

**MINUTES OF THE
MUNICIPAL LIGHT BOARD
JANUARY 28, 2019**

PURSUANT TO notice given the Wellesley Municipal Light Board (“Board”) met in the Municipal Light Plant (“MLP”) Gordon F. Kingsley Board Room, 4 Municipal Way, at 4:30 PM.

PRESENT

Those present included Chair Edward J. Stewart, III and Commissioners Paul L. Criswell, David A. T. Donohue, Katharine Gibson and Jeffrey P. Wechsler. Also in attendance were MLP Director Richard F. Joyce and Advisory Representative William Maynard.

Executive Session. Mr. Stewart requested a meeting in Executive Session to discuss confidential financial terms with an offshore wind purchase power agreement, the MLP’s current renewable portfolio pricing and the proposed executive search contract. The Secretary, Mr. Wechsler, polled each Member individually for authorization to enter into Executive Session for the sole purpose of discussing the renewable financial terms and executive search contract. Each Board Member responded in the affirmative and the Board entered into Executive Session at 4:30 PM.

Return to Public Session. The Board returned to Public Session at 5:30 PM.

Additional Attendees. Joining the meeting were MLP staff members David M. Allen, Kevin P. Bracken, Ann G. Collins, Terrance J. Connolly, Debra J. Healy, Cynthia R. Lowe, William H. Marsh, Stephen G. Neshe, Donald H. Newell and Daniel J. Trant. Also attending were Ellen Korpi, Lise Olney, James Miller, James Gorman, Phyllis Theermann and Fred Bunger.

APPROVAL OF MINUTES

Mr. Criswell notified the Board he would abstain from voting since he had not attended the December meeting. Upon a motion made by Mr. Donohue and seconded by Mr. Wechsler, it was unanimously

VOTED: To approve the December 17, 2018 Public Session Minutes as written.

Upon a motion made by Mr. Donohue and seconded by Mr. Wechsler, it was unanimously

VOTED: To approve the December 17, 2018 Executive Session Minutes as written.

CITIZEN SPEAK

Mr. Stewart presented all of those in attendance with an opportunity to speak on matters pertaining to the MLP. Mr. Bunger updated the Board on his efforts to encourage Wellesley residents to sign-up for a home energy assessment. Mr. Bunger asked the Board to expand the MLP’s audit to include a subsidization for insulating and air sealing.

Mr. Gorman complimented the Board for retaining the consulting services of Analysis Group. Toward that end, Mr. Gorman advocated for the retirement of all renewable energy certificates

("RECs") within the MLP's power supply portfolio and purchasing additional RECs with the proceeds from the voluntary renewable energy program ("VREP"). Mr. Gorman further advocated for the MLP matching VREP funds and purchasing and retiring the associated RECs.

Mr. Miller asked how the MLP determined the VREP price. Mr. Joyce said the MLP's average renewable price was \$0.04/kilowatt-hour above the current market price. Using Mr. Gorman's price for RECs, the MLP pays \$1.3 million more for its renewable energy compared to Massachusetts investor-owned utilities purchase of RECs.

DIRECTOR'S ITEMS

Analysis Group. The Director provided a broad overview of the Analysis Group Phase II, 2030 – 2050 Study ("Study"). Ms. Gibson was of the opinion the Study was very informative and the emphasis on future electrification was the best path for reducing greenhouse gas emissions.

Residential Energy Assessments. Ms. Healy summarized the results of the joint energy assessment with National Grid. During calendar year 2018 a total of 634 assessments were completed in Wellesley. As part of this campaign National Grid made an \$11,623 contribution to partially subsidize the MLP's marketing costs. Ms. Healy acknowledged the leadership provided by Diane Campbell that led to the completion of 63 units at Wellesley Green. Given the success at Wellesley Green the MLP has set a goal of performing individual assessments at four multi-family facilities in Fiscal Year 2019. The Board asked the Director to extend the MLP's appreciation to Ms. Campbell. Mr. Donohue received very positive feedback on the MLP's expanded audit especially the inclusion of the LED retrofit. All Board Members were in agreement and upon a motion made by Ms. Gibson and seconded by Mr. Criswell it was unanimously

VOTED: To permanently adopt the expanded residential energy assessment the Municipal Light Plant implemented in 2018 as part of the joint campaign with National Grid.

Offshore Wind Purchase. Energy New England ("ENE") has identified an opportunity to purchase renewable energy from an offshore wind project scheduled to begin commercial operation in December 2023. The ENE purchase power agreement ("PPA") is at a fixed price for the 20-year duration of the contract. To partially offset the 48% capacity factor, the PPA includes the purchase and installation of battery storage. ENE estimates the battery storage component would reduce the megawatt-hour price by 20% to 30%. Based on the 48% capacity factor the Director estimated a 1.64% increase in renewable energy for every megawatt ("MW") purchased. The MLP provided a non-firm commitment to purchase between 3 MW and 5 MW conditional upon receiving Board approval. The Board and Director discussed a number of issues requiring either a legal explanation or further clarification from ENE. The Board expressed an interest in a 5 MW entitlement and possibly more, if available. Upon a motion made by Mr. Criswell and seconded by Mr. Donohue, it was unanimously

VOTED: To authorize the Municipal Light Plant Director to execute a purchase power agreement through Energy New England for a five megawatt entitlement in the offshore wind and battery storage project as described within the materials provided by the Director and Energy New England; the Municipal Light Board's approval is conditional upon receiving a satisfactory response to a number of outstanding issues.

