

**MINUTES  
TOWN OF BELMONT  
BELMONT MUNICIPAL LIGHT BOARD  
SELECTMEN'S MEETING ROOM  
TOWN HALL  
Friday, December 4, 2015  
3:15 P.M.**

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**I. CALL TO ORDER**

*Chair Baghdady called a regular meeting of the Municipal Light Board (MLB) to order at 3:44 P.M.*

Present:

MLB- Chair Sami Baghdady, Vice Chair Mark Paolillo, Member Jim Williams

Belmont Light- General Manager Jim Palmer; Staff Becca Keane, Maria Makar-Limanov; Consultant Diane Crimmins

Human Resources Director Jessica Porter

**II. GENERAL MANAGER'S REPORT**

**a. Update on substation & transmission project**

Palmer reported that according to the overall project schedule, permitting is 100 percent complete, engineering is 99 percent complete, procurement is 99 percent complete, and construction is 35 percent complete. The substation building acceleration plan was successful and the main switchgear room was substantially completed on November 30<sup>th</sup>. The manufacturer has been on-site prepping for the installation of the switchgear, which is scheduled to be delivered in early January. This switchgear work is a huge milestone for the overall project.

Palmer is arranging a tour of the substation building and the transmission route for Representative Dave Rodgers, Representative Jonathan Hecht, and interested Board members to happen in January. Also in January, the balance of the interior substation rooms is expected to finish. Delivery of two large transformers will occur in February.

Palmer explained that the project team has encountered delays on the construction of the transmission line due to a new MBTA winter storm policy. According to the new policy, whenever more than two inches of snow are forecasted, flagmen will be pulled away from the project and reassigned—thereby ceasing work along the transmission route along the MBTA railway. Palmer stated concerns that this policy will cause much uncertainty throughout the winter and may have significant impacts on the project's progress. In fact, this uncertainty has already resulted in a one-month delay in mobilizing the transmission line's contractor.

Paolillo asked what could be done to mitigate further delays. Palmer responded that this will be difficult given the new MBTA policies. Additionally, the project team cannot schedule an outage

with ISO-New England while facing so much uncertainty because outages need to be scheduled 120 days in advance and cannot occur over peak summer seasons.

Due to these challenges, Palmer said, the project team made the decision to push the project's energization from June into the September or October timeframe. Palmer stated that working with various external stakeholders has always been the project's most difficult complexity. He added that even though the energization date has been delayed, all of the project's civil construction work will still be complete by June.

Paolillo and Williams expressed concern about the three-month delay in the energization date. The Board asked Palmer for written documentation of why the decision was made to revise the schedule, suggestions on what can be done to remedy delays, and whether there will be increased costs for Belmont. The Board also requested advice from Belmont Light's Advisory Committee. Paolillo offered that, if necessary, the Board could help in coordinating with government stakeholders. Palmer stated for the record that these uncertainties were anticipated by the project team.

### **III. FINANCIALS**

#### **a. Request for Approval of Transfers**

Makar-Limanov had recently run Belmont Light's nine-month financials and made projections through the end of the year. She was in attendance at the meeting to request approval from the Board to make transfers to the Rate Stabilization Fund, to the Construction/Depreciation Fund, and for the annual PILOT payment to the Town. She explained that Belmont Light had done a rebalancing of the purchased power and transmission adjustment charge (PPTA), which led to an over-collection of \$500,000 in 2015. Belmont Light's financial auditors suggested that making a larger transfer to the Rate Stabilization Fund in 2015 would be prudent. Makar-Limanov referred to a memo (attached) that summarized the purpose and target balances for each fund. If the Board approves the fund transfers for 2015, Belmont Light will be on track to achieving the targeted balances for the Depreciation and Rate Stabilization Funds by 2016 and 2017. Makar-Limanov and the Board discussed the details behind the transfers further, including that Belmont Light analyzed the financials of five other light departments when determining target balances for each fund.

The Board also asked Makar-Limanov detailed questions about the financials and the department's 5-year budget. A thorough review of rates and costs of service will be conducted in 2017.

#### **i. Rate Stabilization Fund**

*Paolillo motioned to approve transfer of \$700,000 from cash into the rate stabilization fund. Williams seconded and the motion was unanimously approved (3-0).*

#### **ii. Depreciation Fund**

*Paolillo moved to transfer \$400,000 into the construction/depreciation fund from cash. Williams seconded and the motion was unanimously approved (3-0).*

**iii. Annual PILOT Payment**

*Paolillo moved to approve the PILOT payment of \$650,000 from Belmont Light to the Town of Belmont. Williams seconded and the motion was unanimously approved (3-0).*

Williams stated that he would like to discuss how the PILOT payment is calculated, along with some other issues about Belmont Light's financials, at a future meeting. Paolillo agreed.

**b. FY 2016 Budget**

Makar-Limanov said that Belmont Light maintains a five-year projected budget. Makar-Limanov reviews whether the budget is being met annually, but does not produce anything new during these high-level reviews. She also conducts a more detailed review and analysis of the numbers quarterly, but cannot currently do so more frequently because of logistics surrounding payroll reporting. Makar-Limanov plans to produce monthly reports after Belmont Light's new billing and accounting system is implemented.

