

Chicopee Municipal Lighting Board
Minutes of Meeting
Tuesday, November 30, 2021

Chairman Pasternak called a regular meeting of the Chicopee Municipal Lighting Board to order at 4:16 pm, Tuesday, November 30 2021.

Present for this meeting were Commissioner Robert L. Pajak, Commissioner Joseph F. Pasternak, III, Commissioner Carl E. Sittard and General Manager and Clerk of the Board James M. Lisowski.

Commissioner Pajak made a motion to accept the minutes of October 26, 2021 as presented. Commissioner Sittard seconded the motion. Discussion: None; Motion was passed 3 to 0.

Commissioner Sittard made a motion to concur with the payment of *Warrant #E110521* dated 11/1/2021 in the amount of \$298,847.66; *Warrant #E110521* dated 11/1/2021 in the amount of \$29,055.14; *Warrant #E111221* dated 11/4/2021 in the amount of \$147,834.90; *Warrant #E111221* dated 11/8/2021 in the amount of \$99,334.82; *Warrant #E111921* dated 11/12/2021 in the amount of \$227,414.26; *Warrant #E111921* dated 11/15/2021 in the amount of \$274,635.30; *Warrant #E112621* dated 11/18/2021 in the amount of \$79,300.80 and *Warrant #E112621* dated 11/22/2021 in the amount of \$1,469,604.78. Commissioner Pajak seconded the motion. Discussion: None; Motion was passed 3 to 0.

Commissioner Pajak made a motion to pay *Bills and Customer Refunds* in the amount of **\$443,198.98**. Commissioner Sittard seconded the motion. Discussion: None; Motion was passed 3 to 0.

Commissioner Sittard made a motion to pay *Power Bills* in the amount of **\$1,768,659.04**. Commissioner Pajak seconded the motion. Discussion: None; Motion was passed 3 to 0.

DISCUSSION ITEMS:

Project 2015A – Records Request

The General Manager informed the Board that CEL, along with the other MMWEC Project 2015A participants, received a public records request from the Massachusetts Climate Action Network (MCAN). CEL has provided MCAN all public board meeting minutes and non-proprietary information related to the project. At this time, CEL, nor the other participants have provided MCAN any emails related to the request. CEL has identified between 400-500 emails with some reference to the project and has provided MCAN an estimate of the costs to review all the emails and provide those that are not protected as confidential of trade secrets.

Crossroads Fiber Update

The General Manager informed the Board that Crossroads is approaching 1800 active customers with an additional 50+ installs still in the queue. We are starting to see a slowdown in the number of requested surveys and will be bringing all surveys in-house starting next week. We continue to market to the existing FSA's to drum up interest. Three (3) FSA's are currently in some form of construction with a 4th scheduled to start by end of year. We anticipate opening up the 3 FSA's by Christmas with the 4th to open up sometime in January.

We continue to experience supply-chain issues – major problems with one of our primary fiber providers and the provider of our Fiber Distribution Cabinets. We have identified an alternate fiber provider for standard ADSS cable but still looking for FTTH ADSS substitute. The General Manager discussed with the board the next 25 +/- FSA's that have been targeted for construction in 2022 – this is a wish list and could be impacted by material availability.

The General Manager discussed the skyrocketing price in the cost of IP's. We are in the market for a block of 4096 IP's and the price is \$50-53/IP compared to \$14/IP 2 years ago when we purchased our last block. With the infrastructure bill and the emphasis to build out broadband across the company, the cost is expected to rise even more in the future. We are working on an approach, following this purchase, to subdivide our existing IP's in the future to minimize our exposure to the increasing cost.

Chicopee Hydro Update

The General Manager informed the Board that our new operator, Ware River Power, has serious concerns about the integrity of the 2 penstocks that were not repaired as part of the catastrophic failure. WRP did additional due diligence and has identified numerous holes in the one of the penstocks and a significant thinning of the steel compared to the original thickness. He expects that the same condition will exist in 2nd penstock – he has been unable to access yet due to water levels. WRP provided a preliminary capital budget of over \$2M to bring the 2 units “up to snuff”. The General Manager has authorized WRP to bring in 3rd party engineer/consultant to investigate options for the penstocks.

The General Manager discussed decommissioning the site with WRP and they felt the cost to do so would be comparable to making the site operational, so on the surface, this doesn't make sense. CEL may need to consider other options such as selling the site or leasing it to a 3rd party at little to no cost and establishing a long-term Purchase Power Agreement for the energy and environmental attributes (RECs). The Board requested the General Manager continue with the due diligence.

