

**Mansfield Municipal Electric Department
Minutes of Light Commissioners Meeting
July 25, 2016**

Present: Chairman Frank Delvecchio, Vice Chairman Michael Trowbridge, Clerk Steve Schoonveld, Commissioner Jess Aptowitz, 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 and asked if anyone in the audience was intending to record the meeting to please state their intentions. No one did so.

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

Motion: To approve the minutes from the June 27, 2016 Light Commissioners meeting (Trowbridge/Aptowitz) Passes 4/0

Cash Reserve Analysis- Director Sollecito reviewed with the Board the five risk factors to consider when determining the minimum cash reserve. The first is how many days cash on hand the utility has; the second is power costs; the third is historical investment in assets; the fourth is annual debt payment and the fifth is the total 5-year capital plan.

There were some concerns about saving for the 5-year period. Commissioner Aptowitz questioned whether the cash balance is understated. Specifically, he questioned the 'Working Capital Lag' (64 day). Director Sollecito responded that it defines the time between revenue is received from the time the costs are actually realized. APPA defines this to be anywhere between 45 and 90 days. Therefore the 64 days was evaluated to represent MMED current operations and an average figure in the industry. Commissioner Aptowitz also questioned if the 'Projected Cash Balance' included the 'MMWEC reserves' and the 'Depreciated Cash' that is within the budget. Director Sollecito responded that the MMWEC funds were not reflected there since those assets are in the MMWEC account but they are definitely MMED assets. Director Sollecito responded that while the depreciation cash is not within that figure, he will evaluate and get back to the Board with a response. Commissioner Aptowitz said that he still wants to refund ratepayers rather than saving for five years when you don't know what will happen then.

Town Manager Ross believes the expenditures are fairly well fixed, an example he gave was the transformers at Gilbert Street. He said this is the biggest expenditure and is coming in the 4th year of the 5-year plan. He stated that you don't want to get to the 4th year and not have enough to cover the expense. He also noted that many customers do not pay their bill during the winter months when there is a significant load and this needs to be taken into consideration.

Clerk Schoonveld believes reserves may cause inequity and feels current ratepayers should benefit from their current surplus rather than saving for a few years. Town Manager Ross responded that is the long understood nature of maintaining cash reserves for the long term investment returned back to improve the system in the future.

Chairman Delvecchio noted that there would be only discussion on this topic and no vote or action would be taken this evening.

Commissioner Aptowitz thanked Director Sollecito for all of the information that had been provided so the Board can make an educated decision.

Distributive Generation- Director Sollecito reported to the Board that out of the three locations MMED is considering for the generator, one looks very promising while the other two are still possibilities. He said this is based on the results from the first part of the study and MMED is still waiting on the second part.

Mayhew Seavey from PLM was in attendance. He discussed other generators from Taunton and Middleboro and said that the emissions are minimal with these generators and the noise is very minimal, comparable to a whisper. Although they are visually large, noise and effects to air quality are low.

Town Manager Ross asked if during summer peaks an ozone alert would impact the use of the generator. Mr. Seavey will look into that but thinks it would be a condition of the air permit.

Clerk Schoonveld questioned spending \$2.1 million of today's ratepayers money to benefit those who will be the ratepayers in 6-7 years.

Chairman Delvecchio asked if they were to go with the diesel generator, how that would compare to just drawing on the resources they have now. Director Sollecito answered that if the unit was operating by natural gas, it would not operate in the winter and it would affect the cash flow.

Commissioner Aptowitz wondered what would happen if every municipal took advantage of this. Mr. Seavey said the savings would still be the same if every municipal had one but if you don't and the others do then you're in trouble. Commissioner Aptowitz said it sounds like they should move forward with this and should just decide on whether to go with gas or diesel.

Chairman Delvecchio inquired as to whether this goes through the appropriation process. Town Manager Ross answered that this would have to be bid out and some other issues need to be resolved such as knowing the preferred site, which is Gilbert Street, has gas there and the neighbors are far enough away.

