WESTFIELD GAS+ELECTRIC

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Westfield Gas & Electric Municipal Light Board Regular Meeting Minutes March 2, 2016

Location: Gas & Electric Operations Center, 40 Turnpike Industrial Rd. Conference Room, Westfield, MA

The meeting was called to order at 7:00 p.m.

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APR - 7 2016
10:55AM
WESTFIELD CITY CLERK

I. Call to Order

II. ROLL CALL was taken as follows:

Present: Ward #1 Commissioner, Kevin M. Kelleher
Ward #2 Commissioner, Ray Rivera
Ward #3 Commissioner, Jane C. Wensley
Ward #4 Commissioner, Francis L. Liptak
Ward #5 Commissioner, Thomas P. Flaherty
Ward #6 Commissioner, Robert C. Sacco
Appointed Commissioner, A. Edward Roman

Absent:

Present: 7 Absent: 0

III. PLEDGE OF ALLEGIANCE

IV. READING OF THE RECORD:

On motion by Commissioner Liptak, seconded by Commissioner Wensley, it was unanimously:

VOTED: To accept the minutes of the February 3, 2016 Regular Session Meeting of the Municipal Light Board as presented; and

To accept the minutes of the February 3, 2016 Executive Session Meeting of the Municipal Light Board as presented, but not release to the public at this time.

V. PUBLIC PARTICIPATION: Ms. Barbara Rokosz, Lockhouse Rd. Westfield addressed the Board. She explained that she was at the last city council meeting and that Councilor Knapik read a portion of a letter from the WG+E regarding the pipeline agreement between the city and the G&E and inquired what was the entire content of the letter . The Manager stated that the letter she was referencing was authored by him and only spoke to the WG+E support for the agreement. It

was different from the e-mail response to questions that Councilor Babinski possessed. In that e-mail, the Manager explained that the operational needs and requirements of the pipeline were discussed. There were no conflicts or discrepancies between the documents. Ms. Rokosz then asked why, if the PVEC plant was unsuccessful in the recent auction, was there a need for the city to execute the agreement. Commissioners Flaherty and Sacco explained that if any potential other projects needing high volumes of natural gas were to occur on the horizon then one would want the rights to the corridor as soon as possible.

VI. REPORTS FROM THE GAS & ELECTRIC:

A. Action Required Items

a) **Monthly Lost Time Report.** Manager Howard reported that during the month of February 2016, a meter reader slipped on ice causing injury and resulting in 2 lost days. He returned with light duty status and, at this time, is back to full duty.

b) **Chamber of Commerce St. Patrick's Day Breakfast**. The Manager indicated that, as in the past, WG+E has a table at the St. Patrick's Day Chamber of Commerce Breakfast scheduled for Friday, March 18, 2016 at Westfield State University. Any commissioner wishing to attend should contact the manager's office.

c) **Meyers Brothers Kalicka Year End Audit**. The Manager introduced Howard Cheney from Meyers Brothers Kalicka (MBK), WG+E's outside independent auditing firm. Mr. Cheney indicated that the annual audit would begin on March 7th and would be completed for the May MLB meeting. He also noted that MBK is responsible for auditing the Southwest Cooperative whose financial statement is consolidated with WG+E's financials. The Southwest Cooperative audit has already begun. He indicated that his firm looks at the internal controls, policies and procedures of the Department. Mr. Cheney went on to explain that the only significant change for the audit this year is that accounting rules are now requiring an entity like WG+E to recognize its portion of the city pension liability on its balance sheet. It does not have any significant effect on the cash flows of the Department. At this time it is estimated that this liability for WG+E is approximately $9 - $12 Million. Commissioner Flaherty inquired if WG+E should initiate a trust much like the way it did with the OPEB liability. Mr Cheney stated that a trust fund and funding mechanism already exists through the city. The City has a trust fund that includes WG+E contibutions.