The Board and Makar-Limanov discussed the budget and the financials schedule further. Makar-Limanov pointed out that there was a rate increase in 2014 in anticipation of escalating power supply costs. These costs are reflected in Forward Capacity Market pricing for 2016 and 2017. Baghdady asked Makar-Limanov for a breakdown of customer service and administrative costs because they represent such a large portion of the budget. She reviewed these by referring to the financial memo (attached) and explained that this budget category includes a large amount of different expenses.

Baghdady asked whether there would be a rate increase in 2016. Palmer and Makar-Limanov confirmed that they do not anticipate a change in the base rates next year. Minor fluctuations may occur through the PPTA. The Rate Stabilization Fund is intended to prevent rate instability in light of changing purchased power costs. If there are changes in the PPTA, Belmont Light will notify the Board.

**IV. EXECUTIVE SESSION**

*The Board moved to enter Executive Session at 4:50 P.M.:*

- a. To discuss strategy with respect to collective bargaining or litigation if an open meeting may have a detrimental effect on the bargaining or litigating position of the public body and the chair so declares- IBEW MOA.
- b. To conduct contract negotiations with non-union personnel.

*The Board moved to return to Open Session at 5:56 P.M.*

## **V. APPROVAL OF IBEW MEMORANDUM OF AGREEMENT**

Baghdady described that the Board reviewed proposed updates to the IBEW contract during Executive Session. Based on a review of what employees get paid in other Massachusetts towns with municipal light departments, it seemed to the Board that some of Belmont's IBEW employees were not up to market rate. The recommendation from Belmont Light was to add a new step to the IBEW pay-scale to adjust according to the market. The Board thought this would be a prudent decision since Belmont has employees that have served the town for a long time and are exposed to hazardous weather conditions. It is important to the Board to retain dedicated employees.

*Paolillo moved to approve the Agreement between the Belmont Municipal Light Department and the International Brotherhood of Electrical Workers, Local Union Number 104, effective January 1, 2015 through December 31, 2017. Williams seconded and the motion was approved with a vote of all in favor (3-0).*

Baghdady said that also in Executive Session, the Board discussed tuition reimbursement options for Palmer. Palmer had recently been accepted to an executive MBA program at Boston University and his contract allows him to receive certain tuition assistance benefits based on a per class basis. The particular program Palmer will be attending, however, charges tuition based on modulars instead of classes. In Executive Session, the Board discussed how to match Palmer's contract with this program. The Board ultimately determined that there is no need to amend Palmer's contract, but that Porter will try to equate modulars with standard classes to help with the reimbursement schedule.

## **VI. APPROVAL OF MINUTES DATED 10/30/15**

*Paolillo moved to approve the minutes from September 30, 2015. Williams seconded and the motion was approved with a vote of all in favor (3-0).*

## **VII. FUTURE MEETINGS**

The next meeting of the Municipal Light Board will happen after Palmer's team sends the Board a memo on the decision to change the energization date for the substation project.

## **VIII. ADJOURNMENT**

*The Board moved to adjourn at 6:01 P.M.*

# Memorandum

To: Municipal Light Board and Municipal Light Advisory Board

From: The Office of General Manager

Date: November 24, 2015

Pages: 1

Re: Belmont Light 2015: fund transfers and reserves

## Overview

The economic basis of our business is changing. Belmont Light's cost structure is bound to continue changing as we finish the new transmission line and start making related updates to our distribution system. In anticipation of these circumstances, Belmont Light has been planning conservatively over multiple years. When we revised our 2013-17 electric rates in mid-2013, we aimed to break even over the period following PILOT and debt repayment. Because costs and debt repayment would vary among years, the Department set various reserve targets to level results and better provide for our future financial stability. Our results and reserve balances for 2014 demonstrate progress toward those target amounts.

In 2015, Belmont Light seeks for approval of the following transfers:

- Rate Stabilization Fund – \$700,000;
- Construction (Depreciation) Fund – \$400,000;
- Town PILOT payment – \$650,000.

## Rate stabilization fund

The balance is intended to absorb large fluctuations in expenses, particularly power purchases and transmission fees, without causing a major change in base rates. Net provisions to the fund and uses of the fund are recorded as additions to or subtractions from BMLD expenses. An average of similarly sized municipal light departments in Massachusetts is \$5.7 million or 3 months of power purchases. Our goal for this reserve is \$3.8 million or 3 months of power purchases.

In 2015, Belmont Light is looking to transfer \$700,000, including \$300K budgeted for the year, \$400K projected to be over-recovered through the end of the year through PPTA.

## Construction (Depreciation) fund

The balance in this account is intended to provide funds for capital projects. BMLD has charged depreciation on the income statement and put an equivalent amount in the base for recovery through rates. The depreciation fund represents the cumulative net provisions for depreciation less the amounts spent on capital projects and charged to this fund in the past. The fund is intended for replacement of capital infrastructure. We intend to use the balance to fund future capital projects including emergency purchases of replacement equipment and planned expenses, such as the retirement of the old substations.

The net investment in our existing plant has decreased over the last few years as we have been funding the renewal of our transmission and substation infrastructure through the transmission project. In the long run, we expect that depreciation will be a reasonable proxy for amounts to be spent on capital projects. The fund balance at December 31, 2014 was \$2.9 million or 11% of our gross plant assets. Our goal for this account is \$4 million or 15% of gross plant.

In 2015, Belmont Light is looking to transfer \$400,000 to the fund, as budgeted.

## PILOT transfer

On an annual basis, usually in December, Belmont Light transfers \$650,000 to the Town as Payment In Lieu Of Taxes based on the Light Board approval.