



WMGLD
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Peter D. Dion, General Manager

Thomas Boettcher, Chair
Elton Prifti, Secretary
Philip Courcy
Jennifer Kallay
John J. Warchol

**WAKEFIELD MUNICIPAL GAS & LIGHT DEPARTMENT
BOARD OF GAS & LIGHT COMMISSIONERS MEETING**

November 3, 2021

MINUTES

IN ATTENDANCE: Comms. Thomas Boettcher, Chairman
Elton Prifti, Secretary
Phil Courcy
Jennifer Kallay

Peter Dion, General Manager, WMGLD

Mark Cousins, Financial Manager
Dave Polson, Engineering and Operations Manager
Sylvia Vaccaro, Office Manager
Vinnie McMahon, Senior Systems Engineer
Raven Fournier, System Engineer
Sara Ericksen, Facilities Manager

PLACE: ZOOM MEETING

CALL TO ORDER:

Commr. Boettcher called the meeting to order at 6:30 P.M. and informed the Board the meeting is being recorded.

Chair Remarks:

Commr. Boettcher expressed his thanks to the WMGLD crews for their work during the last week's storm and noted the utility shines because of the proactive measures taken with maintenance and infrastructure.

He went on to say that Town Council adopted the Fuel Efficient Vehicle Policy on October 25, 2021. He noted that we cannot adopt this policy as written because of the operation and oversight requirements. WMGLD legal counsel, Mike McCarthy, did speak with Town Counsel Tom Mullen, DPW Director Joe Conway and Town Administrator Steve Maio, about this. They all stated that they would prefer that we adopt a mirror policy. Pete explained that we agree with the technical component, however the administrative and operational component would give fleet responsibility to the DPW and the Town Administrator, and we cannot have that usurped under Chapter 164 from the Light Department. Pete said he will draft our own version which is the core of the policy but under the questions and enforcement section, he will change that section to be appropriate to the Light Department.

Commissioner Remarks:

Commr. Courcy commented that the decarbonization and electrification of the utility, transportation, building, and industrial sectors will take decades and be extremely expensive. The steps needed to transition to net zero, how long it will take, and how much will it cost are all up for debate.

But what is clear is that whatever the cost of electricity, it must be low enough to motivate consumers to switch to clean electricity and it must be comparable in price to transportation and heating fuel. It would be counter-productive to raise the cost of electricity to convince customers to use more of it.

If our electric customers must pay for the decarbonization of electricity and the growth of the system to meet the future load the cost of electricity will rise and will stall the rate of progress to reach net zero. For example, a \$10,000 dollar rebate for purchasing a heat pump system to convert an oil heat building should not be shouldered solely by the rate payer.

Government subsidies as part of the infrastructure and climate bills or the less politically favoured carbon tax may be a better approach to funding this goal.

The path forward for the WMGLD and other electric distribution companies will require a concerted effort to keep rates as low as possible.

Commr. Boettcher thanked Commr. Courcy for his comments. The Board had a brief discussion around this topic and decided to hold a separate meeting sometime in late January 2022 to discuss WMGLD's path forward. Date and time to be determined later.

Commr. Kallay provided the Board with an update on Green Communities. She said that there will be presentations for both Town Council and the School Committee next week. These first presentations will focus on the Town's energy use baseline with the follow-up presentations focusing on the scoping audits and opportunities to reduce consumption. She advised the Board that she will be happy to share the presentations to all that are interested. Commr. Kallay also noted that there will be a Town Meeting this Saturday to discuss and vote on the budget for the new Northeast Regional Vocational School building.

Town Council Liaison Comments:

Not present.

Public Comments:

None

Secretary's Report

Approval of minutes from the October 6, 2021, meeting was before the Board for approval. Commr. Kallay provided edits to incorporate into the minutes.

A motion was made by Commr. Courcy to accept the October 6, 2021, minutes as amended and seconded by Commr. Prifti.

Roll Call Vote:	Commr. Courcy	Aye
	Commr. Kallay	Aye
	Commr. Prifti	Aye
	Commr. Boettcher	Aye

The motion was approved unanimously 4-0.

