



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

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

November 2, 2022

IN ATTENDANCE:

Comms., Chair Jennifer Kallay
Elton Prifti, Secretary
Thomas Boettcher
Phil Courcy

Peter Dion, General Manager, WMGLD
Dave Polson, Engineering and Operations Manager
Mark Cousins, Finance Manager
Joe Collins, Business Analyst- Energy Services
Raven Fournier, Gas
Vinnie McMann, Electric
Sylvia Vaccaro, Outgoing Office Manager
Tara Aniello, Office Manager

Zach Fentross, Melanson and Heath
Matt Ide, Director of Energy & Financial Markets, MMWEC
Justin Connell, Director of Energy Markets, MMWEC

Members of the Public

Stephen Ingalls
Bronwyn Della Volpe

PLACE:

ZOOM MEETING

CALL TO ORDER:

Commr. Kallay called the meeting to order at 6:30 p.m. and informed the Board the meeting is being recorded.

CHAIR REMARKS:

No comments

COMMISSIONER REMARKS:

Commr. Boettcher commented that he, Commr. Kallay and Pete attended the dedication and ribbon cutting ceremony for the Master Sargent Alexander Cotton Solar Project (Project 2020A) in Ludlow, MA. He stated that it was great to see a project which was approved by the Board, being built from start to finish, especially during the pandemic. This project is the largest municipally owned solar project in Massachusetts.

Commr. Boettcher mentioned that his neighbors on Richardson Street brought to his attention the lack of notification to abutters about tree removal. He said that he will speak on this later as it comes up on the agenda.

TOWN COUNCIL LIASON COMMENTS:

Not present

PUBLIC COMMENTS:

Stephen Ingalls stated that within the last 2 weeks there have been 2 trees removed from the utility side of Richardson Street. He said even though it was a Town tree, it was still a shock because the tree had been in front of his house since he moved there 16 years ago. He mentioned that he understands that the Town will replace these trees. He asked that in the future if residents could receive notification of tree removals. Pete apologized and explained that Mayer Tree receives a list of hazard trees to take down in the Fall of every year and usually notifies WMGLD as to when they will be in town to do this. Mayer did not notify WMGLD this time. He explained that Mayer had some cancellations in their schedule and came to Town without notifying WMGLD. Dave Polson stated that WMGLD identifies Town owned hazard trees, but then waits for the Town's Tree Warden for approval to remove these trees. He said that there will be a few more trees removed on Richardson Street because the Town will be working on the street and sidewalk. The replacement trees will be planted after this work is completed. In the future we will notify residents that have hazard trees in front of their house that they are going to be removed.

SECRETARY'S REPORT

Approval of the minutes included in the Board book from the October 5, 2022, meeting was before the Board for approval.

A motion was made by Commr. Boettcher to approve the October 5, 2022, minutes as in the Board book seconded by Commr. Prifti.

Vote: The motion was approved unanimously.

FY 2021 Audit Overview- Melanson

Zach Fentross from Melanson, CPA's presented the audit for the year ending June 30, 2022. He noted that the takeaway and conclusion from the audit is that WMGLD has a tight cash position but has positive operating results of operation. The department also has a very well-funded OPEB trust fund and WMGLD did not have a management letter again this year which indicates the department has adequate and functioning financial internal controls. He also mentioned that it is important to note that only 10% of Melanson's clients audited do not receive a management letter. Zach stated that the department received a clean opinion for FY 2022 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. There was a discussion of the strong OPEB funding status along with the Departments' cash position, as of June 30, 2022. 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 2023. Zach stated that he does not anticipate anything unusual with the pension liability numbers. He discussed that the unrestricted cash and short investments decreased by \$1.3 million from the prior year due to the increase cost of purchase power in fiscal year 2022. He pointed out that WMGLD made a decision to not increase the rates on a one-to-one basis but to draw down the cash and stagger the rate increases over a period of time.

