

ELECTRIC SUBCOMMITTEE
Meeting of Wednesday, February 12, 2020
Utilities Department Conference Room | 272 High Street

A meeting of the Electric Subcommittee was held on Wednesday, February 12, 2020 at 7:00pm at the Ipswich Utilities Department Conference Room.

With a quorum present, Mr. Mootafian called the meeting to order at 7:02pm.

Subcommittee Members present: James Engel; Michael Schaaf; William Craft; Whitney Hatch; Nishan Mootafian

Staff present: Jon Blair; Ray Leczynski; Dylan Lewellyn

Not present: Ed Rauscher

Abbreviations Used: ELD, Electric Light Department; FERC, Federal Energy Regulatory Commission; P&L, profit and loss statement; ISO-NE, independent system operator of New England; MMWEC, Massachusetts Municipal Wholesale Electric Company; PPA, Purchased Power Fuel Adjustment; FY, Fiscal Year

Citizen Queries

There were no citizens queries.

Approval of Minutes

January 8, 2020

Vote: Whitney Hatch moved to approve the minutes; Jim Engel seconded. The motion carried unanimously.

FY21 Budget Presentation

Jon opened the discussion with an overview of the new format, which places the P&L first with the detailed accounts following in subsequent pages; the narrative and five-year capital plan followed as addenda. Mr. Leczynski walked through major line items in the P&L. Mr. Engel expressed some concern about transparency in the new format. He stated that the condensed format had its benefits, but he missed having visibility into items like capital labor, which allowed the reader to infer potential impacts to the P&L if certain capital projects were deferred.

Mr. Blair and Mr. Leczynski described different ways that power costs were estimated, including historical trends, MMWEC projections, and calculations performed with metered data and knowledge of equations employed by the ISO-NE. One point of concern involved the different ways to attribute power costs between capacity and energy. MMWEC's new methodology moved certain costs out of energy and into capacity; while the overall cost estimates align with those of ELD management, the distribution among capacity and energy costs differ. This has no financial impacts, but does require clarification. Both Mr. Leczynski and Mr. Blair felt as though it was more prudent to use MMWEC's methodology to ensure transparency, auditability, and repeatability.

The cash accounts reflected only \$1.3M in spending from the Depreciation Fund; however, the capital budget projected \$1.9M in planned spending. Jon and Ray explained that the budget was built with excess capacity to ensure sufficient work was planned, budgeted, and authorized to allow flexibility as conditions warranted. Neither Ray, nor Jon believed that the full extent of budgeted projects would be exhausted. Ray noted that, historically, the Department had only converted on approximately two-thirds of its intended projects each year. Therefore, he had adjusted the cash projections accordingly. To formally reconcile the differences between the capital budget and the cash projections, the Subcommittee voted to authorize the plan, but limit the spending.

Vote: Jim Engel moved to support the \$1.9 million of capital activities as outlined in the budget, subject to a limit of \$1.3 million; Bill Craft seconded. The motion carried unanimously.

Mr. Blair discussed several deviations from previous years' budgets. One such divergence was the increase in projected fuel expenses for the Power Plant. The change in operating posture that is anticipated for July 2020 will require the Plant to operate more frequently. While this will reduce transmission and capacity costs, it will also

increase costs of labor and fuel. Jon estimated that the Plant would operate 12-20 hours more each month, which would increase the natural gas expense by an estimated \$200,000.

Several, specific capital initiatives were noted. One such project was exploring the integration of a cash kiosk in the lobby of the Schofield Building for customers to use in paying bills. This would reduce or eliminate the need to handle cash; it might also reduce staffing requirements in the future. Another capital initiative included making recommended structural improvements to the Power Plant and Schofield Building. Specific improvements include new rooves, window replacements, and mitigating the water penetration into the basement at the Power Plant. A new bucket truck was budgeted to replace the 2010 material handler; a new pickup truck was also proposed for the Assistant Distribution Superintendent.

Mr. Lewellyn presented the Sustainability Fund budget. He explained the various programs and projects that were included in next year's projections. Notably, the solar program has been a strong success, commanding nearly \$100,000 in expense from the Fund's annual budget of \$265,000. Dylan went on to explain that several new rebate and incentive programs were being developed for consideration; several lines were left open to account for the likely expansion of those programs. For the first time in the Sustainability Fund's history, a fulltime employee is being proposed. The position description is still in development, but it will earn an estimated annual salary of \$50,000 and be more of a technician than a manager or strategist. Mr. Lewellyn will retain the role of program manager for the Sustainability Fund, with this new exempt staff member joining his team of direct reports.

Due to time constraints, the group decided to table the remaining topics until the next meeting. Anticipated topics for March's meeting include the PPFA and the narrative.

Long-range agenda

The group discussed upcoming meeting agendas. It was decided that the March meeting would focus on concluding the review of the FY21 budget and rates; April's meeting will focus on the status and future plans of Wind II. Subsequent meeting topics will likely include a review of the Sustainability Fund and related programs, the distributed generation policy, and the power portfolio goals, as related to potential legislation from the Commonwealth.

New Business

Michael Schaaf stated his desire to move forward with a resolution on Wind II. Mr. Schaaf also asked about management's efforts to improve internal controls, specifically surrounding purchasing and handling of cash. Mr. Leczynski and Mr. Lewellyn stated that the cash is controlled in a manner to prevent impropriety and the final administrative adjustments are being made to complete the segregation of creating purchase orders and paying invoices.

Vote: Mr. Engel moved to adjourn, and Mr. Schaaf seconded. The motion carried unanimously.

The Electric Subcommittee adjourned at 9:56pm.