Presentations

FY 2021 Audit Overview- Melanson

Andrew Gordon and Zack Fentross from Melanson CPAs presented the audit for the fiscal year ended June 30, 2021. WMGLD ended the year with positive results and no deficiencies. It was noted by the auditors that we did not have a management letter again this year which indicates the department has adequate and functioning financial internal controls. Andrew stated that the Department had positive operating results, a well-funded OPEB trust fund, and no management letter issued. He also mentioned that it is important to note that only 10% of customers audited do not receive a management letter. A review of the strong OPEB funding status was discussed along with the Departments' cash position, as of June 30, 2021. It was also noted that similar to prior years, the audit is presented without the pension numbers which are provided once Wakefield's Retirement Board has completed their audit in January. Zack stated that he does not anticipate anything unusual with the pension liability numbers. Andrew noted that the department received a clean opinion for FY 2021 which means no exemptions. This is the best opinion you can receive from an independent audit and is the same opinion the department has received in prior years. He noted that WMGLD's Quick ratio for FY 2021 is 2.74 compared to 3.05 from FY2020. He explained that typically, a good ratio is 3.00. This means to have 3 months of operating expenses on hand. He thanked Pete, Mark, and staff for another very efficient audit year. Zach noted that this is the first exit conference they have done this year, which speaks to how well the general ledger and books are maintained by the department to be able to have such a quick turnaround at yearend to perform the audit.

Both Commrs. Boettcher and Kallay expressed concerns and inquired as to reasons why the Quick ratio is lower this year. Pete explained that this may be contributed to timing issues caused by COVID. There were delays in the substation retirement and gas work causing expenditures delays into FY21. Pete stated that the goal is to keep increasing the Quick ratio toward 3.0.

Winter Natural Gas Outlook and Budget- Mark Roberts, Sprague Energy

Mark Roberts reviewed the 2019-2021 Budget Performance with the Board. WMGLD's BGC capacity of 406,732 is locked in at \$5.13 per unit. He said that natural gas prices are very volatile right now and have risen from \$5.00 per unit to \$15.00 per unit for this winter, so from a planning perspective spot gas prices could go thru the roof if we have a cold winter. However, if it stays warm like it has been for the past couple of winters, we will be fine. Commr. Boettcher asked if WMGLD is locked in at \$5.13 and the winter is warm or average, and we do not have to call on other peaking services than we will be in the \$9.56 range. Mark said if the winter is warm, then the number will probably be less. He went on to note that the Everett LNG Peaking & BGC Peaking Budget numbers are purely speculative at this point in time. If the winter is warm or average than those numbers will probably come down. Commr. Kallay inquired as to why is 2 of the 3 have huge increases but Boston Gas Capacity (BGC) Peaking does not. Mark said that BGC is part of the assigned capacity that comes from Boston Gas, so it is based on their market numbers and the quantity is not that much that comes over from them. Mark noted that we have eliminated our risk to the super expensive gas days. He reviewed global events that have influenced energy costs. Back in 2011, there were major earthquakes in Japan which impacted a major nuclear plant. It was converted to an LNG plant. This change impacted the global market. There are now significant LNG markets in Asia and Europe, so when we went thru the polar vortex in 2018 there were very few LNG tankers in New England. He continued to note political issues with the Russian pipeline are also driving up prices. In most of Europe there has been a 500% increase in natural gas prices. The market has softened a little in the last few weeks, but if they get a cold winter overseas, they will be in trouble.

Commr. Courcy stated if there is a cold winter and they run Mystic 8 & 9 they will be using up quite a bit of the supply. He then inquired if the facility relies on LNG tankers coming in to provide fuel to the facility. Mark stated that they do rely on LNG tankers. Mark said that Everett has assured him that they will be able to cover their firm commitments with Sprague. What they are not doing is bringing in extra deliveries with the speculative attempt to take advantage of winter prices peaking in the area. In an emergency they will probably be able to bring in a couple of LNG tankers.

Commr. Kallay noted that we do not have portable LNG for this year but have in prior years. She mentioned that there was a dynamic a year or two ago where we did not get a lot of firm capacity and so there was a potential

that we could be effectively short. She inquired if this dynamic has changed and if he could speak to this point.

Pete stated that our firm capacity does not change, it is how we have been covering it for the past several years that has changed. The 2018 spike caused a lot of concern, so we had portable LNG for the next two years to guard against another spike. Pete said that Mark Roberts was able to negotiate a deal to have peaking come out of Everett eliminating the need for portable LNG. Going forward we will not be able to count on Everett forever and may have to go back to portable LNG. Mark noted the reason for this is that Mystic is shutting down in 2024 and we do not know what will happen to the facility.

Mark stated that for this coming winter we are 77% hedged for all the potential usage at a good price well below the market.