d) **February 16th Meeting with City Officials**. The Manager reported that, in January and as a follow-up to a November correspondence, city officials were invited to attend a luncheon/presentation at Operations on Tuesday, February 16, 2016. The format provided an opportunity for the WG+E to inform city officials of some of the larger projects underway in the Department (such as Whip City Fiber), illustrate the value the WG+E provides to the community and to provide detail of two topics that have been consistently in the forefront with city officials; that of the Payment in Lieu of Taxes (ILOT) and the Energy Stabilization Funds. A brief history of the utility was provided which then segued into the various projects that WG+E has participated in over the past three years that provided added value to Westfield representing more than $4.6M in

avoided costs to the City. This amount is exclusive of the cash payment provided by the annual ILOT payment. The presentation concluded with an update on the future planned expansion of Whip City Fiber and an optional tour of the Operations Center. In attendance were city councilors- Dan Allie, Mary Ann Babinski, Steve Dondley, Mary O'Connell, Bill Onyski, Andrew Surprise and Matt Van Heynigan. Mayor Brian Sullivan, City Advancement Officer Joe Mitchell and Chamber of Commerce Director Kate Phelon were also in attendance and the Municipal Light Board was represented by Tom Flaherty, Kevin Kelleher, Fran Liptak, Robert Sacco and Jane Wensley. The feedback from the attendees was very positive. Commissioners Sacco, Flaherty and Wensley each commented on how well the presentation was received by those in attendance and that it was a job well done. The Manager stated that putting the program together was a team effort by staff.

e) **Quarterly Gas and Electric Rate Comparison.** The rates continue to be very competitive in the region. The reports, provided by Energy Supply and Rates Manager Tony Contrino, state that, during the fourth quarter, Westfield residents paid 15.74% below the State of Massachusetts average for electricity and, for the twelve month period ending December 2015, the electric rates were 14.73% below the state average. During the fourth quarter, Westfield natural gas customers paid 4.91% below the State of Massachusetts average and, for the twelve month period ending December 2015, the natural gas rates were 3.09% below the state average. The commercial electric rates were consistently around 12% lower for various classes through 2015 and the gas rates approximately 1.5% above the state average for the year. The Manager commended Mr. Contrino and his staff for their efforts and a continued good job. The Chairman inquired as to who provides the statistical data in that WG+E is no longer a member of MMWEC. The Manager responded Energy New England.

f) **Energy Stabilization Funds Quarterly Report**. The Manager presented the Electric Rate Stabilization Fund which showed that, for the year, WG+E continued to make the budgeted $25,000 a month contribution to the Electric Rate Stabilization Fund and interest was added to the account on a monthly basis. No withdrawals from the fund were made during 2015. With respect to the Gas Rate Stabilization Fund, as previously discussed with the MLB, the WG+E increased its budgeted $25,000 per month contribution to $50,000 per month in May of 2015 for the remainder of the year. As with the Electric Rate Stabilization Fund, no withdrawals were made in 2015. Commissioner Kelleher inquired if the gas stabilization fund contributions will remain at the higher level. The Manager stated that at this time they are expected to remain at the higher level but the target levels of the funds would be reevaluated to see if they remain consistent with the operating expenses the utility has experienced in the past year.

g) **2015 Outage Report**. The Manager presented the annual outage report and provided a brief explanation of the parameters used and how the department continues to meet and exceed the standards. The DPU, in 1999, required all investor owned utilities to report annually on their service quality. WG+E voluntarily adopted these guidelines for its own self evaluation. A brief definition for each of the acronyms that are industry benchmarks was provided and the WG+E met or exceeded all of the criteria for reliability since inception. The Manager reported that reliability of the distribution

system in 2015 resulted in dependable electric service to our customers 99.944% of the time. Adverse weather remains the leading cause of outages, however, the Manager stated that tree and vegetation related outages continue to decline as a result of the Department's high emphasis with its tree trimming program.

h) **2015 Street Light Report.** The Manager presented annual street lighting report indicating that WG+E is responsible for the planning, installation and maintenance of lighting public right of ways within Westfield. At present, there are 4,522 street lights within the City of Westfield that are subject to inspection and repair by the WG+E. Regularly scheduled night time inspections help minimize the time a malfunctioning light is in need of repair. During the past ten years, WG+E has expended over $227,972 in materials for street light maintenance and approximately $423,854 in associated labor costs. In 2013, the WG+E began the process of replacing existing high pressure sodium (HPS) street lighting with new light emitting diode (LED) street lighting. At the end of 2015, the Department had installed 967 LED street light fixtures. Approximately $312,000 was expended for this program in 2015. WG+E will steadily phase out all remaining HPS streetlights with equivalent LED replacements. The Department projects that this project will take approximately five years to complete. The Chairman asked if it was contracted out. The Manager responded that WG+E crews are installing the LED lighting.

