.
- The CARES budget has increased from \$617,455 to \$898,070 primarily due to funding associated with the new DOER residential solar program. The CARES fund was established in 2009 as an alternative to the state MTC program, which included a \$90K fixed cost charge. Funding is provided thru a combination of an administrative budget allocation and a kWh energy conservation charge.
- In 2019, the increase in Gross Plant (and Capital Plan) is primarily attributed to \$3M in SMART meter purchases. Forecasting of Net Plant value will improve in the future as we implement the new billing system where we will have improved asset and depreciation tracking.

Following a review of the summary presentation, Mr. Wood highlighted a few detail line items in the budget book that the board had previously raised questions about. Highlights of those discussions include:

- Ms. Salinger asked how we can use the budget to highlight what budget items correspond to our strategic plan (for example REC purchases, increase in debt for smart meters, NISC billing system enhancement etc). The group agreed a summary in the front of the book would be important to include.
- On page 44, line 9, Sales by Rate Category actually reflects Invoices by Rate Category
- Revenues related to the fixed meter charges are found on page 6 line 10. The budget for 2018 was based on a \$12 fixed rate which was not implemented but is now effective for 2019.
- The correct accounting of capital expense has resulted in several changes to the income and expense summary. For 2019, the Light Plant Rate of Return is forecasted to be 4.74% (from 3.29% in the earlier version).
- A question was raised as to whether the NISC system would help with budget preparation and consistency in the future. The NISC system will eliminate data entry for budget development as the data will be extracted from a budget module.
- Mr. Gainsboro suggested it might be beneficial to highlight line items that reflect new initiatives (and which may be highlighted in the summary). It would be helpful for board members to track these initiatives over time.
- The board acknowledged that they do not thoroughly check all the detailed line items but are focused on understanding the assumptions and policy decisions that are incorporated into the budget. The board's discussions have been focused on broad trends, strategic goals, net income. RECs, rates and achieving goals for green energy. For example, the light plant's strategy calls for a rate of return between 3%-4%, yet the 2019 forecast is higher. At the same time, the CMLP is increasing funding for CARES to support residential solar and are moving forward with plans to purchase SMART meters.
- The Chair suggested that we have discussed the topics that are important to our 2019 funding and this plan continues to allow CMLP to provide superior service at the lowest price.
- Ms. Rovelli acknowledge that the rate of return appears high, but at the same time history has shown that revenues can fluctuate significantly based on weather conditions and it is important that we track our budget performance frequently as the year progresses. Ms. Briggs also suggested that we also need to monitor the policy issues and assumptions that have been raised during these discussions (REC purchase strategy, cost of service study, etc.)

It was moved by Ms. Salinger, seconded by Ms. Rovelli and unanimously voted

To accept the 2019 Operating Forecast as presented.

Mr. Allen noted that we need to plan financially for our initiatives and not fund from accumulated reserves. He also commented that we need to be clear about our pricing strategy for broadband as the telecom rates are in fact higher than Comcast.

ANNUAL REPORT REVIEW

Mr. Wood reviewed the feedback he received from board members on the draft annual report which included: removing the history of CMLP which can be found on the web site; incorporating information on the long-range strategy and balancing rates for consumers. Ms. Salinger asked whether Mr. Wood could also include information about how Concord residential solar compares to other communities and noted that Mr. Foulds has shared information in the past that could be useful. Mr. Gainsboro commented that Concord is viewed very favorably for the progress in promoting solar and it is valuable for Town citizens to know that.

LIAISON & PUBLIC COMMENTS

Mr. Foulds wants the opportunity to share his views on TOUR and asked whether he could make a presentation to the board at a future meeting. He distributed an article he put together on TOUR rates which helps to illustrate the complexity involved establishing this type of rate structure. The board agreed it would be a good idea to have Mr. Foulds present at a future meeting.

It was moved by Ms. Briggs, seconded by Ms. Salinger, and unanimously voted to adjourn the meeting at 9:20 AM.

Respectfully submitted,

Wendy Rovelli, Clerk