

IPSWICH SELECT BOARD
SELECT BOARD MEETING as Electric Light Commissioners/Electric Light
Subcommittee
Wednesday, July 13, 2022, at 6:30 PM
Ipswich Town Hall, Meeting Room C,

The Select Board and the Electric Light Subcommittee participated in this meeting in person and remotely utilizing Zoom in accordance with the Governor's March 12, 2020, Order suspending provisions of Open Meeting Law and to promote public health and social distancing.

Board Members present: William Whitmore, Chair; Sarah Player, Vice Chair; Linda Alexson; Dr. Tammy Jones; Kerry Mackin

Also Present: Jon Blair Electric Light Manager, Ray Leczynski, James Engel, Michael Schaaf, Whitney Hatch (via Zoom)

Not Present: Rachel Sklarz, Recording Secretary

Approval of Minutes from 6/9/22 ELD Subcommittee Meeting

ELD does not have minutes available to be approved today. Mr. Blair states minutes will be addressed at the next meeting.

Discussion of Power Costs/Rate Management

Jon Blair (Electric Light Manager) speaks on the cost of energy with information from MMWEC detailing different mechanisms, trends, history of forecasts associated with power procurement that affects the cost, which is expected to rise this winter.

Ms. Alexson questions the chart, costs seem to be going down, Mr. Blair states they will fluctuate based on time of year. Peak in Winter, second slightly lower peak in July and August, prices much lower in Spring and Fall. Peaks of Winter 2022 and Winter of 2023 are projected to be significant.

Dr. Jones questions if PPFA is energy that is bought in addition to contracted energy the town already owns. Mr. Blair reiterates that PPFA is every wholesale power costs. It's every kilowatt of energy that is procured, whether its contracted, owned, purchased on the open market.

The projection forecast power cost from 2022 to 2025, is virtually unchanged, when he expected to see it dramatically change in regards of energy cost. Mr. Blair explains the models and analyst are stating this is a temporary swell in energy cost driven by volatility in the natural gas market, they expect this to subside, the further out the forecast is less certainty they have.

Dr. Jones asks the average time horizon for hedges. Mr. Blair comments, typically have a 5-year horizon. Starts at year 1 with 80% hedge and drops 20% every subsequent year. Mr. Engel comments that even though 20% drops off, it is replaced so we are always at 80% hedge. Mr. Whitmore asks if any hedge previously purchased can be sold.

Last year, MMWEC lost a key employee who was responsible for filling in hedge strategies which caused a delay. MMWEC also switched software in early 2021, which showed the market was going to be inflated, and predicting natural gas irregulars. MMWEC didn't trust the indications and didn't want to advise members to lock into the projected higher rates. Despite giving direction to MMWEC to find bilateral contracts, only filled in about 60%.

Mr. Engel asks if a hedge contract could have a seasonal variability and fluctuate month to month even though its 100% hedged. Mr. Schaaf states that this is not the case with hydroelectric sources, it's the same from January to August. Mr. Blair confirms that it is all correct.

Ms. Alexson questions regarding the false alarm in Seabrook yesterday, if Seabrook were to shut down due to an incident, how are the kilowatt hours replaced. Mr. Blair answers that it would go into the open market and could be procured but would drive prices significantly higher in the open market.

Spot Market price for energy was \$23 per megawatt hour, doubled from 2020 to 2021, double again in 2022 due to COVID, outgoing federal administration, roll back of regulations in effect.

Mr. Blair states PPFA is designed to rise and fall, adjustment based on the cost of fuel, suggests monthly review, keep commissioners informed, engage management.

Mr. Blair states they will start building FY24 budget, which will include half of calendar year 2023, rough estimate was just under 1 million, currently at 1.8 million.

Mr. Blair explains Peak Reduction Program, which was put in place a couple years ago and has demonstrated that it can successfully mitigate demand cost at a wholesale level to about \$1 million in 1 year. Director of the Commissioner that valve is directed at the Star Fund and Suitability Fund. Savings from PRP generated should not be used to get rates low, should be reinvested in carbon-free energy, and other energy saving strategy. Mr. Blair suggests putting together a 3-prong response and consider using some of rate stabilization for infrastructure safety net in case of a natural disaster, along with using \$800,000 out of \$1.8 million combined with PPFA increase, redesignation of PRP.

