

**MINUTES OF THE
MUNICIPAL LIGHT BOARD MEETING
October 9, 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 3:30 PM.

PRESENT

Those present included Vice Chair Norman Denault, Secretary Paula Hamel, MLD’s General Manager Francisco Frias, and Office Manager Tara Aniello.

Also present, for part of this meeting, was Robert Sinibaldi, the DPW Director. Tim Flynn, from Flynn Financial, joined the meeting by phone, during a portion of the meeting.

MEETING START

A motion was made and accepted to bring the meeting to order at 3:39 PM.

APPROVAL OF MINUTES

Commissioners voted 2-0 to accept the September 17, 2018 Board Meeting Minutes as written.

GENERAL MANAGER’S ITEMS

August 2018 Financial Information:

—The General Manager (“Manager”) asked the Board if there were any questions regarding the financial information for the month of August 2018. The Department saw a total Net Income of \$101,290.00, compared to a forecasted net income of \$115,572.00. 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 August’s ending balances.

DPW Director – Wallace Way Underground Work:

The Director of Public Works, Robert Sinibaldi joined the meeting to discuss the work to be done at Wallace Way for the Water Department. The work consists of undergrounding the primary wires in concrete-encased conduits. According to Mr. Sinibaldi, the cost for encasing the primary conduits would be roughly \$30,000. Mr. Sinibaldi requested that the Light Department waive the concrete encasing around the conduits, with the understanding that there will be multiple efforts taken to show that there are high-voltage wires in conduits underground. Since all that property is owned by the Town and there is a minimum risk of excavation that could take place in the future, the Board made a motion to waive the concrete encasing for this job. Mr. Sinibaldi thanked the Board and departed the meeting.

Depreciation Fund – Flynn Financial Presentation:

Tim Flynn, from Flynn Financial, joined the meeting via phone to discuss changes to the two portfolios they are managing for the Department. A proposal to reallocate the Merrimac Municipal Light Department Self Insurance Trust Fund to the Flynn Financial Research Income with Moderate Growth Model was discussed. The current portfolio has a high-level asset class breakdown of 43% equity and 57% fixed income/alternatives. The proposed portfolio would look to realize some equity gains by reducing equity to 40% and increasing fixed income/alternative investment exposure to 60%. The most significant changes in composition would be to the fixed income and alternative sub-asset classes. In the fixed income allocation, core fixed income and short duration investment grade bonds will increase while reducing exposure to government and high yield bonds. With regards to the alternative sleeve of the portfolio, Flynn Financial is increasing exposure to positions in hedge funds, managed futures and commodities to better prepare the portfolio for anticipated increases in volatility. A back-test of these adjustments resulted in a relatively similar trailing return (8.30% vs 7.75% since 9/1/13) with a lower risk profile (5.57% SD vs 5.43 SD for the same time period). This is corroborated with a current up/down ratio of 103.94/91.83 vs a 105.93/86.96 for the proposed model. There was a motion made by the Board to move forward with the recommendations from LPL to rebalance to 40%. The Board was in agreement to move forward with the changes being proposed and after the phone conference with Tim Flynn, it instructed the Manager to have Flynn Financial move forward with the changes.

Winter 2019 Power Hedging:

The Manager informed the Board that prices to hedge energy for the upcoming winter months were higher than what was expected and it did not make sense to go ahead with the purchase of additional off-peak power. The Manager was of the opinion that based on the average price of off-peak power during the past five winters it would make more sense to take the risk of not hedging and hope for an average winter instead of hedging at a high price. The winter of 2014 was very abnormal due to a polar vortex and other weather events that drove prices up, but the last three years have not been abnormal. The Board made a motion to leave the portfolio as it is unless the market changes drastically, making it a deal to buy more off-peak power.

Future Green Energy Projects:

At this point in time, municipal light departments are not required to comply with the Clean Energy Standard (“CES”), but that could change in the future, especially with some communities pushing to get all energy from green resources. The Manager informed the Board that he attended a meeting, conducted by Energy New England, in which a number of green projects, in the initial steps of development, were discussed. There will be a number of projects that the Department will be able to participate to put more green resources into its power portfolio. Some of those projects include the Palmer BioMass Plant, River Hydro in Connecticut, DeepWater Wind, and NextEra solar. The Manager will share additional information as it becomes available.

3rd Quarter 2018 Reliability Report:

The Manager went over the reliability report for the third quarter of 2018 (Enclosed with Minutes). During the quarter, the MLD had two outages with a total of 29 customers affected. Overall, 14% of customers interrupted were restored in less than 60 minutes. The rest of the customers were restored in between 61-120 minutes. The System Average Interruption Duration Index, or SAIDI, was 0.8 minutes.

Other Items:

Broadband Services:

The Manager met with Fujitsu, a company that works with Light departments looking to offer broadband services to their customers. For a determined cost, they do a basic feasibility board-level study and based on the results, and if the Department wants to move forward then they make an in-depth feasibility study and business plan. The Manager will coordinate to have this company come and do a presentation to the Board.

Public Meetings:

The Manager and the Office Manager reviewed the information from the training on taking Board Minutes, provided by KP Law. A particular topic discussed was the use of personal emails to share information pertaining to the Department. The Manager has set up business emails for the Commissioners so they do not have to use their personal emails to receive department-related information.

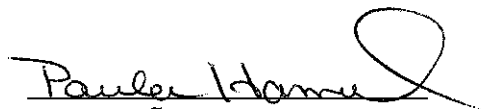
Energy New England - Residential Conservation Services:

The Manager went over the new Residential Conservation Services ("RCS") contract provided by Energy New England. The last RCS contract expired at the end of 2017 and the new contract has been updated with new provisions and higher prices. The Manager was able to negotiate down some of the prices and the benefits our customers will get through the program. The proposed contract term was three years; however, the Board wants a provision that would allow the MLD to exit the contract if it finds another provider of these services. In addition, instead of the new rates taking effect in October, the Manager was going to request the rates to take effect in 2019 for budgeting purposes.

The meeting was adjourned at 5:11 PM.


Chairman


Vice Chair


Secretary