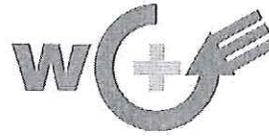


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Westfield Gas & Electric Municipal Light Board Regular Meeting Minutes May 4, 2016



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

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

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 April 6, 2016 Regular Session Meeting of the Municipal Light Board as presented.

To accept the minutes of the April 6, 2016 Executive Session Meeting of the Municipal Light Board as presented, but not release to the public at this time.

V. PUBLIC PARTICIPATION: Mike Zyra, Prospect St Extension addressed the Board. He had missed the last couple of meetings because of an injury but stated he enjoys attending them to stay up to date on energy associated issues. He was bothered by the recent news regarding Kinder Morgan's news to abandon the pipeline in Northern Massachusetts. He believes natural gas is needed because other power plants are shutting down. He questioned how the generation would look fifteen years from now and how power would be supplied. Chairman Flaherty thanked Mr. Zyra and added that the State Senate held hearings that addressed the future power requirements

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of the region and how they should be met. He stated that renewable power was the thrust of these hearings without much consideration for traditional generation sources. Manager Howard indicated that he has sent a letter to both the Massachusetts House and Senate leaders supporting Governor Baker's proposed bill that looks at exploring all options of generation for providing cost effective solutions that will result in lower energy costs to consumers while continuing on the path set forth by the Commonwealth regarding climate goals.

VI. REPORTS FROM THE GAS & ELECTRIC:

A. Action Required Items

- a) **Monthly Lost Time Report.** Manager Howard reported that during the month of April 2016 one employee injured his foot and lost 2 days of work. He then returned to full work duty.
- b) **Financial Audit Update - Meyers Brothers Kalicka -** The Manager introduced Howard Cheney from Meyers Brothers Kalicka (MBK), WG+E's outside independent auditor. Mr. Cheney provided a brief presentation and indicated the audit has not been finalized due to issues relating to the actuarial study for the pension liability associated with new GASB 68 standards. This delay is beyond the control of WG+E and MBK. Under these standards, the actuarial study can be no older than 30 months and 1 day. The City's study, which includes WG+E employees, is older than the standard allows. The issue is being resolved between the City, its auditor and the Massachusetts Public Employee Retirement Administration Commission (PERAC). MBK is unable to finalize the annual audit until the updated amount of pension liability attributable to the WG+E is known. He stated that the Southwest Co-op audit has been completed with no internal control issues identified. There are no current issues with the WG&E audit and the GASB 68 standards will result in a new liability of approximately \$9.6 M. This liability will not have any current year net income impact but would be impactful to the balance sheet. Chairman Flaherty inquired if there was any impact on the filing of the DPU annual return. The Manager responded that the DPU has been granting extensions on a monthly basis. Commissioner Sacco stated that most municipals must be experiencing the same issue with delayed audits to which Mr. Cheney responded that this was the case.
- c) **MEAM - Communications Award.** The Manager reported that, on an annual basis, the Municipal Electric Association of Massachusetts (MEAM) presents the "Communications and Energy Services Communicator of the Year" award. Among the criteria for this award include the ability to consistently demonstrate effective public communications, display exceptional leadership and professionalism and use communication strategies that demonstrate creativity and innovation in a public utility environment. WG+E is pleased that this year's recipient was WG+E's Key Accounts and Customer Service Manager Sean Fitzgerald. WG+E nominated Sean due to his never-ending efforts to promote and insure the successful launch of Whip City Fiber as well as his efforts with customer service with all WG+E customers, particularly the larger commercial customers. The Manager and the MLB, and staff in attendance congratulated Mr. Fitzgerald on his award.

- d) **Lien Abatement 100 Shaker Road.** The Manager reported that WG+E has been contacted by the City Solicitor's Office relating to a lien which was placed on the property located at 100 Shaker Road in Westfield. The prior owners of the real estate owe WG+E six hundred thirty-six dollars and fifty-nine cents (\$636.59). At the time of closing, while the city was advised of the prior owners' amount due, the City did not place the amount due on the lien certificate. Under the statute (M.G.L.c.60 §23) upon recording of a lien certificate, if the lien is not shown on the lien certificate, it is ineffective. However, WG+E can still pursue the collection of the amount due and is actively pursuing. In that liens may only be abated by vote of the MLB, a vote is requested.

On the motion of Commissioner Sacco, seconded by Commissioner Rivera, it was unanimously:

- VOTED: that the Municipal Light Board hereby abates the lien on 100 Shaker Road in the amount of Six hundred thirty-six dollars and fifty-nine cents (\$636.59) and any interest that may have accrued thereon; and
- that the Chairman is hereby authorized to execute a request to the Assessors to abate such lien or such other documentation as is necessary to accomplish the purposes of this vote; and
- that the Manager is hereby authorized and directed to take whatever action he deems necessary or advisable to carry out the purposes of this vote.