i) **2015 Safety and Health Report.** The Manager presented the report indicating that WG+E places heavy emphasis on safety awareness and accident prevention. The number of safety and health contact hours demonstrates the Department's commitment to the continued safety and health of its workforce. In 2013, the WG+E enrolled in an interactive safety and health training solution. This program offers around-the-clock access to help improve compliance and safety awareness in job-specific areas for all employees, and also improves efficiencies as employees are able to take courses on line. Each employee is assigned a list of required sessions and must complete them by the end of the year. In addition, the WG+E participates in training sessions offered by various industry-related organizations. By regulation, required courses vary year to year, which affects the overall contact hour, as does the number of classes employees take above and beyond the requirements.

j) **Human Resource Annual Report.** The Manager presented the Human Resources annual report showing an eleven year personnel histogram. The number of full time employees as of December 31, 2015 stood at sixty nine. During the year retirements and new hires equaled each other, although the new hires did not necessarily fill a position of a retired employee, but rather reflected the needs of WG+E with respect to technology and customer service needs.

k) **Technical Organization Chart.** The Manager also presented the Technical Organization (TO) Chart and Functions Manual giving a brief overview of its makeup and stating that the booklet provided a brief yet thorough review of the functions, purpose, and accountability of each area of the Department including that at the Municipal Light Board level. The Functions Manual report is provided annually while the TO Chart is provided in March and September of each year.

l) **Monthly Financial Reports**. Finance Manager Jay Kline noted monthly and year-to-date purchased power expenses and net income figures presented in this report reflect estimated amounts. On a combined Departmental basis, the year-to-date net income loss of $252k is less than the original budgetary forecast. NYMEX futures, which dropped to a multi-year low of $1.75/MMBtu in mid-December, traded higher in mid-January to test the $2.50/MMBtu level before falling back below the $2.00/MMBtu mark in mid-February. The weather so far this winter has had negative effects on the financials as both consumption and revenues are significantly down. Delivered gas in New England has also failed to develop much of an upward bias this season, with prices averaging around the $4.00/MMBtu mark in January and peaking early in the month at $8.00/MMBtu. Subsequent blasts of arctic air have also been met with muted market responses as February prices peaked below the $7.00/MMBtu level. This limited price reaction reflects a precipitous drop in the markets risk sentiment, as a combination of warm temperatures, LNG deliveries and the ISO reliability program have served to alleviate price concerns. Commissioner Roman reviewed the financials and stated that they looked good as the department is only reporting January at this time.

***B. Informational Items*:**

a) **Utility Issues**. Report was presented and accepted.

b) **Utility News/Pulseline Articles** was presented.

c) **Utility Courses Update** - 2016 Seminars and Workshops were presented. The Manager indicated the availability of the APPA certification for municipal board members and the various ways to become certified through seminars, webinars and conferences.

VII. OLD BUSINESS: None

VIII. NEW BUSINESS:

The Manager explained further the letters regarding the interdepartmental agreement between the utility and the city. He reiterated the content of both letters as being mutually exclusive in nature. The e-mail to Councilor Babinski pertained solely with operational and need questions as posed by Ms. Rokosz in public participation over the past two meetings. The letter to City Advancement Officer was penned only to show support for the agreement as one of the parties. He further stated that it was a clear miscommunication by the councilors at their meeting and that it was apparent neither shared the letters with the entire body prior to the meeting.

Chairman Flaherty, referencing the same city council meeting, said that statements were made by one councilor believing the Chair broke the agreement with the city by capping the ILOT amount. He continues to believe that the intent of the formula was never to have this payment escalate out of control. He further stated that clear information about the ILOT was presented at the February 16th luncheon (see "agenda item d)") and that the value the WG+E provides to the community is glossed over. Commissioner Sacco stated that some city councilors continue to reference the Holyoke G&E payments in comparison to those provided in Westfield. The Manager explained the

