

ELECTRIC SUBCOMMITTEE

Meeting of Wednesday, March 11, 2020
Utilities Department Conference Room | 272 High Street
Ipswich, Massachusetts

A meeting of the Electric Subcommittee was held on Wednesday, March 11, 2020 at 7:00pm at the Utilities Office Building in the Utilities Department Conference Room.

With a quorum present, Nishan called the meeting to order at 7:03 p.m.

Subcommittee members present: James Engel; Whitney Hatch; Nishan Mootafian; Michael Schaaf

Staff present: Jon Blair; Ray Leczynski; Dylan Lewellyn

Also present: Kathleen Reed, Recording Secretary

Not present: William Craft, Ed Rauscher

Abbreviations Used: ELD, Electric Light Department, PPFA, Purchased Power Fuel Adjustment; FY, fiscal year; AMR, automatic meter reading; FinCom, Finance Committee; ROI, return on investment; StAR, Station Asset Replacement

Introduction of New Recording Secretary, Kathy Reed

The Committee welcomed recording secretary, Kathy Reed, to her first meeting of the ELD.

Citizens' Queries

None

Approval of Minutes – February 2020

Vote: Mr. Engel moved to approve the minutes of February 2020. Mr. Schaaf seconded, and the motion carried unanimously.

FY21 Budget Presentation

Mr. Blair provided a comprehensive review of the FY21 budget highlighting the following (below). This budget format is a new, consolidated form that includes the impact of the power plant transition and the redistribution of wholesale power costs.

- Capital Plan

Mr. Blair noted that at the February 2020 meeting of the ELD Committee, there was a review of the individual accounts, significant expenses, and deviations for upcoming fiscal year. The Narrative was distributed for review prior to this meeting. It was reported that a productive conversation with Mr. Engel, Mr. Leczynski, and Mr. Blair was held to discuss the new budget format and upcoming presentation to the Commissioners. Chapter One will include operations, general and administrative, as well as cash accounts related to the operations and sustainability which will be incorporated into the Narrative. Chapter Two will include capital expenditures tab, debt schedule, StAR fund, depreciation fund and five-year outlook.

Discussion highlights:

Capital Expenditures

- Generation:
 - 3410 Structures and Improvements – General (Remove obsolete equipment and upgrade building envelope.); 3460 Miscellaneous Equipment (Discharge treatment system per EPA/MassDEP mandate.); 3480 Project Management – Generation (Discharge treatment system management per EPA/MassDEP mandate.)
- Distribution:
 - 3620 Station Equipment (Purchase and install a new circuit breaker per capital plan.); 3670 Underground Conductor (Contract the reconstruction of existing electric system per capital plan.)
 - 3760 Project Management – Distribution (Purchase Asset Management software platform) Mr. Schaaf suggested that this section include information pertaining to the collaboration with other towns/cities.
 - 0000. High Street and E Street Roads will be widened and sidewalks redone in the next five years. Street Project (Placing electric conductor underground along High Street has not been asserted as a priority for the ELD; therefore, it is not included in the capital plan). Lengthy discussion ensued re: the feasibility and significant expense with underground power lines at that location due to ledge, abandoned infrastructure, and runoff. Trench sharing is not a feasible option at this time. Mr. Hatch suggested that consideration be given to exploring a betterment offering to the community, and Mr. Blair will look to the ELD and/or the Commissioners to explore whether or not a full engineering study to assess the work is desirable at this point in time. The possibility of cross-department collaboration with the Water Department as another point for consideration was discussed.
- General:
 - 3900 Structure and Improvements (Schofield Building, roof replacement, office improvements, and preparation of yard for expansion)
 - 3910 Office Equipment (cash receipt kiosk for customer bill payments)
 - 3920 Transportation Equipment (Replace 2010 bucket truck and purchase new pickup truck for job scouting.) Mr. Blair noted parking lot site surveying is needed due to drainage issue in order to increase parking capacity. \$80,000 has been allotted for architectural design.
- Operational Expenses
 - Generation:
 - 5460 Operations Supervision and Engineering-Generation (consolidation of consulting costs from other categories including compliance, permitting, and engineering services); 5470 Fuel (Under new strategy, anticipated 200-250 hours annually.)
 - Distribution Operations:
 - 5820 Station Expense (Periodic testing of protective relays required this year with an associated anticipated expense of \$20,000 per annum.)
 - 5870 Sustainability/Green Communities (This was previously not included in operational expenses.)
 - Distribution Maintenance:
 - 5970 Meter Maintenance (There will be an increase due to meter system failing. Mueller AMI demonstrates an increase of hardware failures.)
 - General & Administrative Expenses:
 - 9200 Administrative Expenses (reclassification of salaries for several exempt employees); 9270 Franchise Requirements (morale and goodwill).
 - Sustainability:

