

WMGLD
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Peter D. Dion, General Manager

Sharon Daly, Chair
Thomas Boettcher,
Secretary
Jennifer Kallay
Elton Prifti
John J. Warchol

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

November 6, 2024

IN ATTENDANCE: Commrs., Chair Sharon Daly
Thomas Boettcher, Secretary
Jennifer Kallay
Jack Warchol

Peter Dion, General Manager
Mark Cousins, Finance Manager
Dave Polson, Engineering and Operations Manager
Joe Collins, Business Analyst - Energy Services
Olivia Hayes, Business Analyst – Energy Services
Sylvia Vaccaro, Minute Secretary

Kyle Connors, Marcum LLP
Andrew Remus, Marcum LLP
Mark Roberts, Sprague Energy

Members of the Public

None

PLACE: **480 North Ave., Wakefield, MA**
& ZOOM MEETING

CALL TO ORDER:

Commr. Daly called the meeting to order at 6:30 pm and advised the meeting was being recorded.

CHAIR REMARKS:

Commr. Daly requested an update from Pete Dion on WMGLD's response to the recent hurricanes and small local fires. Pete informed the Board that WMGLD sent a crew to Georgia in response to Hurricane Helene. They worked in Sylvania, Georgia for 10 days. We later sent a crew to Orlando, Florida in response to Hurricane Milton and they were in Orlando for 7 days. He said that NEPPA sent 8 teams from 15 different utilities in support of the two events. He noted that he and Dave Polson were in Denver attending the Electricity Subsector Coordinating Council (ESCC) meeting after the second hurricane and participated in coordination calls with the U.S. Department of Energy, major utilities and the White House. At one point President Biden joined one of the calls. Pete said that the small local fires have not presented any issues to the department. He did say that the crew's start time was delayed for 2-3 hours because of the poor air quality one of the days. Commr. Daly requested that the agenda be sent to her 24 hours before being posted.

COMMISSIONERS REMARKS:

Commr. Warchol requested that the Commissioners receive the minutes sooner for review. Commr. Kallay advised the Board that the Massachusetts Light Commissioners Association had their fall webinar in October and the topic was geothermal heat pumps. There is a video she can forward to those who are interested. She also commented that there have been two meetings of the inter-agency rate working group which we can discuss at a future Board meeting. Commr. Daly stated that Pete had mentioned in the last Board meeting that Zoe and Kate from MMWEC are also monitoring the inter-agency group.

TOWN COUNCIL LIASON:

Not present

Public Comments

None

SECRETARY'S REPORT

Approval of October 4, 2024 minutes was before the Board for approval. Commr. Warchol provided a minor edit.

A motion to approve the October 4, 2024, minutes as revised was made by Commr. Boettcher and seconded by Commr. Warchol.

Vote: The motion was approved unanimously 4-0.

Presentation of FY 2024 Audit – Kyle Connors and Andrew Remus - Marcum LLP

Kyle Connors thanked Mark Cousins and the WMGLD staff for their responsiveness and grace that they showed this new audit team. Andrew Remus presented the 6/30/24 year-end financial audit. He discussed:

Audit Scope

- Their opinion is that the financial statements are fairly presented in accordance with accepted accounting standards.

Audit Opinion- Unmodified, a “clean opinion”

- Report is pending the final pension allocations provided by the Town’s actuary in the first quarter of 2025.
- The audit has no management letter comments

Financial highlights included an analysis of some key ratios

Current Ratio

- Measures liquidity (Current Assets/ Current Liabilities)
- 1.81 in 2024 and 1.06 in 2023

Cash Ratio

- (Current assets less inventory and accounts payable / monthly operating expenses)
- 3.2x monthly operating expenses in FY24 versus 0.69x monthly operating expenses in FY23

Unrestricted Net Position

- \$3.18 million in FY24 versus a deficit of \$2.7 million in FY23

OPEB Funding Status

- Funded at 112% for FY24

Andrew noted that WMGLD achieved the key goal of improving the current ratio from 1.06 in 2023 to 1.81 in 2024. The cash ratio also increased to 3.2, so the department would be able to meet 3 months of operating expenses if they did not collect any revenue. Commr. Kallay inquired as to why OPEB is funded more than 100%. Kyle stated that over time, assets build up to meet the liability, noting investment income is restricted to the plan. Pete stated that maybe the target number should be around 105% to digest the market volatility in the long term. Kyle stated the plan had a net loss in 2022 of \$300,000 and bounced back in 2023 and 2024, so it is challenging to plan.

A motion to accept the auditor’s report pending the pension numbers was made by Commr. Boettcher and seconded by Commr. Warchol.

Vote: The motion was approved unanimously 4-0.

