

*Chicopee Municipal Lighting Board  
Minutes of Meeting  
Wednesday, November 30, 2022*

Chairman Sittard called a regular meeting of the Chicopee Municipal Lighting Board to order at 3:02 PM, Wednesday, November 30, 2022.

Present for this meeting were Commissioner Joseph F. Pasternak III, Commissioner Carl E. Sittard and General Manager and Clerk of the Board James M. Lisowski. There is currently an open, unfilled position on the Board.

Commissioner Sittard made a motion to accept the minutes of October 26, 2022 as presented. Commissioner Pasternak seconded the motion. Discussion: None; Motion was passed 2 to 0.

Commissioner Sittard made a motion to concur with the payment of **Warrant #E110322** dated 10/31/2022 in the amount of \$34,958.03; **Warrant #E110422** dated 10/26/2022 in the amount of \$236,493.13; **Warrant #E111122** dated 11/3/2022 in the amount of \$248,152.79; **Warrant #E111122** dated 11/7/2022 in the amount of \$87,881.48; **Warrant #E111822** dated 11/10/2022 in the amount of \$164,543.29; **Warrant #E111822** dated 11/14/2022 in the amount of \$147,652.71; **Warrant #E112522** dated 11/16/2022 in the amount of \$71,880.17 and **Warrant #E112522** dated 11/21/2022 in the amount of \$3,106,286.64. Commissioner Pasternak seconded the motion. Discussion: None; Motion was passed 2 to 0.

Commissioner Sittard made a motion to pay **Bills & Customer Refunds** in the amount of **\$241,040.56**. Commissioner Pasternak seconded the motion. Discussion: None; Motion was passed 2 to 0.

The General Manager presented the Commissioners with the bid CEL Bid #22-0500 for a new Material Handling Bucket Truck. The price for this style bucket has increased by 30% since our last purchase and the lead-time is 18-24 months compared to 12 months previously. The low qualified bidder is James A. Kiley Co. at bid price of \$358,365. We do not anticipate receiving the truck until mid to late 2024.

Commissioner Pasternak made a motion, to award the bid consistent with staff's recommendation. Commissioner Sittard seconded the motion. Discussion: The Commissioners asked the General Manager to discuss with our Accounting Manager and Auditor how do we treat a major capital purchase that will arrive in 2024 that we are committing to now, even though the 2024 Capital Budget will not be approved until this time next year. The Board questioned whether this is treated as a future liability on the books. The General Manager stated that the purchase in not booked until it is received, but will report back to the Board at the January Meeting; Motion was passed 2 to 0.

**DISCUSSION ITEMS:**

**December 2022 PPA Review**

The General Manager presented the Board with his recommendation for an increase in the PPA for December from its current level of \$.03 to \$.0464/kWh. The following factors were taken into consideration when making this decision:

- CEL will be exposed to Mystic COS charges for October through December. There is no way to calculate these costs and therefore we have assumed the monthly costs will be the average actual cost for June through September (approx. \$65K/Month)
- In order to maintain the non-carbon footprint of our portfolio at the existing level, we purchased RECs (5 and 10 year strips) in 2021 that will be invoiced in December at a cost of \$360K.
- Due to extreme volatility of the market, especially over the past 7-10 days, we have assumed November Spot Market price of \$.086 and December Spot Market price of \$.185/kWh. November costs have a higher level of confidence in that it is based on actual costs for the first 3 weeks of the month. December costs are based on CME, Bloomberg and MMWEC future pricing models for ATC Power as of 12/1./22
- Actual costs related to the Mystic COS and ISO Spot Market price for December vs. the assumed values will dictate one of 2 actions
  - If we over-collect (i.e. Mystic actual and/or December actual lower than assumed), the excess will be put into the Rate Stabilization Fund
  - If we under-collect (i.e. Mystic actual and/or December actual higher than assumed), the loss will come off the end-of-year Net Income Position