reason for the difference in ILOT payments and said that this has been conveyed many times to many officials by a variety of commissioners and the manager. Commissioner Sacco believes that the MLB and the manager need to continue to voice the value of the utility and the reasoning of the Holyoke Dam being the difference in ILOT payments. He also stated that it is not for the manager to be going before the city council to discuss ILOT, that this is a Board responsibility. Commissioners Rivera and Kelleher stated that one councilor talked about a windfall that could occur because of Whip City Fiber and that the city would expect additional ILOT payments as a result. As for value and at times how it is taken for granted, the Manager informed the MLB that the Department had received a letter on February 16th regarding the city's wishes to incorporate their two way emergency response radio equipment on the WG+E tower utilizing significant vertical real estate on the tower. The WG+E radio system is independent of the City's and is not affected by this request. He stated there is significant value with this aerial space and that there are other vendors who pay monthly fees. The radio project is currently underway and the WG+E was not notified prior to awarding of the contract regarding the intentions of the city and the tower. The Manager stated that at this time this equipment will not be allowed on the tower until such time that some mutual understandings can be reached. He stated that the utility and its commission have an obligation to represent the ratepayers and by relinquishing space on the tower, revenue producing capabilities will be lost. The MLB was in agreement with this.

IX. EXECUTIVE SESSION

On the motion of Commissioner Rivera, seconded by Commissioner Wensley and on the basis of a roll call it was:

VOTED: To adjourn the regular meeting of the Municipal Light Board meeting and enter into executive session for the purpose of discussing strategy with respect to collective bargaining and will not reconvene the Regular Session after adjournment from Executive Session.

Kelleher	"aye"
Rivera	"aye"
Wensley	"aye"
Liptak	"aye"
Flaherty	"aye"
Sacco	"aye"
Roman	"aye"

The motion passed 7 to 0.

Chairman Flaherty stated that the Municipal Light Board would be entering executive session for the purpose of discussing strategy with respect to collective bargaining and will not reconvene the regular session after adjournment from Executive Session.

unanimously:

VOTED: To adjourn the regular session of the Municipal Light Board meeting

Chairman Flaherty declared the regular session portion of the meeting adjourned at 8:30 p.m.

A TRUE RECORD.

Attest:

Jane Wensley, Vice Chairman

Documents Presented at
REGULAR SESSION March 2, 2016

Name of Document	Author		Strategic Plan
Draft Regular Session Minutes of the Municipal Light Board - February 3, 2016			
Draft Executive Session Minutes of the Municipal Light Board - February 3, 2016			
Monthly Lost Time Report	Beth Burns, HR Coordinator/Records Manager	March 2, 2016	Communications/Customer Service/Community Affairs. Information Brief
Greater Westfield Chamber of Commerce	Beth Burns, HR Coordinator/Records Manager		Attend St. Patrick's Day Breakfast!
February 16th Meeting with City Officials	Daniel Howard, General Manager	March 2, 2016	Communications/Customer Service/Community Affairs. Information Brief
Residential Electric Rate Comparison 500/kWh/Month 4th Quarter Total as of December 2015	A. Contrino, Energy Supply Manager		
Residential Gas Rate Comparison 180 Ccf 4th Quarter Total as of December 2015	A. Contrino, Energy Supply Manager		
Electric Rate Stabilization Fund - 4th Quarter 2015	A. Contrino, Energy Supply Manager	March 2, 2016	Financial. Electric Rate Stabilization Fund Management F-6.1
2015 Annual Outrage Report	Aaron A. Bean, Operations Manager	March 2, 2016	Operating Initiative. Electric System Outrage Program EUB-4.2
Annual Street Light Report	Michael S. Lee, Utility Supervisor	March 2, 2016	Communications/Customer Service/Community Affairs Street Lighting, CCA-4.3
2015 Safety & Health Annual Report	Dana Bein, Operations Superintendent	March 2, 2016	Administrative and Organization, Safety & Health Meetings/Training Program AO-4.9
2015 Human Resources Annual Report	Beth Burns, HR Coordinator/Records Manager	March 2, 2016	Administration and Organization Workforce, AO-3.6
2016 Technical Organization and Functions Manual	Daniel Howard, General Manager	March 1, 2016	Administration and Organization, Organization Manual
January 2016 Financial Report	T. Fouche, Accounting Manager	February 18, 2016	Financial Annual & Quarterly Reports F-4.5
Utility Issues	John W. Welch	March 2, 2016	Regulatory and Government Affairs Gas/Electric Regulatory Issues RGA-1.4, RGA-
Utility News/Pulse Line	Beth Burns, HR Coordinator/Records Manager	March 2, 2016	Communications/ Customer Service/Community Affairs Media Relations- CCA-1.6
Utility Courses Update- 2016 Seminars/ Workshops	Beth Burns, HR Coordinator/Records Manager	March 2, 2016	Administration and Organization WG&E Training & Development, AO-3.6