

*Chicopee Municipal Lighting Board
Minutes of Meeting
Tuesday, January 24, 2023*

Chairman Sittard called a regular meeting of the Chicopee Municipal Lighting Board to order at 4:09 PM on Tuesday, January 24, 2023

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

Commissioner Pasternak made a motion to accept the minutes of the November 30th meeting as presented. Commissioner Sittard seconded the motion. Discussion: None; Motion was passed 2 to 0.

Commissioner Pasternak made a motion to concur with the payment of **Warrant #E120922** dated 12/5/2022 in the amount of \$72,786.98; **Warrant #E121622** dated 12/8/2022 in the amount of \$280,561.34; **Warrant #E121622** dated 12/12/2022 in the amount of \$20,187.62; **Warrant #E122322** dated 12/15/2022 in the amount of \$145,686.29; **Warrant #E122322** dated 12/19/2022 in the amount of \$3,339,540.03; **Warrant #E123022** dated 12/22/2022 in the amount of \$284,572.87; **Warrant #E123022** dated 12/27/2022 in the amount of \$542.00; **Warrant #E010623** dated 12/29/2022 in the amount of \$675,131.83; **Warrant #E010623** dated 1/3/2023 in the amount of \$6,961.96; **Warrant #E011323** dated 1/5/2023 in the amount of \$132,004.08; **Warrant #E011323** dated 1/9/2023 in the amount of \$108,025.96; **Warrant #E012023** dated 1/12/2023 in the amount of \$182,725.64 and **Warrant #E012023** dated 1/17/2023 in the amount of \$3,261,699.74. Commissioner Sittard seconded the motion. Discussion: None; Motion was passed 2 to 0.

Commissioner Pasternak made a motion to pay **Bills and Customer Refunds** in the amount of **\$276,888.34**. Commissioner Sittard seconded the motion. Discussion: None; Motion was passed 2 to 0.

Commissioner Pasternak made a motion to pay **Power Bills** in the amount of **\$2,245,286.71**. Commissioner Sittard seconded the motion. Discussion: None; Motion was passed 2 to 0.

Commissioner Sittard made a motion to pay **Write-off Uncollectibles** in the amount of **\$38,894.11**. Commissioner Pasternak seconded the motion. Discussion: The General Manager informed the Board that approximately \$11,000 of the total is related to a car accident in 2019, where the driver had no insurance and ultimately we were unable to collect because the RMV did not have the correct address for the individual when we attempted to track him down; Motion was passed 2 to 0.

Commissioner Pasternak made a motion to appoint **James M. Lisowski** as the Clerk of the Municipal Light Board for **2023**. Commissioner Sittard seconded the motion. Discussion: None; Motion was passed 2 to 0.

Commissioner Sittard made a motion that Commissioner Pasternak become Chairman of the Municipal Light Board as of **January 25, 2023**. Commissioner Pasternak seconded the motion. Discussion: None; Motion was passed 2 to 0.

Commissioner Sittard made a motion to give CEL employees **½ day on Good Friday** for 2023. Commissioner Pasternak seconded the motion. Discussion: None; Motion was passed 2 to 0.

Commissioner Pasternak made a motion to give CEL employees a full day holiday for **June 19 (Juneteenth)** for 2023. Commissioner Sittard seconded the motion. Discussion: None; Motion was passed 2 to 0.

Commissioner Sittard made a motion it was voted that any person made a party to any action, suit or proceeding by reason of the fact that he or she is or was a commissioner, officer or attorney of the City of Chicopee Municipal Lighting Plant ("CMLP"); or because he or she served at the request of CMLP on a committee or task force of any public corporation or organization, shall be indemnified by CMLP against all damages and reasonable expenses, including attorneys' fees, actually and necessarily incurred by him or her in connection with said action, suit or proceeding including any appeal therefrom. It is the intent of this vote to indemnify such commissioners, officers or attorneys to the fullest extent permitted by Chapter 258 of the Massachusetts General Laws. No one shall be indemnified under this vote for violation of any civil rights if he or she acted intentionally. The term "expenses" includes amounts paid in satisfaction of judgments or in settlement of any action, suit or proceeding other than amounts paid to CMLP itself. Such right of indemnification shall not be deemed exclusive of any other rights to which such commissioner, officer or attorney may be entitled apart from this vote. The indemnification provided for in this vote shall commence after all insurance proceeds or other indemnification proceeds have first been applied to a settlement or judgment awarded for a claim for which indemnification is provided under this vote. Any amount payable by way of indemnity hereunder shall be calculated and paid pursuant to a determination of the CMLP Manager. Commissioner Pasternak seconded the motion. Discussion: None; Motion was passed 2 to 0.

DISCUSSION ITEMS:

Crossroads Fiber Update:

The General Manager informed the Board that we are nearing 3,100 active customers and approx. 50 additional in the survey/install queue. We opened up a new FSA last week in the CO1 area and have 6 additional FSA's with completed construction either undergoing or waiting for splicing and testing, 1 FSA currently being constructed and 6 additional FSA's in the construction "hopper". If the weather continues to cooperate, we are targeting to have 14 FSA's completed and accepting applications by June 1st. We are cautiously optimistic that we will be able to exceed our goal of 25 FSA's for 2023 – potential to construct up to 30 FSA's.