He explained that WMGLD's cash on hand to cover monthly expenses is under one month for FY 2022, down from over one month in FY 2021, due to the department's decision to draw down on unrestricted cash. He explained that the industry average and what they typically like to see is three months. He also remarked that WMGLD will be able to pay off 98% of it's debt within the next ten years, which puts WMGLD in a strong financial position. He then thanked Mark, and staff for another very efficient audit year. He said it 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. Commr. Kallay inquired as costs for electricity and gas continue to rise how will WMGLD cover these increases. Pete stated that because we have drawn down cash the only way to cover these costs is to increase the fuel charge. This will be on a real time basis. He explained that Investor-Owned Utilities (IOU's) do this on a six-month basis, but we are able to do this month to month. Pete said we are not looking to cushion the unrestricted cash over the winter, but to survive the winter and keep our head above water.

Commr. Boettcher commended Mark and staff for another year with no management letter and that the level of funding of OPEB is unheard of today. Commr. Prifti inquired on the interest rates on long-term debt. Mark responded that they are all at a fixed rate in the 3 percent range.

A motion was made by Commr. Prifti to accept the audit of the financial statement for FY2022 and seconded by Commr. Boettcher.

Vote: The motion was approved unanimously.

OLD BUSINESS:

1. Project Updates

Energy Park

Pete mentioned that Town Council, the Finance Committee and the Planning Board are supporting the Energy Park at the upcoming Town Meeting on November 19th. He noted that Town Counsel Tom Mullen and Mike McCarthy are drafting of the legislation seeking approval from the House and Senate on the Home Rule petition. Pete also mentioned that approval from the Conservation Commission will be needed and Mike McCarthy is working on setting up a meeting with the Conservation Commission. Pete stated that the Energy Park project was presented to the town's State House delegation on Friday, October 21, 2022. The delegation wants to ensure that if WMGLD is taking an acre of land, that it is replaced with an acre of land. Pete stated that the decommissioned Burns substation land could be used for a park as part of the replacement land. A contingent vote is needed to allow the department to use the land from the retired Burns Substation for the creation of a park to help replace the land that would be used in the easement for the Energy Park. The Department would only grant the land if the easement is approved at the local and state level. If not approved, then the department would retain the Burns Substation land for a possible renewable energy use in the future. A preliminary rendering of Burns Park has been completed to illustrate its potential use. Commr. Kallay inquired about the access to the park as there is a driveway that says "Private Property Do Not Enter". Dave stated that the pathway on the north and south side would lead up to the apartments. Commr. Boettcher asked about any contamination at this site. Pete stated that there is contamination and that the department has two estimates of approximately \$150,000.00 to clean up this site. Commr. Kallay noted that the Conservation Commission will want more information on the carbon impact of cutting down the trees for the Energy Park.

Commr. Kallay acknowledged that Bronwyn Della Volpe joined the meeting and that she knows she had some questions concerning costs of this project and the total size of the easement. Pete stated that WMGLD is seeking one acre and only utilizing about 2/3 in the beginning, but this may expand with future technologies and with Board approval. The cost of the project is approximately \$12 million. Dave Polson noted that we are still in negotiations for the battery, so the costs are still fluctuating slightly. Pete also mentioned that there are options to lease versus

own, so the capital investments could go down. These options will be evaluated once approval on the easement is received.

A motion was made by Commr. Boettcher to allow the Department to use the land from the retired Burns Substation for the creation of a park to help replace the land that would be used in the easement for the Energy Park. The Department would only grant the land if the easement is approved at the local and state level. The motion was seconded by Commr. Prifti.

Vote: The motion was approved unanimously.

Both Pete and Dave mentioned that they will pursue any grants available for this project. Pete asked if Bronwyn was still on the line and if she had any questions, he stated that he would be more than happy to have her come into office and review the information with her. She asked exactly where is the easement. Pete stated that it is on Hemlock Rd on the right-handed side right before the NEMT guard shack. She then asked if we would use the entire acre and where the Burns Substation is located. Pete explained we would only use 2/3 of an acre at the outset. Pete explained that the Burns substation is off of Albion Street near Ballister Street and is about 8500 square feet. The location is well suited to become a park because it is a very congested area. Commr. Boettcher inquired as to the lead times for ordering materials for this project and what will happen in the event the project is not approved until the next legislative session. Pete stated that they will conduct a risk reward analysis to determine our financial risk if the project is not approved, or if it is delayed.