Motion: To move forward with a generator of up to 2.5 MW to be located at the Gilbert Street site and prepare bid documents assuming the site can adequately handle the equipment
(Aptowitz/Trowbridge) Passes 4/0

Power Market Supply and Hedging- Mayhew Seavey distributed and reviewed a hand-out called Fundamentals of Energy Risk Management. He stated that the NextEra contract was entered into by MMED at the bottom of the market. This was a good thing, however, next time chances are MMED won't be so lucky. He said that using time triggers will smooth out variations in the market but also using a Risk Management Strategy will remove the judgement from the decisions. Mr. Seavey urged the Board to consider making this a policy.

Motion: To implement a risk management strategy that incorporates both time and price triggers over a 12 month to 5 year period
(Aptowitz)

Director Sollecito suggested that he would bring the formal document, along with pricing, which the Board would have to vote on to the next meeting and that this evening the Board should just authorize the staff to prepare the documents. The original motion was then amended.

Motion: To authorize staff to prepare the documents for a proposal of a hedging policy for review and final approval at the next Light Commissioners meeting
(Aptowitz/Schoonveld) Passes 4/0

Cost of Service Analysis- Director Sollecito told the Board that he thinks a cost of service analysis should be done. He noted that MMED's rate of return has been steadily declining over the past several years and that itemized charges do not accurately reflect the actual costs. He said that a properly set rate will attract new businesses to Mansfield and believes, in order for MMED to better themselves, there should be an interruptible rate structure.

Motion: To approve a cost of service rate analysis
(Aptowitz/Trowbridge) Passes 4/0

Commissioner Aptowitz commented that he has been on the Board for many years and has found that Mr. Seavey is always on target.

MMWEC Surplus of Funds Recommendation- Director Sollecito told the Board that there are two "Surplus of Fund" reimbursements coming to MMED from MMWEC. The first is for the "Winter Reliability" revenues and the second is for Nuclear Projects. It was Director Sollecito's recommendation that the first be taken as a credit with MMWEC and to have a check issued for the second.

Motion: To approve the Winter Reliability reimbursement from MMWEC (est. \$371,811.65) be taken as a credit to offset future MMWEC billings after August 20, 2016 and the Nuclear Projects Bond Reserve reimbursement (est. \$2,296,527.98) be taken as a check to be issued after August 20, 2017
(Trowbridge/Aptowitz) Passes 4/0

Landscaping at Bird Road Substation-Director Sollecito reported to the Board that there have been complaints from neighbors about the landscaping at Bird Road Substation. There had been a plan when the substation was built but it has not been kept. He said there is no

irrigation there and suggested crushed rock. One of the neighboring customers has suggested evergreens.

Vice Chairman Trowbridge thinks there is enough money in free cash that this situation should be resolved. Commissioner Aptowitz said that in the past, he has brought this subject up but it was not taken care of, and feels it should be done right this time.

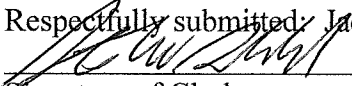
Vice Chairman Trowbridge suggested looking into installing irrigation. Town Manager Ross agreed and said if they have to cut into the road and patch it, that would be fine.

Clerk Schoonveld suggested asking neighbors about what they may want if they find grass will not be possible there.

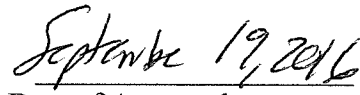
Town Manager Ross also reported to the Board that bids have been taken for undergrounding the wires at the new municipal complex and that they were much too high. The best option is to go to the other side of the street with an overhead line. It is approximately \$300,000-\$400,000 less expensive.

Commissioners Comments- none

**Motion: To adjourn at 8:55pm
(Aptowitz/Trowbridge) Passes 4/0**

Respectfully submitted: Jacqueline Lee


Signature of Clerk



Date of Approval