- \$50,000 has been added to this line item for a full-time Sustainability Technician. There will be continued aggressive funding of the collaborative rebate for customer-owned solar arrays as well as the introduction of new incentives.
- Proposed Rate Change:
 - There will be a request for a vote to increase the base rate of 0.4cents/KWh for all rate classes due to the anticipated decrease of 0.4cents/KWh in PPFA. This results in a no net impact to the effective rate experienced by customers and is consistent with the ongoing strategy of rebuilding cash reserves while wholesale energy prices are low.

Mr. Blair suggested that the presentation format to the Commissioners, FinCom, and customers be a Budget Highlights document that can also serve as an answer sheet for the anticipated questions of these three groups.

Narrative

Mr. Blair provided a comprehensive overview of the Narrative which includes the Executive Summary, Mission|Vision|Values, History, Governance, Department Overview, Operations, Generation, Reliability, Business Office, Financials, Sales, Rates, Power Portfolio, FY20 Accomplishments, and FY21Goals.

Lengthy discussion ensued, and Mr. Blair agreed to draft the following suggestions for inclusion in the final draft of the Narrative that will be distributed to the SUBCOMMITTEE members before the April 2020 meeting for their final review. Several members present felt that the Narrative should include the “green” strategy with a metric that is developed and agreed upon that would depict whether the objective is being met or not. Definitions and semantics would need to be carefully considered to ensure clarity in order to determine measurable outcomes.

- Governance: Mr. Mootafian requested that “Select Board” be added in the Electric Light Commission box.
- Department Overview: There was discussion regarding the reporting structure for the Assistant Superintendent, Assistant Power Plant Superintendent, and Assistant Distribution Superintendent. For practical purposes, Mr. Blair currently serves in this capacity; however, it was agreed that it was not necessary at this point in time to include this in the Department Overview.
- Sustainability: It was agreed that a statement affirming the Department’s commitment to sustainability should be added to the Executive Summary until the vision statement can be updated.
- Business Office: Mr. Engel recommended a change in terminology from “sewer” to “waste water” as well as the use of trends for reporting of expenses and revenues.
- Sales: With regard to the System Peak Power Demand grid, it was agreed that it would be beneficial to highlight the seasonal peak usage for easy identification using a color and/or dots/triangles format.
- Rates: Mr. Blair will adjust the Cost Comparison by Utility and Calendar Year grid to note years of 2019, 2020, and 2021 (vs. 2018, 2019, 2020). Mr. Hatch requested that “effective rate” be changed to “average effective rate”. Mr. Blair was asked to add the total number of total KW hours and then use that number to divide KW hours by wind, solar, nuclear, and water sources. Those present agreed that the use of “carbon-free sources” was desirable and that the definition of that term was an important component and that perhaps a formula of taking the percentage points from the ISO mix and applying them to the KW hours from hedges and open market sources would result in a meaningful statement of the term “carbon free”.
- Method of Power Procurement: Lengthy discussion ensued regarding the optimal presentation format of the Method of Power Procurement, 2019 Regional Source Mix, and Prescription Sources. The following suggestions were made:
 - 2019 Regional Source Mix pie grid:
 - Consider changing “Imports” to “Hydro/James Bay & Niagra”
 - 2019 Regional Source Mix

- It was suggested somewhere on that the term “Imports” that this is power that comes from beyond the ELD grid and that perhaps a breakdown of the imported power sources would be beneficial.
- Prescriptive Sources
 - It was suggested that “Oil/Gas 0%” be changed to “Oil/Gas <1%” as well as a bulleted format vs. paragraph format. Mr. Blair is working toward developing a breakdown of the percentage of power and costs of each for fiscal years post FY 2021.