2. Supply Update- MMWEC Electric Supply Overview

Matt Ide, Executive Director of Energy & Financial Markets for MMWEC, introduced Justin Connell, who started in September as MMWEC's Director of Energy Markets. He will be responsible for the power supply portfolio management under his tutelage. Dean Clark, Manager of Commodities will report to Justin. Justin took a look at recent history of some of the power supply portfolio costs and what the future looks like, with the volatile energy market and its impact on the WMGLD power supply going forward. He noted power supply portfolio is comprised of 3 separate costs; capacity, transmission and energy. The most volatile is the energy expenses. Long term projects, such as wind, nuclear, and hydro help hedge out our energy costs and insulate us against that spot market which is driven by natural gas prices. 15-20 percent of our supply settles in the spot market. The main takeaway is the subtotal for power costs in 2021 was about 15 million dollars translating to 89 dollars per MWh or about 9 cents per kwh. We are going to see settlement of 11 cents per kwh for 2022. The forecast for power supply costs for 2022 are going to continue for at least the next couple of years. Commr. Kallay asked if he could speak to the underlining assumptions that relate to costs peaking in 2023 and declining every year thereafter. He noted that there is a market

condition going on in the gas and power markets, so the further you look out in 2026 & 2027 it is cheaper than looking at 2023 or 2024. Pete stated that major offshore wind projects are being delayed and their impact is beyond the 2027-time frame. Matt said their financial impact is beyond the 5-year forecast that Justin is speaking about and probably will not have an impact until 2028, 2029 and will not hit your portfolio until probably 2030-2032. Commr. Kallay asked if it's correct that our main point of leverage as a municipal is to build our own projects, so we reduce what we need to buy purchase power from ISO. Matt stated that the vertical integration that MLPs enjoy is your best defense. At the end of the day, 80 percent of our portfolio is from long term contracts with stable pricing. The volatile price fluctuations occur from only 20 percent of your portfolio. Unlike IOUs, where 100% of their portfolios are exposed to these price fluctuations. He stated that natural gas sets the price of power in New England. He noted that significant pricing risk exists especially for this upcoming winter considering generator fleet oil inventories and international LNG pricing. National Grid announced a 64% rate increase for this winter, Eversource and Unitil presumably to follow. Justin explained that WMGLD will be in a strong position with its carbon portfolio being 50% non-carbon by 2030 with additional REC optionality to convert things to non-carbon emitting power. Millstone licensing expirations are expected to be extended to 2045. When we apply a load growth factor of 1.4% year over year due to future electrification the non-carbon emitting numbers are tighter and is worth watching. Matt spoke about the variety of options that we can incorporate into our portfolio. The major technology for New England is offshore wind. He stated that MMWEC is looking to bring these into the portfolios overtime. In addition to that we have opportunities to bring down hydro from Canada with Hydro Quebec. It appears that we will be able to extend our current contract with them. NYPA did have an offer to bring down more hydro, but it did not work out because of NY ISO & NE ISO market rules, but there are opportunities that NYPA informed us about. Matt spoke about the onshore wind with Berkshire and the potential for expansion. There are existing assets at Seabrook Nuclear power plant that we can bring down that has environmental attributes that will count against WMGLD's GGES. In order to reach the benchmarks of 75% non-carbon emitting by 2040 and 100% by 2050 we will have to bring in pretty large chunks of non-carbon assets. He explained the Inflation Reduction Act allows municipals to continue to own assets and take advantage of opportunities that were not available before. Commr. Boettcher inquired about fusion technology. Matt stated that they are hesitant to map it out because it is an unproven technology right now and will need to let it play out. Commr. Kallay asked that a lot of these opportunities are for outside our community and is there any that would be available in our community before 2028. Matt stated that right now the Energy Park would be one of those opportunities. Pete explained that the only real things we can put in Wakefield is solar and batteries. We are also focused on MMWEC's projects that will have a bigger impact. Commrs. Kallay and Boettcher inquired about programs to have commercial buildings add solar to their roofs. Pete said that it is a piece of the pie, but we have

zero control over that resource. Dave Polson stated that all these little pieces are needed and work together, but do not replace the grid.

