

**MINUTES OF THE
MUNICIPAL LIGHT BOARD MEETING
February 20, 2018**

PURSUANT TO notice given, the Merrimac Municipal Light Board (“Board”) met in the Municipal Light Department’s (“MLD” or “Department”) Administration Building, 10 W Main Street, at 4:00 PM.

PRESENT

Those present included Chairwoman Paula Hamel, Vice Chair Larry Fisher, and Secretary Norman Denault, MLD’s General Manager Francisco Frias, and Office Manager Julie Hart.

MEETING START

A motion was made and accepted to bring the meeting to order at 4:00 PM.

APPROVAL OF MINUTES

Commissioners voted 3-0 to accept the January 9th, 2018 Board Meeting Minutes as written.

GENERAL MANAGER’S ITEMS

December 2017 Financial Information:

General Manager (“Manager”) asked Board if there were any questions regarding the financial information for the month of December 2017. The Department saw a total Net Loss in income of -\$232,000, compared to the -\$184,870 forecasted, due in part to the leftover depreciation expense of a line truck and a pickup truck the MLD got rid of. Manager noticed that with the replacement of these two trucks last year, the department had not fully depreciated these vehicles. Manager will now be looking into setting up a schedule that takes into account the useful life of all items to be depreciated. The year to date Net Income was \$208,951. Included in the Financial Information portion of the Board package was the Comparative Operating Statement for the previous year and the current year. Also enclosed was the spreadsheet for December’s ending balances.

Legal Opinion for MLD Investment Policy:

Manager requested a legal opinion from Rubin and Rudman on what guidelines the Light Department must follow pertaining to investing the Depreciation funds. Their Legal Opinion stated that Depreciation Funds must be invested in accordance with General Law (G.L.) c.44 & 55A, which only allows investing funds using the Legal List. OPEB Funds are governed by G.L. c. 32B, & 20 and these funds fall under the prudent investor rule established in G.L. c. 203C which allows more flexibility when selecting investments.

Since the MLD’s Depreciation Fund with Bartholomew has only seen a 1.7% growth since March and the Department is mandated to invest using the Legal List, Commissioners want to take on more risk within the Legal List choices in order to increase returns. Commissioners also want to bring in someone from LPL Financial to see how they are investing our Depreciation Funds.

Annual Standard & Poor Credit Review:

Board voted 3-0 to discontinue our annual Credit Review the Department has been doing with Standard and Poor. Manager has surveyed other Municipals Light Departments and found that few are doing Credit Reviews every year. Energy New England also does not see the need for an annual review. This will save the department time and money if it holds off doing the review until it's needed.

Tangent Permanent Generation Project Update:

Manager informed the Board that Tangent has installed all their equipment, and connected to the gas line. After resolving a few issues, things are moving forward and should be completed by the end of the month. Tangent will be putting some equipment in place to ensure they are not back-feeding power to National Grid. Additionally, the Manager has signed the licensing agreement with Tangent but is waiting for the testing of the generator to be completed before signing the Interconnection Agreement.

In Lieu of Tax Payment: The Commissioners voted 3-0 to a Payment in Lieu of Taxes ("PILOT") of \$10,000.00 in cash and the cost of Street Lighting for 2017, which was \$23,026.92. The total PILOT for 2018 will be \$33,026.92. The calculation method used to determine the cash amount was 1/10% of the previous year's KWH sales minus the Street Lighting cost for 2017 or a cash payment of no less than \$10,000.00, whichever was greater. Manager will send a letter to the Finance Director Carol MacLeod informing her of the 2018 PILOT.

Solar DOER Program:

The Department of Energy Resources (DOER) is working with different entities to introduce a new solar rebate program, which would be made available to customers being served by a municipal light department if such department decides to participate. The Municipal Light Departments would dedicate a certain amount of money each year to a solar account and the DOER will match these funds. If a customer qualifies for this rebate they would receive half of their rebate from the Light Department and the other half from the DOER. Each municipality can set their own cap on these funds. If this program gets approved by the DOER and the MLD decides to participate, the Manager is suggesting \$10,000 to \$15,000 for this program. Commissioners are interested in participating in this program once all the details all finalized and known.