- e) **Gas and Electric Price Projections for City (FY 2016 & 2017).** Energy Supply Manager Tony Contrino noted that a very mild winter experienced during FY 2016 (18% warmer than normal with December 32% warmer than normal) greatly reduced natural gas consumption levels during this time period. Additionally, reduced consumption put downward pressure on wholesale natural gas costs allowing WG+E to reduce the gas supply charge passed to its customers, resulting in further cost savings. Although WG+E has identified its most likely price projections, weather variations, consumption levels and many regulatory, global and geopolitical factors affect wholesale energy markets, making prices highly volatile and difficult to control. Fortunately, WG+E hedges a portion of its gas and electric supply needs, partially through joint ownership in generation assets, which adds an additional level of price stability to its power supply portfolio. Good management practice and conservative budgeting would dictate a price somewhere between WG+E's best estimates and the upper end of price band projections shown in the report. While the 2017 usage is estimated to increase from that actually used by the City and Schools in 2016, the projection is less than originally projected for 2016.

- f) **Automated Meter Reading Status Report.** The Manager reported that installation of automated meters has been underway since the summer of 2012. As of March 31, 2016, 99.6% of all WG+E's 18,025 electric meters have been replaced with AMR meters, and of these, approximately 99.8% have been converted to automated billing. To date, approximately 9,000 modules have been installed city-wide on WG+E's gas meters, of which 87% have been converted to automated billing. The program has gone extremely well and WG+E personnel expect to install the remaining residential modules by the end of April 2016. Commissioner Liptak inquired if the meters would ever be read manually. The Manager stated that regulations require an annual inspection of meters.
- g) **Monthly Financial Reports.** Finance Manager Jay Kline noted that the monthly and year-to-date purchased power expenses and net income figures presented in this report reflect estimated amounts. Through the first three months of 2016, the Gas Division gain exceeds the original budgetary estimate by \$930k, while the Electric Division gain is currently \$830k more than the original forecast. On a combined Departmental basis, the year-to-date net income gain of \$2.5m exceeds the original budgetary forecast by \$1.7m. Natural gas futures traded at \$2.10/MMBtu in late April, the highest levels seen in the past two months. The gas market will need to see very strong early summer demand to materially reduce the storage levels and allow the market to break out of the current trading range. Commissioner Sacco asked how much income was deferred into 2016. Mr. Kline indicated it was \$1.4M and that, in hindsight, it was a solid move to assist in keeping the rates stable as a result of the historic warm winter and extraordinarily low consumption levels. Commissioner Rivera asked Customer Service Manager Sean Fitzgerald if he thought the warm winter and low rates resulted in an easier time for people to pay their bills. Mr. Fitzgerald answered that he did not have figures in front of him but he did think that this past winter was better for our customers than a typical winter. Commissioner Roman indicated he was satisfied with the financial reports.

B. Informational Items:

- a) **Utility Issues** was presented and accepted by the MLB.
- b) **Utility News/Pulseline Articles** was presented. Manager Howard noted that the Holyoke Innovation District article was an event that he attended and wished to note that the moderator for this well attended event was Operations Manager Aaron Bean who did an exceptional job.
- c) **Utility Courses Update** was presented. The Manager distributed books to each MLB member authored by Jeff Tarbert, a consultant for APPA who provided training to the MLB in the past regarding governance of utilities. The book titled "Governing for Excellence" was an extension of his training and would be a very good resource for the MLB regarding many facets of the responsibilities as Board members.

VII. OLD BUSINESS:

- a) **June MLB Meeting.** The Manager reminded the MLB of the vote at the April meeting to reschedule the June 1, 2016 to June 8, 2016.
- b) **Annual ILOT Report.** The Manager presented the FY2017 in lieu of tax report. As projected by staff last year, WG+E's plant value decreased from the prior year. Likewise the ILOT cash payment to the City was calculated to decrease in FY2017. While the ILOT calculation would show a reduction from the prior year, based on the MLB vote to cap the ILOT payment at \$500,000, there is no change to the ILOT payment for FY2017 from FY2016. The estimated total cash and associated benefits from WG+E to the City exceed \$1.5M, which makes WG+E the single largest taxpayer in the City of Westfield. Discussion took place regarding the ILOT with Commissioner Liptak stating that he believed the amount proposed was sufficient based on all things the Department does for the City. Commissioner Sacco said that he had come across old analysis of the ILOT and some utilities give more, some give less. He would rather see monies put towards the Whip City Fiber (WCF) rollout. Commissioner Rivera noted that the \$500,000 figure was not really accurate as the utility provides benefits to the City, resulting in substantial savings and funding equivalents. He echoed Commissioner Sacco saying that the advantages of WCF to the City should be considered and that is where financial resources should be placed. Commissioner Roman believed that capping a previously agreed upon formula at \$500,000 was arbitrary and capricious and vehemently opposed the cap being placed on a previously agreed upon formula. Chairman Flaherty stated that, if it were up to him, he would do away with the formula and calculation and just have a figure that the MLB alone could agree upon. Commissioner Sacco inquired as to how real the \$60,000 traffic light maintenance was and the Manager replied that it does fluctuate year to year. Commissioner Sacco asked if the MLB could be made aware if the annual figure falls considerably to \$10,000 or \$20,000 so that credit could be adjusted accordingly. The Manager agreed.