If things open up in Europe and we have a warm winter, then we you'll see this layer come off and we will probably take another layer off in the Spring. He noted that the best time to buy a layer is in the first quarter of the year. He is optimistic that we will be able to extend our peaking contract for another couple of years.

Commr. Kallay inquired if we will notify our customers of potential price increases and how will we address this with them. Pete said that the Budget customers will know right away because their budget amounts will increase. He said the global landscape is that everything is increasing. It is difficult to share information that is based on so many uncertainties and variables. He noted that we have done our best managing this process going into the winter, but it will all depend on the weather this winter. Commr. Kallay expressed her concern for customers experiencing difficulties paying these increased prices. Mark Cousins stated that we would handle these customers in the same manner as we did during COVID. We worked with customers on an individual basis to make sure we had a resolution that worked for the customer and WMGLD. Pete said that we are being proactive in managing our fuel charge (cost of gas). Historically we begin to increase the fuel charge in October and during the heating season. Mark Roberts mentioned that perhaps he could forecast monthly. Looking at where prices have been and getting those numbers out on the first prior to the month.

Old Business:

Project Updates

COVID 19

Thirty-three of our forty-three employees have been vaccinated. On September 24, 2021, the Town adopted an updated Covid policy requiring weekly testing for non-vaccinated personnel.

WMGLD/ Solar Project Overview

Dave Polson provided an update on the solar project. He noted that WMGLD only received one bid. The cost was significantly more than the market. He went back to the bidder and explained that we would not be able to start this project at this rate. He said they are going to sharpen their pencil and get back to him this week with revisions. He mentioned that the market is around \$3.10 per watt. He said that the bid received was much higher on 480 North Ave. and even higher on Wakefield Ave. than the market. Dave noted that he used two independent sources to evaluate what the market rate should be for both projects. The bidder provided a lower cost option with different panels but were still beyond the market. Sara Eriksen, Facilities Manager, contacted the other vendors that requested bid packages that did not bid for their feedback. They stated that the project was either not big enough for them, or they were looking for more of an energy storage component. Some just did not have resources because of prior commitments. There were no issues with the bid package and the proposal for financing was reasonable. The bidder mentioned that they use contract resources, and those resources are expensive. They will get back to us with lower cost options. Commr. Boettcher inquired if this could be related to COVID supply chain issues. Pete said they quoted the materials based on what they had on hand, so it is really being driven by labor costs and profit. Commr. Kallay inquired about the next steps. Pete stated that we will bring the project back to the Board if it makes sense, otherwise we may wait six months and go out to bid again.

New Business

2022 Capital and Expense Budgets

Mark Cousins, Finance Manager reviewed the operating and capital budget with the Board. On the electric budget we recommend adjusting from Energy Efficiency Charge (ECC) from a tenth of a cent to a half of a cent due to the increased volume in the residential rebate and incentive program. Staff does not recommend any changes in our Commercial GO (Green Opportunity) program at this time. Commr. Boettcher asked if we have looked at any other sources of funding to help supplement this program in addition to the ECC charge. Pete said that MMWEC and MEAM are always monitoring for new funding, but usually it is usually to expand programs and not to fund existing programs. Pete said that the Board has the ability to raise or lower the ECC charge, so if we do obtain additional funding the Board can always vote to adjust the ECC charge. Commr. Kallay inquired as to how many solar projects could be supported by this. Pete noted that it would be roughly 12 solar projects. Commr. Boettcher inquired if the ECC charge fund could carry forward to the next year. Mark Cousins stated that it could certainly be carried forward into the next year.

Commr. Kallay noted that the administrative costs appear to be twenty-five percent of the total costs compared to MASS SAVES' five to ten percent of the total cost and asked if there is anything we can do to reduce those costs. Pete said that it is definitely related to scale. He noted that the Mass Save Administrative budget does not include what NRGRID or EVERSOURCE is spending internally in their own Energy Conservation departments, call centers, and customer service representatives. Our numbers include all those components. He noted we keep some of the processing inhouse because it is less expensive than to have MMWEC administer the whole program. Commr. Kallay stated that she understands that it is hard to track, but she wants the Board to think about this more

because there is less money going back to the customer. Commr. Kallay said she will have to go back and look at MASS SAVES' numbers. Pete said that the customer charge at NRGID and EVERSOURCE for these programs is between 2.0 and 2.2 cents, so we are getting a lot for our half of a cent. Commr. Boettcher inquired if the significant increase in residential consumption was due to COVID. Mark Cousins stated it is a combination of factors. The absence of DRT and decreasing commercial consumption as well as rising residential consumption. Pete noted that there are about 400 residential units that will be built where DRT was located.