Natural Gas Winter Supply Update – Mark Roberts – Sprague Energy

Mark Roberts reviewed the 2023-2024 Budget Performance. He stated that last year we had a hedge position of \$8.19 a dekatherm. For budget purposes, it was adjusted for the day-to-day market volatility, so the budget was set at \$9.44, but we were able to come in at a price of \$7.82. He said that this past winter was a home run. Mark explained that the weather chart indicates that the FY 23-24 winter was seasonably close to prior winters. We had planned or hedged for 537,000 dekatherms and came in at 509,000. The weather was a bit warmer than normal. For FY 24-25 we are hedged at \$8.13 with an adjusted budget of \$9.38. The market has been flat, with very little volatility for the past several months. Commr. Warchol asked if the adjusted budget line was a weighted average of the three previous lines. Mark explained that the adjusted budget amount of \$1.25 is to take into consideration a colder than anticipated winter. Pete noted that we try to be hedged because there have been years when we owned \$7.00 gas in a \$4.00 market, however it has also been the reverse where we have owned \$7.00 gas in an \$11.00 market. That is the challenge. We set a hedge target point that we try to be hedged to each season.

Commr. Kallay asked if the forecast is based on the mean of the 13 seasons. Mark looks at data and normalizes it from a weather perspective. The town is largely heating load, and we look at 10-15 years. Pete and Mark look at it and see what new projects are in the works. The load has remained consistent. Commr. Kallay asked if there is a decline in volume, can you parse out what is due to weather and is related to a decrease in gas customers. Mark stated that those can be parsed out in the future. Pete noted that very few customers have left the gas system. Even with installing heat pumps they are still using gas as supplemental heat.

Mark went on to explain that political events in the Middle East will have a significant impact on the oil markets significantly which ties into the natural gas markets. The global LNG market is a big driver and every year the USA increases its LNG exports out of the Gulf which are forecasted to double in 7 years. The USA has an abundance of natural gas and has been exporting to Europe. The financial price (NYMEX), which is the price of natural gas trading down in the Henry Hub in Louisiana is fairly low anywhere from \$2.00 to \$3.50 depending on the month but is predicted to increase by a dollar or two a dekatherm. The New England area is pipeline capacity constrained so exports due to the demand in Europe created by the Russia/ Ukraine war increase prices during cold weather. The Russia/Ukraine throughput agreement expires in December 2024. Both Russia and Ukraine are getting paid for the gas transported in those lines. What happens when this expires will impact the amount of gas going to Europe. It is in everyone's best interest to keep gas flowing but there has been no agreement yet. Mark mentioned that renewables and alternative sources continue to expand in Europe so that may offset the consumption of natural gas. He also noted that in Europe conservation efforts may have become a bit complacent because storage inventories are full and where they need to be at this time of year. Our local forecast is for a wet winter season with normal to colder temperatures.

Normal temperatures would be a lot cooler than last winter due to the onset of La Nina. Storage is full coming off a warm winter last year. The Mystic Generating Plant is now closed and National Grid and Eversource have entered into peaking agreements with Constellation Energy for LNG from the Everett Marine Terminal. The operating aspects of that and how that might impact the availability of spot LNG in the market are yet to be determined. The forecasts show everything to be fine, but this is something we will watch. The following years FY25-26 we are 50% hedged at \$7.02. Years 26-27 are at \$7.50. The market has constantly softened, and we are in a holding pattern before we take out any additional hedge positions. The peaking will be purchased as needed. As of now we have forecasted it to be \$15, but we will continue to monitor this. Pete stated that WMGLD has had a good strategy so far and the success of last winter has allowed us to recover our cash position and improve our ratios based on the good year on the gas side.

Old Business

1 Project Updates

Energy Park

Pete mentioned that an update on the compliance requirements was filed with the DOER last month. He explained that WMGLD will be replacing triple the number of trees that were removed for the Energy Park. He stated that the planting for Maple Way will be completed this week. Construction on Burns Park will begin this week with completion this winter. Pete said the preliminary planting design for Burns Park was by Brett Riley who met with DPW Director Joe Conway and other Town personnel for final approvals. Once completed, Burns Park will be handed over to the Town. Pete said that we will be starting to do site work on the duct banks at the Energy Park. We are getting pricing on the foundations and we needed to pull construction permits. Work will begin on November 18th and as long as the weather cooperates, they will be able to work through the winter. The goal is to have the battery operating before June 1st, as a temporary connection to the grid for monthly peaking management.

Head of the Lake

The Head of the Lake housing project is moving along much quicker than anticipated. Dave noted transfer switches and cable are being set now. He is awaiting a schedule for when the meters will be installed.