The General Manager informed the Board that we will be lowering the rates for our Enterprise offering, specifically for those customers that are willing to sign for a 3 year or 5 year contract. This will put our offering at or below the current Charter offering and still provides an acceptable return on the offerings.

Chicopee Hydro Update

The General Manager informed the Board that due to material availability and available contractor resources who perform the type of work needed, the Penstock replacement project will be pushed into 2024. We are currently working with our consultant on development of the bid documents and as part of their due diligence, they reached out to contractors to discuss schedules and were informed that it

would take 6-8 months to received product and fabricate – this does not include any site work, which would take several additional months. We had hoped to get the project out to bid by mid-March. With the bidding process, evaluation and award timeframes, a contract could be signed by May 1. However, due to the schedule, this would put on site work into December thru February. Due to water levels and site conditions, planning for this type of work would be ill advised. The GM informed the Board that when he was informed of this timeline for the steel replacement option, he inquired about the concrete liner option, which was the 2nd most cost effective option (not the preferred). The consultant reached out to the entity that does this type of work and they voiced serious concerns about the project logistics and stated that they would not be able to perform the work (even though they provided the estimate for that approach). They stated that there may be specialty companies that might be able to do the job, but prices would likely be higher and there would still be logistical issues.

Ultimately, it was decided that planning for a 2024 replacement would be necessary. The project would be bid in Q3, with award by November 1st, so product could be procured, fabricated and delivered to site by June 1, 2024. The site has a limited window to perform the work – June thru November. The delay is not ideal, but CEL has a strong hedged position in our Power Portfolio, so the loss of approx. 1% of power from the site, would not adversely impact our rates. The capacity benefit from the site (1 MW) is negligible especially considering the reduction in capacity charges starting in June '23.

Front St. Generator's Noise Complaint

The General Manager informed the Board that we several noise complaints when we ran the generators during Christmas week. As a result, we have engaged a noise mitigation company/consultant (Acentech of Cambridge, MA) to work with CEL on performing a study to evaluate noise levels in and around the property and at the location of the complaints. The firm has worked with a number of power plants, including one at Marblehead Light. They will use this information to try and determine compliance with standards, source of the noise (stacks vs. engines vs. crankcase system, etc) and possible corrective actions that could be undertaken. We are targeting the 2nd half of February to perform the study, which will require monitoring of noise levels with and without the generators running in the evening when ambient noise levels are low. Following the study, the consultant will present their findings and discuss options. Prior to implementation, CEL will likely need to present the options and preferred approach to the DEP for sign-off. The ability to meet the current noise standards will be extremely challenging – these were put in place well after the generators were installed. We have been informed that DEP will allow deviations from the standard if you show an “honest effort” to reduce the noise levels. The actual implementation of the noise reduction/mitigation measures could be expensive and take many months to implement. Commissioner Pasternak questioned if we are under an obligation to address this issue and the General Manager informed the Board that as part of our Operating Permit and the Semi-annual filings we need to make with the DEP, issues of this kind need to be identified and reported. The General Manager informed the Board that it would be in our best interest to take a proactive stance vs. a reactive approach.

Staffing / Succession Planning

The General Manager informed the Board that we have posted internally for the Line Foreman Position. The position will become available upon the Ops. GF retirement in April and the ascension of the current Line Foreman into that position. It is our preference that the position be filled from within the existing line crew ranks. We would entertain posting outside or “thinking outside the box” if we do not get interest from within.

The General Manager informed the Board that we received a total of 10 applications for the GM Position – 3 internal and 7 outside. We received no interest from individual at IOU’s and only 2 from outside Mass MLP’s. Five (5) individuals (2 internal) have been selected for a first interview by the GM and HR Manager and we will be reaching out to them over the 2-3 weeks to schedule. It is our goal to present the top 3 candidates to the Board for 2nd interviews by the February Board Meeting and schedule these interviews in the first couple weeks in March. The GM reiterated to the Board that he would be willing to stay on until January 2024, if necessary, to work with the individual selected.

BESS BTM Project Update

The General Manager informed the Board that MMWEC has completed negotiations with Delorean on the Behind the Meter Battery Project and has presented to the participants the MOU between MMWEC and Delorean and the Administrative Services Agreement (ASA) between MMWEC and the participants for review. The General Manager will present to the Board at the February meeting the ASA and will request a vote for CEL to participate. The vote will authorize the GM to sign the ASA and proceed with negotiation with Delorean on the Interconnection Agreement, Site License and Use Agreement and the Energy Storage Services Agreement. MMWEC has provided draft/form agreements for the participants use. We will likely work with our own legal counsel in finalizing these agreements. It is still our goal to have the project operational by Summer 2024.