5-year Financial Forecast and Capital Plan:

Manager presented the Five Year Financial Forecast, which shows a picture of the projected financial status of the MLD from 2018 through 2022. Manager started by discussing the forecasted revenue for the mentioned years, followed by the forecasted KWH sales. The 2018 Operation Revenue is forecasted at \$4,910,219 and ending in 2022 with revenues at \$4,938,252. The Operating Expense Forecast was discussed and expected to go from \$4,897,886, in 2018, to \$4,674,806 in 2022. The Projected Net Income for MLD is -\$77,666 in 2018, \$83,199 in 2019, \$198,209 in 2020, \$247,485 in 2021 and \$263,447 in 2022. In previous years, the Department was building up the cash account to hold off on rate increases.

Manager indicated that he will continue updating this Forecast as actual information becomes available. Based on the annual updates, the Department will be able to determine when and if a rate adjustment is necessary.

General Manager's 2017 Objectives Review:

- 1) **System Study: Completed.** Manager recommended that the Department hires an outside company to perform the Arc Flash Analysis on the Distribution system. The cost would be between \$6,000 and \$10,000.
- 2) **Comcast Pole Attachment Review: Completed.** After a review of the Pole Attachment Agreement with Comcast, Manager has determined that updated fees and requirements for pole attachments with Comcast are needed and can be negotiated.
- 3) **City of Haverhill Streetlight Maintenance: Completed.** The Light Department has signed an agreement with the City of Haverhill to maintain their streetlights. Haverhill has recently acquired the city's streetlights from National Grid.
- 4) **Permanent and Temporary Generator Installation: Completed.** The temporary unit was installed last summer, but Tangent Energy did not catch the capacity peak. Permanent unit is almost fully commissioned.
- 5) **Net Metering Policy – DPU Filing: Completed.** The Metering Policy for our customers with distributed generation has been revised and submitted to the DPU.
- 6) **2017 DPU Report: Completed.** The 2017 DPU Report has been completed and submitted to the DPU.
- 7) **5 Year Financial Forecast & Capital Plan: Completed.** Manager will continue to update the 5-Year Financial Forecast and Capital Plan as new information comes in.
- 8) **DOER Streetlight Grant Replacement Program: Completed.** The Town's streetlights, except for private lights and grounds fed from the underground, have all been converted to LED lights and the Department is now waiting for the final inspection by DOER.

General Manager's 2018 Objectives:

- 1) **Balance Sheet Fixed Asset Accounts Analysis:** Manager will develop a depreciation schedule that takes into account the useful life of each asset to be in a better position when the asset is removed from the books.
- 2) **Comcast Pole Attachment Review:** Manager will open talks with Comcast to update the Pole Attachment Agreement's fees as the last time fees were adjusted was in 2002.
- 3) **City of Haverhill Streetlight Retrofit:** At one point this year, the City of Haverhill will be going out to bid for the installation of LED streetlights. Manager will determine what the requirements are for bidders and if this would be a feasible project to undertake.
- 4) **Union Contract Negotiations:** Manager will work with the Light Commissioners and the Union to reach an agreeable contract for the period from July 2018 to June 2021.
- 5) **Department Reorganization:** Manager will work with new Superintendent and Crew Leader to help them reach the goals of the new reorganization.
- 6) **2018 DPU Report:** Manager will complete the 2018 DPU Report and submit it to DPU.
- 7) **5 Year Financial Forecast & Capital Plan:** Continue to update the 5-Year Financial Forecast and Capital Plan as new information comes in.
- 8) **23 kV System Sectionalizing Project:** Manager will look into the different options available to improve the reliability of the 23kV distribution system.
- 9) **Arc Flash Study:** Manager will get quotes from engineering companies for an Arc Flash study and compile the technical information needed for this company to complete the study.

Other Items:

Write-Offs for 2018:

Board voted 3-0 in favor of writing off \$3,940.40 in uncollected customer balances.

Executive Session:

Board voted 3-0 to go into Executive Session at 6:02 PM to discuss Union and personnel matters.

Board voted 3-0 to come out of Executive Session at 6:41 PM and end the public meeting at 6:41 PM.

Chairwoman

Vice Chair

Secretary