FY20 Accomplishments

There was discussion that perhaps there is an opportunity to capture the broader direction of the strategic plan in the Mission|Vision|Values section of the Narrative. This would reflect the ELD advancements in decarbonization, electrification, sustainability etc. With regard to the FY21 goals, it was suggested that they should be included in the Executive Summary and then the ELD will revise the core values in the Summer 2020. The goals should reflect the notion of the opportunity that is at hand – both business and environmental opportunity - and convey that aspiration as a statement of what is driving the efforts of the ELD. Mr. Blair noted that there is a binder of all documents and points of reference used in the development of the capital plan, and all are welcome to review the information contained.

Citizen Comment

Ms. Carolyn Britt (Shagbark Woods) joined the meeting and thanked the ELD, on behalf of the Climate Resilience Committee and Planning Board, for the comprehensive report. She asked that future discussion include rebates, incentives, and sustainability forecasting when planning future projects. Mr. Blair is currently running an analysis on the effectiveness of the current incentives and will report to the subcommittee at some point in summer 2020.

Other Business

Special Projects:

Mr. Blair discussed transmission resilience and challenges associated with accessing the rural pole that brings power in from Rowley to Ipswich. The effort highlights the intradepartmental collaboration and effectiveness of the management tools. Consideration is being given to the purchase of a generator that could power both the Water and Electric Departments while producing a ROI for the ELD. Updates will be forthcoming on efforts to tie together critical infrastructure needs and work to build resiliency in infrastructure.

Capital Expenditures/Capital Plan

It was noted there is an opportunity for refinement of the capital plan portion of the budget presentation with a focus on consistency and perhaps a title change from “Capital Expenditures” to “Capital Plan”. Currently, the summary sheet data and cash flow numbers do not coincide. After lengthy discussion, it was agreed that a rework of the budget presentation with final review by the subcommittee prior to submission to the Commissioners was warranted so that the Capital Summary sheet, Capital Expenditures sheet, and the Summary sheet data flows accurately. There was discussion regarding cash accounts projections, and Mr. Leczynski noted the projected profit of approximately \$1,000,000 for FY20; this figure is not considered to be accurate due to end of year payments that are not accurately captured by the annualized figures from the first half of FY20. Mr. Blair and Mr. Leczynski will meet to review the documents to ensure consistency and present to the ELD at its next meeting on 4/8/20.

Long-Range Subcommittee Agendas:

A long-range Subcommittee agenda item listing was reviewed. It was requested that for the meeting of February 2021 a discussion of financial goals be added as an agenda item along with portfolio goals. Further discussion was requested regarding the AMR. Mr. Blair will clarify the AMR message and add as a future agenda item. All were asked to arrive prepared for a robust discussion regarding the land lease so that the

SUBCOMMITTEE can develop an action plan. Town Manager, Tony Marino, will be invited to the 4/8/20 meeting of the ELD.

New Business

Coronavirus: Mr. Blair reported that he will hold a meeting on 3/13/20 to discuss ELD anticipated response plans that may be required in the wake of the spread of COVID19 in the communities served by the ELD as well planning to meet any needs of employees in an effort to mitigate the potential for negative circumstances.

Mr. Engel moved to adjourn, and Mr. Hatch seconded. The motion was unanimously carried.

The ELD adjourned: 9:58pm.

Respectfully submitted by Kathleen Reed, Recording Secretary