2 Kenneth J. Chase Jr Community Solar Project and Dedication Update

Commr. Warchol noted that the Chase family has requested the dedication be moved to the Spring.

3 Discussion of Grants- Second PHMSA Grant Award

WMGLD was awarded a second PHMSA grant of \$1.4 million on top off the \$1.3 million already received. This will be another large section of gas main that will be replaced with federal dollars. Within a month the last piece of cast iron on our system will be retired.

New Business

1 MLP Legislative Caucus/ MEAM Letters on Draft Regulations

Commr. Daly stated that this first item is a discussion about procedural improvements on information sharing.

Commr. Kallay stated that a legislator reached out to her and Comm. Boettcher via email about their thoughts on the MLP Legislative Caucus/MEAM comments. She explained that she was not aware of the comments and was aware of other Commissioners who were not informed. Also, there was a short turnaround for sign ons to the comments by legislators and she questioned the timing and urgency of both requests. Commissioner Kallay suggested that MEAM could have better anticipated inclusion of munis in these regulation and initiated conversations with Commissioners about them a year ago when the draft regulations were first filed. Commr. Kallay also pointed out that munis with electric and gas may have a different position/questions on this Clean Heat Standard Regulation than electric-only munis and it might make sense for there to be two different sets of comments/questions on this regulation. Seeing where this legislation has been out there for a while, Commissioners should have been brought into the loop. Pete said he saw the first draft on the letter on Oct 17th that came from MASS caucus and not MEAM. Commr. Kallay stated that MEAM should have informed the Commissioners about this legislation. Pete stated that he asked Bob Rodophel, MEAM's lobbyist, why this was done so quickly, and his answer was that the Clean Heat Standards had been out for a while, and it needed to get on the record and the proposed regulations on the Large Buildings would be released soon. Pete said that he will ask Jane Parenteau, Executive Secretary and Joe Sollecito, President of MEAM to attend either the December or January's Board meeting to discuss how we can improve communications in the future.

2 Draft Regulations on Clean Heat Standard and Large Building Energy Reporting

Commr. Daly said that this second item is more of a substantive discussion on the draft regulation. She suggested moving this item to next month's agenda so Commr. Prifti can be part of this discussion.

Commr. Kallay stated that it would be helpful to have some information before next month's meeting. Commr. Kallay asked if the statewide goals were annual goals and requested an estimate of the required conversions for WMGLD by fuel type, if we are under the Clean Heat Standard, and to see a comparison to our

2024 actual heat pump installations by fuel type. Pete said it is unclear whether we have one goal or two because we supply both electric and gas and what we would pay penalties on. Pete stated that in 2026 on the electric side we would have to do 23 conversions with a percentage of these being low income and based on the current structure on top of the fact that the penalty for low income is not clear. It is somewhere between \$12,000-\$20,000 for the customers that you do not convert and the customers on the standard would be at \$6000. Pete said the way he is reading it right now it would be 19 at \$6000 and 4 at between \$12000 and \$20000. Commr. Kallay noted that these estimates are a worst case and unlikely scenario that assumes that WMGLD has no heat pump conversions that meet the requirement and pays the alternative compliance payment in full to meet all the requirements of the regulation. WMGLD's heat pump incentives were lower than the proposed alternative compliance payment in 2024. If WMGLD's heat pump incentives are less than the alternative compliance payment, WMGLD would comply by offering those lower cost incentives instead of paying the alternative compliance payment. Pete stated that this is horrible legislation. Pete said that the State can't tell someone they have to change their heating system, but they are telling the utilities that we will make you pay penalties unless your customer changes their heating system. Pete said our goal is to have clean power supply by 2050 and we are 53% non-carbon emitting now. We are well on our way but are now being dragged into a place we have never been before. We are being held accountable to it and our ratepayers are being asked to pay huge penalties for this. This is merely adding costs to a market that is already going up due to improvements in infrastructure and renewables, pushing the payback out even further for ratepayers. This should not be applied to municipals. It is an affront to local control. The letters were not even shared until October 17th to the caucus. Pete said they were asking for numbers and the specific impact of the half cent to start. Also, Pete wondered what our target numbers would have to be going forward and what our penalties would be. Clarification is needed if the penalties would be doubled since we have both electric and gas. He stated that a plan that is based at the point of sale of the house would be more effective. He said there are 1.5 million single family homes in Massachusetts. With 50,000 homes being sold each year in less than 30 years, most houses would be turned over. If you make it a requirement to reach a minimum heating standard if you make a major renovation or if you sell your house, there is money on the table at that point to achieve the goals. It is just like Title V requirements for septic systems, where a homeowner must have a test to be sure the system is up to code before selling a home. Dave stated that the IOUs just pass these costs along to their customers.