3. Electric Vehicle Proposed Rate

Pete stated that Commr. Warchol had questions concerning this proposed rate and came into the office after the last Board meeting to discuss the proposed rate. He indicated that he is now comfortable with this proposed rate. Commr. Boettcher inquired if you would need a separate meter and how this would work for solar customers. He also asked if the customer would incur Customer Charges on their bill and what it would look like. There was also discussion around what would happen if the customer decided to come off the rate before the end of its term. Pete said that he and staff will work some iterations of the terms and conditions and craft a rate sheet and address these policy issues.

NEW BUSINESS

1. 2023 Capital and Expense Budget

Finance and Customer Service Manager, Mark Cousins, reviewed the Capital and Expense budget with the Board. Commr. Kallay inquired if the energy cost projections MMWEC presented tonight are included in this budget. Mark stated that the 20-25% forecasted increases in commodity costs are included and that we will manage these on a monthly basis. The conservation charge was at a half a cent this year. We budgeted the half a cent which translated to rebates, incentives, and administrative costs totaling \$480,000.00. In FY 2022 we paid out \$512,000.00. The recommendation is to increase the Energy Conservation Charge from \$0.05/kwh to \$0.07/kwh while maintaining similar programs. Discussion ensued about the structure of the rebate and incentive program. Commr. Kallay noted that it is problematic trying to schedule energy efficiency work by calendar year, in order to qualify for the rebates and incentives. She requested that central air conditioning and gas heating system upgrades be removed from the rebates and incentive program. It was decided to have more analysis and discussion around gas heating systems before eliminating it from the program. The Board will revisit the Rebate and Incentive program in the Spring. Mark Cousins stated that Mark Roberts will be at next month's Board meeting to discuss the gas supply. There are no major swings on the gas budget except for the supply side.

A motion to approve the Operating budgets with the elimination of the central air rebate was made by Commr. Prifti and seconded by Commr. Boettcher.

Vote: The motion was approved unanimously.

Dave Polson provided the Board with an update on the Capital Plan for the Line and Substation departments as follows:

Line Division

- Solar Wakefield Ave. & 480 North Ave.
- System Upgrades
- 4Kv to 13.8Kv on the Water Street side
- Streetlights on Foundry & Maple
- Pole Replacement Program
- Various Upgrades
- Energy Park

Substations

- Substation Testing & Relay Protection Upgrade at Beebe
- Burns Substation Retirement & Decommission
- SCADA

He also mentioned that there will be some technology & facilities upgrades. Commr. Boettcher inquired if WMGLD had received any reimbursements from the developer for the decorative street lights on Foundry Street. Pete noted we had received reimbursement from the developer.

Raven Fournier provided the Board with an update on the Capital Plan for Gas Street Division gas main replacements as follows.

- Cordis, Central, and Hancock streets will be one project
- Quannapowitt Pkwy - upgrade
- Water, Crescent, Otis, Rockland, Bancroft, Columbia, and Cyrus streets are pending EJ Grant funding.

She mentioned that all regulator work has been completed. Pete stated that there has been tremendous headway made on moving meters outside. Commr. Boettcher inquired as to what the constraints are on this project. Pete noted that it is constrained by labor. Commr Kallay asked as to why does emergent main replacement grow so substantially by 2025. Mark said that these roads have not been identified yet. Pete explained that we will be doing less dead main work and more small sections of road. We will be doing fewer large sections of road by that time. Commr. Kallay asked about portable LNG number. Pete said this would be just to recertify the infrastructure, if it is needed going forward.

A motion to approve the Capital Budget for both the Electric and Gas Plan was made by Commr. Prifti and seconded by Commr. Boettcher.

Vote: The motion was approved unanimously

2.Tree Removal notifications

As discussed in the Public Comments section, WMGLD will notify abutting residents with hazard trees in front of their house that are going to be removed.

Any other matter not anticipated by the Chair

None

A motion to adjourn was made at 9:51 pm by Commr. Prifti and seconded by Commr. Boettcher.

Vote: The motion was approved unanimously.