1895 Building Renovation Update

The General Manager informed the Board that we have delayed the bid for the project until at least the spring. Current market, pricing and material availability continue to adversely impact the cost of the project. The Architect has provided an alternate design that

leverages the building vs. Reno + addition to try and bring down the costs. The Board was provided a rendering of the proposed modification vs. the original plan. Floor plans have been provided and are currently being reviewed by the various stakeholders to determine if the revised layout meets our program requirements. According to architect, the revised design has potential to decrease price by up to \$2M, bringing the project cost down to \$10M +/-, not including design and other “soft costs”. The General Manager has had preliminary discussion with MMWEC concerning their Pool Loan program should CEL proceed with the Project. The General Manager will also reach out to the City to determine what the current bond rates are through them. The Board inquired whether COVID related money received by the City from the Federal Government could be used to fund some or all of the construction. The General Manager will follow-up with the City to see if this is an acceptable use of the funds. Previous internal discussions centered on acceleration of the FTTH build. *Document: 1895 Building Options*

2021 Financials

The General Manager reviewed with the Board the 2021 Projected Income Statement through the end of the year. Data is actual through September, preliminary for October and projected for November and December. Based on information available and using our best judgement, we have determined that we are not in the position to offer a “holiday discount” this year. There are too many unknowns, primarily realized and unrealized Gains/Losses that could create significant swings in the final Net Income position. Historically CEL has targeted approximately \$2.5M in Net Income after Unrealized Gains/Losses – currently projecting approx. \$2M for end of year. *Document: 2021 Projected Financials*

2022 Expense Budget Review and Rate Discussion

The General Manager presented the 2022 Revenue and Expense Budget to the Board. He explained some of the assumption that went into the development of the budget.

- KWh sales have been forecasted at 448,930,000 kWh, compared to 2021 end of year projection of 447,636,000 and slightly under the 5-year average of 450,580,000.
- The Hydro Credit will remain at the 2021 level
- The Purchase Power Adjustment has been “zeroed out” to start “fresh”. Over the past 4-5 years, the PPA was used as the means to adjust for fluctuations in Power Supply costs.
- Budgeted for \$900,000 to be pulled from Rate Stabilization compared to \$3,600,000 in 2021. The General Manager explained leveraging the Rate Stabilization Fund to subsidize our rates at the levels used in 2020 and 2021 is not sustainable in the long run, especially when considering the likelihood of increase costs as a result of the push to non-carbon emitting resources in the future. We need to bring our rates more in line with our actual costs.

- 2022 Budgeted Revenue of ~\$64,684,000, which is an increase of approx. \$2.1M compared to 2021 end of year projection. Revenues assume approx. 4.0-4.5% rate increase, resulting in ~\$2M in additional revenue + an additional \$1.25M in revenue generated through Crossroads Fiber.
- Budgeted Net Power Cost plus Operating Expense of ~\$62,300,000 vs 2021 Projected end of year of slightly over \$60,000,000. Increase driven by overall increase in Transmission and Power Supply Costs + increase in the Operating Expense, primarily attributable to the continued expansion and buildout of the FTTH Project.
- Operation Expense comprise ~22.75% of the overall budget with Power Supply, Transmission, Generation and Depreciation expense making of the balance.
- We have budgeted for an end of year Net Income of \$2,437,000. Historically, the goal was to target for \$2.25-2.5M to provide some margin on both sides for gains/losses attributable to our investments, which are not budgeted due to the uncertainty.

As a result of increasing Power Supply Costs, Transmission Costs and overall expenses, The General Manager recommended rate increases to all rates ranging from ~1.6% to 4.8%. A summary of the rate increases was presented to the Board. Even with the proposed rate increases, CEL rates will be far less expensive than every IOU in the state and lower than a majority of the MLP's (rank 10-15 out of 40 MLPs).

The General Manager will present the Capital Budget at the next scheduled Board Meeting

After discussion, Commissioner Sittard made a motion to approve the proposed Rates and the Revenue and Expense Budget for 2022 as presented. Commissioner Pasternak seconded the motion. Discussion: None; Motion was passed 3 to 0. *Documents: Rate Change for Board R1; 2022 Rev+Exp Budget Assumptions; 2021-2022 Budget Comparisons Summary*

Staffing / Succession Planning

The General Manager informed the Board that we have hired a new Substation Technician who will be starting in mid-December. Individual is electrician at City DPW. An offer has been made and accepted for a Front Office clerk position and an offer will be made by weeks end for a Customer Service Rep. The job description for the Compliance Office has been developed and the position will be posted/advertised by Christmas if all goes as planned.

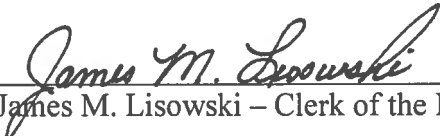
New Business

VOC Supplemental Funding – through a Fed/State Grant related to COVID, CEL received a \$1.46M supplement payment from VOC. Credits ranging from \$150 to \$1000 were

applied to nearly 2500 CEL Accounts based on applications received by VOC in the 2020-21 heating season. VOC determined who qualified and what amount was to be credited to their account. Board inquired about what portion of the grant covered existing arrears and what portion was a credit against future charges. The General Manager will inquire whether we can make this determination and report back to the board.

Front St. Diesel Emission Testing – As reported at Board Meeting couple months back, 2 of our generators failed their emission testing. We shipped the catalysts to a cleaning company in PA and reinstalled last week. Today, we are performing the retest of the 2 units that failed previously. Testing was completed just before the completion of the Board Meeting – both units passed with emission levels of 17.9 ppm and 21.7 pm, which is below the max allowable value of 23 ppm.

Commissioner Sittard made a motion to adjourn at 5:47 pm. Commissioner Pajak seconded the motion. Discussion: None; Motion was passed 3 to 0.


James M. Lisowski – Clerk of the Board

Approved: January 12, 2022