After discussion, Commissioner Pasternak made a motion to approve the proposed PPA increase to \$.0464/kWh for December 2022 as presented. Commissioner Sittard seconded the motion. Discussion: None; Motion was passed 2 to 0. *Document: Dec 2022 PPA Analysis.pdf*

**2022 End of Year Projected Financials**

The General Manager presented the projected end of year Income Statement to the Board, based on the recommended PPA increase for December. The Projection uses actual or draft actuals for January through October and estimates/budget for November and December. It should be noted that the Operating Income after Taxes of \$3.233M is approximately \$790K over the 2022 budget of \$2.44M. The large majority of the difference (>83%) can be attributed to lower than budgeted Operating Expenses projected for the year (\$650K). CEL's investments (Rate Stab, Depreciation and OPEB Funds) all performed poorly in this very volatile market. *Document: 2022 Projected Financials.pdf*

**2023 Capital Budget Review**

The General Manager presented the proposed 2023 Capital Budget to the Board. The total of \$8.77M is approximately \$500K less than the 2022 budget. The continued expansion of the Crossroads Fiber to the Home project (\$4.36M) and the Chicopee Hydro Penstock Repair

(\$2.28M) make up of over 75% of the total budget. An additional \$910K (10%) is earmarked for distribution system upgrades/improvements; the remaining \$1.25M (14%) is budgeted for IT upgrades, transformer and meter purchases (capitalized upon receipt), new vehicles and miscellaneous operations purchases.

Of the \$8.77M, the General Manager is projecting approx. \$2.5M will be funded from Operating Income and \$6.27M will be funded via our Depreciation Fund. The Depreciation Fund is projected to start 2023 with \$16.3M and finish with \$13.6M. The General Manager briefly discussed the 2024 through 2027 Capital Budget projections. We will continue to use the Depreciation Fund to pay for the Telecom Expansion until 2026, at which time, the revenues from the Telecom venture will start to reimburse the electric division through contributions to the Operating Account or the Rate Stabilization Fund.

After discussion, Commissioner Sittard made a motion to approve the 2023 Capital Budget as presented. Commissioner Pasternak seconded the motion. Discussion: None; Motion was passed 2 to 0. *Document: 2023 Capital Budget + 2024-27 Projected.pdf*

### **2023 Expense Budget Review**

The General Manager presented the proposed 2023 Expense Budget to the Board. The following assumptions went into the development of the Budget:

- kWh Sales have been forecasted at 451,730,000 which is a very modest increase compared to 2022
- Significant increase in the budgeted/projected Net Power Cost for 2023, primarily as a result of the significant increase in energy costs. The budgeted figure for 2023 is \$62.72M compared to \$45.37M for 2022
- Slight Increase in the Operating Expenses (\$17.33M vs. \$16.96M) compared to 2022
- Total Operating and Power Cost Budget of \$80.05M compared to \$62.33M for 2022.
- Operating Expenses comprise approximately 21.7% of the total Expense Budget; Transmission = 14.9%; Energy/Capacity and other Power Supply Related Costs = 63.4%
- Total Electric Sales based on Rates to be presented, budgeted at \$79.814M. Including miscellaneous revenues from Rent and Forfeited Discounts, the total Revenue excluding ISO RNS Payments and Telecom Revenue equate to approx. \$80.09M, which compares to the Operating and Power Costs Budget of \$80.05M. Including Telecom and RNS payments, total Revenue of \$83.835M
  - It should be noted that we are not budgeting for any Rate Stabilization contribution to electric sales. This is being done for 3 reasons:
    - Poor Investment performance of the Rate Stabilization Fund
    - Significant draws (\$4.5M) from the fund in 2021 and 2022
    - \$5.5M Transfer from MMWEC fund to our Working Capital Fund to pay the ever increasing ISO-NE Power costs (due to energy cost increase)
    - All three of these have brought the Fund to lower than desired levels