Mr. Whitmore questions if a PPFA needs to be contracted for a year, Mr. Blair answers no, Mr. Whitmore suggest using 3- or 4-prong response and within 6 months if it doesn't peak to \$.30, then it can be adjusted.

Dr. Jones suggest putting out an article stating, there will be a \$.16 increase and calculation of average bill explaining the different areas where the rate is being calculated from.

Mr. Blair comments on PRP being valued at \$600,000 last year. Split \$300,000 to sustainability and \$300,000 to Star Fund. Now PRP is being valued at \$1 Million.

By taking PRP money, which is conservation money, by failing to increase PPFA to accommodate real cost, we are providing an incentive for rate payers to not adjust their behavior and be more conservative to reduce their monthly bills, and he is more comfortable using more rate stabilization, increasing PPFA slightly, using reduced discount, not using the PRP. Mr. Blair states he only has control to adjust PPFA. Would need explicit vote of the Commissioners to adjust PRP strategy, change prompt payment discount, draw from rate stabilization.

Mr. Whitmore wants to make aware how Ipswich compares to surrounding towns, there is a 30%-40% electric increase in surrounding areas and our town should expect a monthly increase as well due to raising prices.

Dr. Jones is asking for a summary of average monthly bill with different scenarios for the average rate payer (summary with 2 prong approach, summary with 3 prong approach, etc.), Mr. Whitmore stated it should be basic so the average household can have a good understanding, vs listing the different programs.

Ms. Player suggests that Mr. Blair and ELD hold a meeting or public hearing about discount program to inform citizens.

Mr. Blair speaks about the timeline updated to go out in the next 12 months but considers holding a special meeting with subcommittee in August and speaking with SB in September. Mr. Blair will work on an 18–24-month (starting from July) outlook, illustrative examples for rate impact to average customer with 1-2-3-4 prong approaches, update cash on hand figures.

Subcommittee ranks different scenarios giving them the opportunity to reject.

ELD Manager's Update (Personnel and Projects)

Money received for electric bills or otherwise in the payment of bills, shall be entrusted to one officer, who shall be appointed and may be removed by the Mayor of the City and Town Selectman, such officers shall be known as manager of gas/electric light.

The Light Board appoints the manager and sets manager's salary.

Legislature enacts (Acts of 1893, Chapter 454, Section 10) Any town having an electric light plant authorized by Acts of 1891, may at a Town Meeting, choose from its citizens, three persons to be known as The Municipal Light Board, who shall have full power and authority to maintain and operate and possess the powers to perform the duties conferred on the Selectman.

The manager is responsible for operations and management of the plant, manufacture and distribution of electricity, purchase of law supplies, employment of Attorneys, employment of agents and servants, the method time traced quantity and quality of the supply of electricity, the collection of bills and keeping of accounts. The Commission does not have the power to hire a

consultant. (Acts of 1891, Chapter 370, section 8– followed through to “General Laws”, Chapter 164, section 56)

Any contract of \$15,000 or more must be in writing, signed by the manager and approved by the Commission.

The Light Commission approves the MLPs rates, terms and conditions and annual financial reports.

It is the responsibility of The Light Board to file the annual report/return with the Department of Public Utilities stating the financial condition of the business, the amount authorized with an existing indebtedness, statement of income and expenses, etc. Must be signed by every Commissioner

Open Meeting Law does apply even though MLP is a non-profit.

Second ELD session to be announced later.

New Business

Mr. Blair speaks about new metering system and the responsibilities being divided into different teams including, Clerical Team, Water Distribution Team, Electric Distribution Team, Management Team due to current Meter superintendent retiring but will still stay on as a resource to help transition tasks and support teams.

Behind the Meter Battery Joint Action Project

MMWEC members are going to due diligence to 3 finalists including Ipswich for Battery providers. MMWEC will be in Ipswich July 26th, Mr. Blair will be bringing them to Wind II and Fowler Lane substation as prospects for final proposal, then discuss with subcommittee.

Old Business

None.

Adjourn

➤ *Vote: Mr. Whitmore moved to adjourn. Dr. Jones seconded. The motion carried unanimously*

*Respectfully submitted by Rachel Sklarz
07.13.22*