December '22 and Early Jan '23 Power Cost Update

The General Manager provided an update on the power costs since our November Board Meeting. At that time, the GM presented to the Board projections for November and December and recommended a PPA increase of \$.0164 to \$.0464/kWh based on these projections. We estimated final November spot prices at \$.086 and December of \$.185/kWh – actual November came in at \$.083/kWh and December preliminary is \$.128/kWh. There are a couple more bills to be received, but we don’t anticipate a significant change in the December figure. At that time, we also needed to estimate the Mystic Cost of Service for October thru December – based on information available to us at the time, we assumed \$65,000/month. Through the November invoice, we have seen approx. \$218,000 in charges (\$34K in Oct / \$184K in November). We are already slightly above the 3 month total. December costs will not be known until mid-February. If November is indicative of what we can expect in December, actuals will be much higher than anticipated and will negate much of the savings realized with the lower November and December spot market energy prices. In addition to the Mystic COS coming in much higher than anticipated (\$88K for first 2 months), we have seen a number of other costs come in above budget, including REC’s (\$364K), NYPA Transmission (+\$54K) and Braintree Watson (+\$104K). The total of these 4 line items equates to \$610K. Prior to the Mystic December invoice and the final ISO

Transmission invoice (which will be approx. \$1 - 1.1M), we have a surplus of \$653,000, which with the \$610K, would have equated to a \$1,263,000 surplus prior to the Mystic COS Invoice and Transmission bill. However due to the unanticipated December overages, we will likely see a deficit of approx. \$400K + the Mystic December invoice. This will be absorbed and will reduce our net margin for the year. We should have draft final numbers for the February board meeting. The General Manager informed the Board that he still expects a Total Year-end Operating Income of \$2.5-3.0M before unrealized investment losses. The majority of the income can be attributed to Crossroads Income and lower Distribution/A&G costs compared to budget.

The GM informed the Board that prices for the first 2 weeks in January are well below budget due to the mild weather. The budget was established using the Bloomberg Spot Market prices and when it was established, January was pricing at approx. \$.220/kWh. Per invoices received through the 14th, actual numbers are closer to \$.061/kWh. If prices remain low through the Q1, there may be opportunity to implement a rate reduction with a negative PPA as early as May. The General Manager and the Board discussed the possibility of contributing some of the “savings” to the Rate Stabilization Fund, which has been drawn down significantly over the past 3 years (>\$5.5M) or to be used for Capital Expenditures. A lot can still happen between now and then and we will evaluate our position at that time.

Non-Union Personnel Salary Discussion

The General Manager informed the Board that CEL non-union salaries are well below the average for comparable positions across the MEAM (Municipal Electric Association of Massachusetts) membership and the other larger Western Mass MLP’s (WG&E, HG&E, SHELD). In order to retain our employees and compensate them per the existing market, the General Manager is recommending to the Board that we implement a strategy to bring our salaries in line with other MLPS’s over a 2-4 year period starting in 2023. Non-union salaries/wages (39 positions) make up only \$3.4M of our total operating/expense budget of \$80M (4.2%), while union wages (34 positions) make up \$3.3M (4.1%). CEL salaries comprise less than \$.0144/kWh (8.3%) of the average cost of electricity of \$.174/kWh, with non-union wages making up less than three-quarters of a cent. The total annual incremental impact on non-union salaries, excluding the GM compensation adjustment, would be approximately \$125K/year for 2023 and 2024 and approximately \$50-75K total in 2025, 2026 and 2027. \$20-25K annually of the 2023 and 2024 adjustments are related to previously established step progressions within a position and have been built into the 2023 expense budget – the balance is related to the market adjustment. To put these costs into perspective, a \$100,000 increase in salaries equates to \$.000219/kWh based on our current electric rates or less than \$1.60 per year for a customer using 600 kWh/year. The Board agreed that for employee retention, it would be advisable to provide a competitive compensation package. They asked the General Manager to present a formal proposal to the Board for further discussion and vote at the February meeting.


New Business

- The GM informed the Board of the Status of the new Commissioner. Mayor plans on formally presenting Dan Mashia to City Council on February 7th, who will likely refer it to the HR

Subcommittee before it goes to the full Board for approval, which would be March 7th – therefore his first meeting should be in March

- The GM informed the Board that we are currently reviewing an RFI for a large bottling plant looking for a new site. They have identified the old Avery Dennison facility in Airpark North as a possible site. Based on projections provided by the company, it has the potential to be one of the largest customer for CEL.
- The GM informed the Board of the recent MEAM Meeting and the desire of an isolated few Light Boards to be active participants in the direction of MEAM. As a reminder, MEAM was established many years back as a means for the Massachusetts MLP's (specifically the GM's per the Bylaws) to discuss factors that impact the group as a whole, whether that be technological, legislative, political, etc. CEL's Board relies on the General Manager to represent the utility (and the Board) and report back to them as necessary.

Commissioner Sittard made a motion to adjourn at mlbm5:53 pm. Commissioner Pasternak seconded the motion. Discussion: None; Motion was passed 2 to 0.


James M. Lisowski – Clerk of the Board

Approved: February 23, 2023