ELECTRIC LIGHT COMMISSIONERS AND SUBCOMMITTEE

Wednesday, July 13, 2022

Hybrid ELC Meeting

6:30 PM

The regular meeting of the Electric Subcommittee was held on Wednesday, July 13, 2022. It was a hybrid meeting format.

With a quorum in hybrid attendance, the meeting was called to order at 6:30 PM.

Committee members present: Jim Engel, Tammy Jones, Sarah Player, Michael Schaaf, Whitney Hatch, Bill Craft, Kerry Mackin, and Linda Alexson

Staff members present: Jon Blair, Ray Leczynski, Dylan Lewellyn

I. Pledge of Allegiance

II. View/Participate in MMWEC Interactive Information Zoom Presentation

It was asked if it was part of the commissioner's responsibility to submit the books to the DPU annually. Mr. Blair reported that this information is typically submitted around the end of August. Further, typically in September the retrospective fiscal year is examined and presented to the commissioners once it is finalized.

III. Citizen's Queries

A. No queries were presented as no citizens were in attendance.

IV. Discussion of Power Costs/Rate Management

Mr. Blair presented the report that was also made available to everyone. In general, costs have risen and will continue to rise as the year continues. Mr. Blair discussed the difference between capacity (the ability to provide customers with all of their power needs), transmission (moving electricity from place to place), and energy (the physical commodity of electricity). He stated that the focus is specifically on energy as it is much more variable than capacity and transmission, both of which do not fluctuate widely. Mr. Blair confirmed that prices peak in the winter and that there is then a slightly lower, second peak in July and August. He reported that historically hedged power has been heavily relied on, but that carbon-free power and related projects are trying to be sought out due to its reduction in the carbon footprint.

It was discussed that the costs for 2024 and 2025 are hard to predict due to the volatility of the gas market, and that modeling does not cover all geo-political issues, which makes setting rates challenging. The hedges were discussed. Mr. Blair reported that the funds usually and ideally last for 5 years, with 80% in the beginning and 20% drops each year.

Mr. Blair discussed the market during different seasons. In both the Spring and Fall, there are high margins but low volume, so there is not a lot of money from the PPFA. In Winter, there is a negative margin with high volume, so some money is lost. The Summer funds the rest of the year.

Mr. Blair reported on the Wholesale Power Outlook. He explained that the cost of kWH doubled from 2020 to 2021, and again from 2021 to 2022. The percentage of the portfolio exposure to spot market change was 73% in 2020, raised to 84% in 2021, and fell to 64% for 2022 thus far. It was suggested that the easiest thing to do to get through the challenging times of increased rates would be to use PPFA and examine it monthly, keep commissioners informed, and have management stay engaged. Mr. Blair agreed that PPFA needs to be examined every month. He proposed a 3-point approach to use other tools to lessen the help disburden the ratepayers, such as voting to exercise rate stabilization if it is judged that these are extraordinary times by the commissioners. He explained that the entire rate stabilization would allow for 1.8 cents for an entire year; this was not a suggested plan, but this was valuable information to help inform the value of the rate stabilization.

Mr. Blair reported that there is currently a negative liability, so the ratepayers owe about $350,000 which needs to be recovered. It was stated that PPFA takes a long time to recover. Raising PPFA one penny makes $1 million, but this occurs over a period of one year, which would lead to greater negative liability. It was reported that the PRP (peak reduction program) can mitigate around $1 million per year, but that the value is directed at the star fund and the sustainability fund. Mr. Blair suggested a 3-prong approach that would use a portion ($800,000 of $1.8 million) of the rate stabilization, increase PPFA (around an 8-cent increase), and use a portion of PRP. Mr. Blair also discussed stopping the early pay discount temporarily. Mr. Leczynski suggested cutting the discount to 5% so that individuals are still encouraged to pay early, especially if cash is needed.

A 4-prong response was also discussed that would utilize $400,000 of the PRP, $800,000 of rate stabilization, cutting the discount to 5%, which would save $250,000, and increase the PPFA by 5.5 cents (instead of 8 cents). The reduction of PRP was discussed, and it was discussed that if $400,000 of PRP was chosen to be used, the policy would have to be shifted. Mr. Blair also stated that a vote would be needed by the commissioners to draw from rate stabilization and to use the PRP. It was discussed that the PPFA could be kept at 8 cents until the stabilization fund is restabilized and the PRP funds are paid back.

It was discussed that it may be helpful to compare what other municipalities are doing. Mr. Hatch suggested that it may be helpful to examine the cash balances relative to other municipalities, and Mr. Leczynski will try to find old reports.

Mr. Blair will run specific numbers on the discount and what eliminating it or reducing it would do to affect the funds, will do a storm-response estimate, try to get better targets of where it is expected things will be from now for 12 months in the future, 18 months, and 24 months. Mr. Blair will further provide illustrative examples for ratepayer impacts of one, two, three, and four-prong approaches, will update the cash-on-hand figures, and will return to meet with the subcommittee and share the materials with the commissioners. The subcommittee will plan to meet in August. The plan discussed was to be able to vote before September so that a plan can be in place before billing for the month of September. Further, it was discussed that a press release will be made.

V. ELD Manager's Update (Personnel and Projects)

Personnel Update

Previously, there was a centralized approach, but this is currently moving to a de-centralized approach. The same tasks are completed but by different teams. For example, the management team will manage meter alerts, the electric distribution team will do fieldwork, the water distribution team will install water meters, and the clerical team will read meters. It was reported that David will stay on and be a resource available to others. He will train, supervise, advise, and provide close and constant instruction, technical consults, and more.

FY22 Proposal to FY22 Actual

The business services manager and customers services manager were combined, so there was a reduction of one full-time employee.

FY23 Proposed vs FY23 Adapted

The electric field staff largely remained the same. The proposed assistant general manager was changed to keep the meter staff the same for another year.

Behind the Meter Battery Joint Action Project

Contracts were ranked against each other and there are three finalists. The finalists will give high-fidelity proposals at the end of July or the beginning of August. There will be three offers to choose from in the middle of August, and in September the contract will be finalized. MMWEC has dictated the terms so that everyone is consistent, streamlined, and vetted.
It was reported that the battery will generate $1 million in the first three years.

VI. New Business/Old Business/Adjournment

There being no regular meeting further business, and after a motion for adjournment was made and seconded, it was

Voted: To adjourn at 8:45 PM. The motion passed unanimously.