On the motion of Commissioner Sacco, seconded by Commissioner Rivera, it was, on a 6-1 voice vote:

VOTED: That based upon the in-lieu-of-tax contribution formula vote taken at the June 9, 2004 and amended at the May 16, 2007 and October 2, 2013 Municipal Light Board meetings, the following ILOT calculations and recommendations for the City's FY 2017 is as follows:

1. That the Municipal Light Board determines the City's FY 2017 ILOT payment to the City of Westfield in the amount of \$500,000;
2. The ILOT is calculated based upon 70% of the book value of the general plant as contained in DPU Annual Report for the most recent fiscal year for gas and electric accounts 389 to 399, multiplied by the current commercial tax rate, (\$36.68 per

\$1,000) and totals \$598,067;

- 3 The ILOT cash payment to the City was calculated by reducing the ILOT, as calculated above, to reflect a maximum \$440,000 cash payment and the amount for non-statutory goods and services voluntarily provided by WG+E to the City at an agreed upon annual amount of \$60,000;
4. That the ILOT cash payment of \$440,000 for the City's fiscal year 2017 be made by monthly payments of \$36,667 commencing on or after July 1, 2016; and
5. That the Manager is hereby authorized to take any other action he deems necessary or advisable to carry out the purposes of this vote.

Commissioner Roman reiterated his opposition to the proposal for reasons previously stated and was the sole no vote.

VIII. NEW BUSINESS: None

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 trade secrets and competitively sensitive information the disclosure of which will adversely affect its ability to conduct business in relation to other entities making, selling or distributing electric power and energy and not to reconvene the Regular Session after adjournment from Executive Session.

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

Motion passed 7-0. 0 absent

Chairman Flaherty stated that the Municipal Light Board would be entering into executive session for the purpose of discussing strategy with respect to collective bargaining and trade secrets and competitively sensitive information the disclosure of which will adversely affect its ability to conduct business in relation to other entities making, selling or distributing electric power and energy and would not reconvene the Regular Session after adjournment from Executive Session.

X. ADJOURNMENT

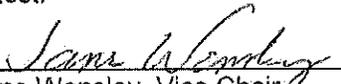
On the motion of Commissioner Rivera, seconded by Commissioner Wensley, it was unanimously:

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

Chairman Flaherty declared the regular session portion of the meeting adjourned at 7:58 p.m.

A TRUE RECORD.

Attest:


Jane Wensley, Vice Chair

Documents Presented at
REGULAR SESSION May 4, 2016

Name of Document	Author		Strategic Plan	
Draft Regular Session Minutes of the Municipal Light Board - April 6, 2016				
Draft Executive Session Minutes of the Municipal Light Board - April 6, 2016				
Monthly Lost Time Report	Beth Burns, HR Coordinator/Records Manager	May 4, 2016	Communications/Customer Service/Community Affairs. Information Brief	
MEAM Communicator Award	Daniel Howard, General Manager	May 4, 2016	Communications/Customer Service/Community Affairs. Information Brief	
Lien Abatement	Aaron A. Bean, Customers accounts, Collections Manager	May 4, 2016	Strategic Initiative Control of Delinquent Accounts - F-8.0	
Automated Meter Reading Report	Aaron A. Bean, Operations Manager	May 4, 2016	Distribution System Automation & DSA Technology Coordination of Automated Metering Technology IT-3.1	
Gas and Electric Price Projections for the City of Westfield for FY 2016 and FY 2017	Anthony Contrino, Energy Supply Manager	May 4, 2016	WG&E Energy Services Risk Management Group	
March 2016 Financial Report	T. Fouche, Accounting Manager	April 21, 2016	Financial Annual & Quarterly Reports F-4.5	
Utility Issues	John W. Welch	May 4, 2016	Regulatory & Governmental Affairs Gas/Electric Regulatory Issues, RGA-1.4; RGA 1.5	
Utility News/Pulse Line	Beth Burns, HR Coordinator/Records Manager	May 4, 2016	Communications/ Customer Service/Community Affairs Operations Customer Service- CCA-1.6	
Utility Courses Update- 2016 Seminars/Workshops	Beth Burns, HR Coordinator/Records Manager	May 4, 2016	Administration and Organization Training & Development, AO-3.6	WG&E
FY 2017 in-Lieu-of-Tax Contribution	Daniel Howard, General Manager	April 6, 2016	Communications/Customer Service/Community Affairs City Key Account Program, CCA-2.10	