Pete said that the Large Building Energy Reporting is different because it is a privacy issue. He also said that we are willing to work with requests from building owners except we cannot provide them with their tenant usage information because of privacy issues. If a building owner receives written releases from their tenants, then we can share the usage information. He explained that the Town will not even share with WMGLD which Wakefield residents have EV chargers. Commr. Kallay inquired as to how many large

buildings we have in Wakefield and Pete confirmed an estimate of 30. She also inquired whether most of these large buildings were municipally-owned buildings which Pete confirmed was true.

3 FY 2025 Expense Budget – CY 2025 Capital Budget

Finance and Customer Service Manager, Mark Cousins, reviewed the Expense and Capital budget with the Board. FY25 cost per megawatt (MW) went down slightly from FY24 and was offset by projected increase in consumption between 2.50-3.00% due to electrification. The Revenue budget is up slightly driven by kWh sales not by per megawatt hour price. He noted that we are still waiting on the pension numbers from the Retirement Board. Pete mentioned that under power cost there is a line item for Energy Park. Mark explained the avoided cost is projected to be a win but it was budgeted as flat because it is not yet known. This is because of the shared contract for the battery because we will receive revenue for a piece of the battery. On the gas side the cost is significantly down from budgeted last year and up a little from the actual. The cost to purchase gas is off 2 million from the 9 million budgeted last year. On the conservation line item, we are budgeting \$751,404. Commr. Warchol commented that it is more than last year’s budget of \$696,000 but less than the actual figure for FY24 of \$843,000. Joe Collins explained that we exceeded last year’s budget due to the solar program. WMGLD announced that the solar rebate would decrease from \$1.20 a watt to \$0.80 a watt at the end of the year. As a result, there was a huge influx of customers getting in under the wire to qualify for \$1.20 a watt. From November to the fiscal year end \$180,000 in solar rebates were processed. Most of that was at \$1.20 a watt. There is steady growth in the uptake of the heat pump rebate which are the largest budget line items followed by insulation and windows. A total of 7,774 rebates were processed this year.

Joe mentioned that WMGLD is a sponsor for the Beneficial Electric League which helps municipals with electrification. Joe noted that they helped him apply for a 40101 D Grant application to offset the cost of investments in the Energy Park. He said he looks forward to working with them in the future. The total of \$750,000 is a slight increase in the residential budget and would have an impact of \$4.50 to a residential customer using 750 kWh consumption. Joe reviewed the changes to the Commercial customers EE charge and bill impacts to support increased efforts to reduce the gas peak and control costs.

Service Type # of Customers Monthly Rate Expected Revenue Annual Increase to Customer

Commercial Light	1,309	\$5.00	\$ 77,025	\$ 24.00
Commercial Power	283	\$20.00	\$ 66,510	\$ 60.00
Municipal Light	156	\$3.00	\$ 5,61	\$ 24.00
Municipal Power	24	\$20.00	\$ 5,670	\$ 60.00

Commr. Boettcher stated that he appreciates all the data that the Board receives on the residential programs and is looking for the same information on the commercial side. Pete explained that the commercial program is new, so there is not a lot of data yet, but as we move forward, we will be able to supply this information to the Board. Joe explained that ABODE will be hosting a Heat Pump 101 presentation and will explain the other rebate categories on November 20, 2024. Pete also mentioned that in the spring WMGLD will host a mini heat pump trade show.

A motion was made to accept the Expense budgets for electric and gas for FY25 by Commr. Warchol and seconded by Commr. Boettcher.

Vote: The motion was approved unanimously 4-0.

Mark reviewed the Capital budget with the Board and will make a modification to the Emergent Main replacement from \$50,000 to \$350,000. On the electric side the Energy Park are the projected outflows and will be flat funded. There is no real impact on the Capital budget because it will be debt financed. Dave commented that the following projects are budgeted in FY25:

- The Quannapowitt project from the development to North Ave.
- Streetlights and Pole Replacements
- Underground feeder work
- Burns Park project

Mark stated that the IT budget is level funded. He noted that Facilities is carrying forward \$600,000 because a dump truck that did not materialize last year as well as a Hybrid bucket truck will be in FY25. He mentioned that WMGLD will also be receiving another hybrid bucket truck this coming year.

A motion to approve the proposed Capital budget of FY25 was made by Commr. Warchol and seconded by Commr. Kallay.

Vote: The motion was approved unanimously 4-0.

Any other matter not reasonably anticipated by the Board.

Executive Session if necessary

Adjournment

A motion to adjourn was made at 9:57 pm by Commr. Kallay and seconded by Commr. Boettcher.

Vote: The motion was approved unanimously 4-0.