Pete Dion noted that WMGLD tries to keep the budget level at 4.7 million dollars. He provided a snapshot of the Capital Plan for the Gas Department for next year as follows:

- Replacing all cast iron
- Working with DPW to identify the streets the Town will be paving in the next year.
- Portable LNG
- Regulator upgrades resulting in same style, vintage, and operation
- New service install-single family residential
- Moving inside meters outside
- Emergent main replacements

Commr. Boettcher inquired if we should we be budgeting for emerging technologies. Pete noted that it makes sense for us to see how NGRID and EVERSOURCE handle these projects and see what evolves out of these discussions and changes first. Commr. Kallay inquired as to what work would need to be done for the portable LNG. Pete noted that if we do need to bring back the portable LNG, we may have to perform some maintenance and repair first and additional safety requirements that may have to be added. Commr. Boettcher asked if we did experience a cold winter would we be able to activate the portable LNG quickly. Pete stated that we would have to go through an approval process with the DPU (Department of Public Utilities) first.

Pete then provided the Board with an update on the Capital Plan for the Line and Substation Departments as follows:

Line

- System Upgrades
- 4Kv to 13.8Kv conversion work
- Streetlights on Foundry & Maple
- Pole replacement
- Various upgrades

Substation

- Substation testing & Relay Protection Upgrades
- Burns Install Pad & Switch -Future Battery Site
- Scada, OMS, & GIS Projects (includes AMR)

Commr. Kallay inquired about the UG feeder work. Pete noted that this is the two old feeders that come in from Beebe substation to Wakefield Ave. He said that we are looking to replace those feeders. She also inquired about the SCADA, OMS, and GIS projects for the substations. Pete explained that this represents electric meters that are coming to the end of their life cycle and will need to be replaced. Pete also explained that the \$150,000 and \$100,000 listed for 2023 & 2024 would be earmarked for emergent work on the 10-year-old 480 North Ave. building

and for potentially installing an air source heat pump at Beebe substation. Commr. Kallay also asked about the \$350,000 listed for Quannapowitt OH to UG. Pete explained that this is for the residential project at 200 Quannapowitt. The building will be torn down and replaced with approximately 1,200 residential units. We currently go overhead from the Col Connolly Park side of the project to the proposed construction site. We will replace the overhead to underground service a little beyond that point. Ultimately the goal is to upgrade the feeder all the way to the North Ave side of the site. Commr. Boettcher asked if this is something we can ask from the developer as concessions of the project. Pete noted that the developer is contributing, but there will be work that WMGLD will have to do as well.

Pete mentioned that Jeff Morris will be attending the December Board meeting to provide an update on IT projects.

A motion to accept the FY 2022 Capital and Expense Budgets as presented was made by Commr. Courcy and seconded by Commr. Prifti.

Roll Call Vote: Commr. Courcy Aye
 Commr. Kallay Aye
 Commr. Prifti Aye
 Commr. Boettcher Aye
The motion was approved unanimously 4-0.

Any other matter not reasonably anticipated by the Chair.

Commr. Courcy inquired if there was progress on the vaccine mandate. Pete said no new people have been vaccinated, but they have been compliant with the Town mandated weekly tests. Commr Courcy also reported on the yes vote, which shut down the Hydro Quebec line and the devastating effects it will have on Massachusetts achieving it's 2030 goals. Pete said WMGLD will be okay because of some of the projects we have been doing, but for the State it will be a big hit.

Executive Session- Collective Bargaining Discussion

A motion to enter Executive session at 9:10 pm to discuss labor negotiations returning to open session at its conclusion for the purpose of adjournment was made by Commr. Courcy and seconded by Commr. Kallay.

Roll Call Vote: Commr. Courcy Aye
 Commr. Kallay Aye
 Commr. Prifti Aye
 Commr. Boettcher Aye
The motion was approved unanimously 4-0.

A motion to adjourn was made at 9:30 pm by Commr. Prifti and seconded by Commr. Kallay

Roll Call Vote: Commr. Courcy Aye
 Commr. Kallay Aye
 Commr. Prifti Aye
 Commr. Boettcher Aye
The motion was approved unanimously 4-0.