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- Projected Income from RNS Payments and Telecom Revenue = \$3.77M, which will be the approximate Net Operating Income budgeted for 2023. When including other Income (Merchandising, Jobbing (WARB), Non-Operating Income, interest and dividends) and other expenses (primarily the PILOT), the Net Income prior to unrealized gains/losses is budgeted at \$3.95M
- Net Income is higher than the typical \$2.5M annual target – looking to use additional operating income to fund the Capital Projects as just reviewed and approved. The projected Income is still below the 8% Return on Plant limit imposed by Mass General Law, which for 2023 would be approx. \$4.5M

After discussion, Commissioner Sittard made a motion to approve the 2023 Expense Budget as presented. Commissioner Pasternak seconded the motion. Discussion: None; Motion was passed 2 to 0. *Documents: 2023 Expense Budget Summary.pdf, 2023 Rev+Exp Budget Assumptions.pdf*

### **2023 Rate Establishment**

The General Manager presented the proposed 2023 Electric Rates to the Board. The rates were developed using the previously presented Expense Budget and were the rates used to budget for the 2023 Electric Sales Revenue. The General Manager presented the new rates compared to the Rate as of 1/1/22, as of 12/1/22 and the average Rate for 2022.

- Compared to rates as of 1/1/22, there is a projected increase of approx. 28-34%, resulting in approx. \$18.2M in additional sales revenue compared to the 2022 budget. As noted above, we are projecting approx. \$17.72M in additional Operating Costs for 2023 compared to 2022.
- Compared to rates as of 12/1/22, with the proposed PPA adjustment to \$.0464/kWh, there is a slight decrease of 4-5%
- Compared to the Average 2022 Rates, where the PPA is levelized across the year, there is a projected increase of ~12% to each rate class, which will result in approx. \$8.26M in additional sales revenue compared to 2022 projected actuals.

The General Manager informed the Board that most of the increase is directly tied to the cost of energy. The Transmission component has remained relatively flat along with a modest increase in the Distribution component, driven by increased cost to do business in the current economic environment. The Hydro Credit is also being reduced from \$.00613 to \$.00511/kWh due to increase costs to transport the power across the New York ISO Transmission system.

The General Manager informed the Board that the Street Light Rate charged to the City would increase effective July 1<sup>st</sup>. It has been over 5 years since we adjusted the billed rate and with the increase in Energy Costs, it has become necessary to increase the Rate. The Rate will increase from its current rate of \$.1035/kWh to the lowest Off-Peak Rate we offer – the Industrial Off-Peak of \$.1299/kWh (25% increase).

With the approval of the rates, the General Manager will advertise the new rates and submit them to the Mass DPU in mid-December.

After discussion, Commissioner Sittard made a motion to approve the 2023 Electric Rates as presented. Commissioner Pasternak seconded the motion. Discussion: None; Motion was passed 2 to 0. *Document: 2023 Rate Analysis.pdf*

### **Crossroads Fiber Update**

The General Manager informed the Board that we currently have nearly 3,000 active customers with an additional 30 residential/business in the installation/survey queue. We currently have 58 FSA's open for applications and three under construction or soon to be under construction. The General Manager showed the Board a map that shows all the FSA's that are currently open, those under construction and the 25 FSA's proposed for 2023. The 25 is tentative and will likely be adjusted during 2023. Much of the construction in 2023 will be focused in the section of the City south of the Turnpike. The Board was notified that our outside plant engineer tendered his resignation – we are currently evaluating whether using a design firm for the final 75 FSA's would be more economical than hiring a new engineer. *Document: 2023 FSA Build – Projected.pdf*

### **Chicopee Hydro Update**

The General Manager informed the Board that we received the pricing estimates for the various Alternatives under consideration for the Penstock repair/renovation. The costs range from \$1.43M to \$4.5M. Three (3) of the Alternative were eliminated due their costs (>\$2.8M). The lowest cost option was eliminated because it is essentially a “band-aid” approach to the repair and carries a higher risk of future leaks and or failure. One other option was eliminated because it provides only a limited repair to the entire exposed penstock sections. The two preferred Alternatives are as follows:

- Reinforced Concrete Liner (Shotcrete) – Approx. Cost \$2.35M
- New Steel Penstocks to replace existing already not replaced – Approx. Cost \$1.95M

The General Manager has requested a 2<sup>nd</sup> opinion on the cost of new Steel Penstock option. Our experience with the section we did previously seems to indicate that the budget provided is lower than one would expect. When the 2<sup>nd</sup> price is received, we will review with the consultant and our operator to determine the approach to undertake. During the winter, we will develop the specification and bid package to allow contractor to perform the work in Q2 and Q3 of 2023

### **GM Succession Planning Update**

The General Manager informed the Board that we have received 11 resumes since we started advertising at the beginning of the month. We have three individuals from within CEL, 4 from within Massachusetts MLP's, 1 from Washington and 3 others. The General Manager and HR and Admin Manager will begin reviewing the resumes in early December with the goal to narrow down to 5 for initial interviews in January and to bring 3 to the Board for their review and interview. By MGL, the Board is responsible for the hiring of the General Manager.

**Westover ARB Arrears**

The General Manager informed the Board that he has recently learned the delinquency report that was presented at the meeting in October did not include Westover ARB, who currently owes CEL over \$875K (plus current bill for \$185K) and are 4 months in arrears (July thru October). We have been working with them on this issue and have been informed that the July payment is being processed and the August thru October payments will take a little longer because they were not fully funded in the new Federal Fiscal Year. They are working on transferring funds to the utility account. As of today, we have still not received any payments. If we do not receive any payment by next week, the General Manager will reach out to the Base Commander. *(Update: CEL has been informed that the Base has placed a “rush” on the payment and that we should receive full payment by end of year)*

**Seabrook PPA Update**

The General Manager informed the Board that MMWEC is still working through the terms with Nextera and agreement between MMWEC and Nextera and the corresponding agreements between MMWEC and the MLP’s. MMWEC intends on having a formal solicitation of interest and establishment of a Special Project at the MMWEC December Board Meeting, which will be followed shortly thereafter with document presentation and execution. Nextera has informed MMWEC that they do not have an issue with this process extending into early 2023.

**BTM BESS Update**

The General Manager informed the Board that MMWEC has developed the draft Services Agreement between the MLP’s and Delorean as well as the Interconnection Agreement, Site License and Use Agreement and the MOU between Delorean and MMWEC. We expect to receive these documents in December for our review.

**NEW BUSINESS:**

**New Commissioner Update**

The General Manager and Mayor sat down with a candidate for the open Board position. The decision on whether to nominate this person now lies with the Mayor’s office.

**Brad’s’ Parking Agreement**

In 2020, we established a parking agreement with Brad’s for up to 10 cars at a cost of \$500 per month. Upon his death, the agreement was renewed with his son for 18 months and the current agreement expires at the end of 2022. Brad’s has since been sold and the new Owner would like to renegotiate the rate. He has proposed a new rate of \$700/month. He started at over \$1000/month and I had to talk him down to the current requested rate. We currently have 8-9 office staff use the lot on a daily basis. We have just enough parking on-site to accommodate our employees, but when any work is done on the property, we would find ourselves short of parking. In the next year or two, the City will do the culvert work along the west side of the property – at that time we will be short of parking and would need the off-site parking. We would also need off-site parking when the construction market turns around and we decide to move forward with the

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Renovation. Following discussion, the Board was in favor of extending the parking agreement for 1 year at \$700/month. We will revisit this again in 2023 for calendar year 2024.

Commissioner Sittard made a motion to adjourn at 5:59 PM. Commissioner Pasternak seconded the motion; Discussion: None; Motion was passed 2 to 0.