GHG Reduction Principles. At the November Board Meeting Mr. Criswell requested Board and staff consideration for the proposed Principles for the Wellesley Municipal Light Plant to Address Greenhouse Gases and the Town of Wellesley Goal of Reducing Its Carbon Emissions (“Principles”). Mr. Joyce detailed the steps the MLP has taken to meet the Town Meeting goal of reducing 2007 GHG emissions by 25% in 2020. In March 2018 ENE completed a “Portfolio Emissions Evaluation” which concluded the MLP would reduce its GHG by 31.1% in 2018 “if the MLP retires 100% of all wind and hydro Renewable Energy Certificates (“RECs”)”. Analysis Group independently confirmed ENE’s calculation. The Director also noted the Sustainable Energy Committee has recommended the retirement of RECs and the MLP’s Vision Statement endorses the MLP “... to be the municipal power and telecommunications distribution organization most admired in the industry for its commitment to reducing greenhouse gas emissions...”. Mr. Donohue referred to the document he prepared and distributed that outlined a number of methodologies to reduce carbon emissions. All Board Members expressed support for the Principles including the retirement of RECs. Mr. Joyce summarized the impact the retirement would have on the voluntary renewable energy program (“VREP”). The VREP was established in 2008 and is ranked 4th nationally by the United States Environmental Protection Agency as a percentage of voluntary participants. The VREP price and use of proceeds will need to be revised. After a lengthy discussion and upon a motion made by Mr. Criswell and seconded by Mr. Donohue, it was unanimously

VOTED: To adopt the revised Principles for the Wellesley Municipal Light Plant to Address Greenhouse Gases and the Town of Wellesley Goal of Reducing Its Carbon Emissions effective July 1, 2019; it was further agreed that the Municipal Light Plant Director will lead an ad hoc committee to identify opportunities to update the voluntary renewable energy program as a result of the retirement of all renewable energy certificates.

Financial Statements. Month of December financial results compared favorably to prior year due to a lack of extremely cold temperatures. Energy and transmission costs were \$331,000 and \$104,000, respectively, less than 2017. Fiscal Year 2019 net loss of \$657,000 is \$1,500,000 below Fiscal Year 2018. Customer Service expenditures are \$100,000 over budget as a result of the expanded residential energy audits and a re-allocation of labor hours. The MLP’s Cash and Equivalents are down by \$600,000 from the beginning of the year and remain on schedule for a \$5,000,000 ending balance. Mr. Joyce noted the MLP depreciation expenses is at a sufficient level to fund the five-year capital plan and recommended transferring \$1,000,000 to the MLP General Fund. Upon a motion made by Mr. Stewart and seconded by Mr. Criswell, it was unanimously

VOTED: To reduce the Municipal Light Plant’s “Depreciation Funds: Capital Projects” balance from \$2,000,000 to \$1,000,000 and transfer the \$1,000,000 to the Municipal Light Plant’s “General Fund”.

Old Substation Preservation. Daniel J. Trant reviewed the progress made in the historical preservation of the Old Substation originally built in 1906. Environmental Health and J. R. Vinagro Corporation removed all hazardous materials with the door and windows. Sweeney Custom Homes & Renovations completed the window installations in January and is on schedule to have the doors installed in mid-February. The Old Substation is currently the hub for the MLP’s dark fiber operations and given the initial success of the internet service the building use will be expanded in the near future.

Second Quarter Reliability. David M. Allen compared the second quarter and FY19 year-to-date reliability results with the five-year average. Despite significant problems with the 1512 circuit (4 outages; 1,870 customers) the MLP's System Average Interruption Duration Index measure places the MLP among the most reliable electric distribution systems in the country. This achievement was recognized by the American Public Power Association in awarding Wellesley the "*Certificate of Excellence In Reliability*". Mr. Allen detailed the four 1512 outages that occurred between November 10, 2018 and December 27, 2018. All four power interruptions were caused by squirrels, however, the MLP's field equipment did not operate as designed resulting in an entire circuit outage. The line operations and engineering staffs have re-designed sections of the circuit and addressed the equipment failures.

Mr. Stewart left the meeting at 6:50 PM.

Town Payment. Mr. Joyce reviewed the adverse financial impact ISO-New England's Forward Capacity Market ("FCM") prices have had on the MLP's net income and available cash. In Fiscal Year 2018 the MLP's net loss before making the \$1,000,000 payment to the Town was \$3,744,000. FY19 projected loss is \$1,650,000. Beginning in Fiscal Year 2020 FCM costs are projected to decrease by \$2,500,000 allowing the MLP to realize a slight profit. The MLP expects to meet Standard & Poor's minimum cash balance of \$5,000,000 and recommends a continuation of the \$1,000,000 payment to the Town of Wellesley's General Fund. Upon a motion made by Mr. Donohue and seconded by Ms. Gibson, it was unanimously

VOTED: To approve a \$1,000,000 payment from the Municipal Light Plant to the Town of Wellesley General Fund in Fiscal Year 2020 by making a \$250,000 payment at the end of each quarter.

Director Retirement. Mr. Joyce recommended the retention of the executive search firm Mycoff, Fry & Prouse ("MF&P") to identify prospective candidates. MF&P is one of the leading executive search organizations in the electric utility industry. The Director also recommended the formation of a committee consisting of the following individuals to ensure full transparency:

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| Katherine G. Babson, Jr. | Thomas E. Peisch; |
| David A. T. Donohue | Edward J. Stewart, III |
| Debra J. Healy | Thomas H. Ulfelder |

Mr. Criswell recommended the inclusion of Edward C. Hall. All Board Members were in agreement with Mr. Hall and the other recommended committee members. Upon a motion made by Mr. Donohue and seconded by Mr. Criswell it was unanimously

VOTED: To authorize the Municipal Light Plant Director to execute the Executive Search Services agreement as presented with Mycoff, Fry and Prouse.

ADJOURNMENT

The Board Meeting adjourned at 7:25 PM.

Respectfully submitted,

Jeffrey P. Wechsler, Secretary