

Chicopee Municipal Lighting Board
Minutes of Meeting
Monday, October 30, 2023

Chairman Pasternak called a regular meeting of the Chicopee Municipal Lighting Board to order at 4:04 PM on Monday, October 30, 2023

Present for this meeting were Commissioner Carl E. Sittard, Commissioner Joseph F. Pasternak, III, Commissioner Daniel J. Mashia, and General Manager and Clerk of the Board, James M. Lisowski. Assistant General Manager, Dan Faille, called in remotely.

Commissioner Mashia made a motion to accept the minutes of the September 28, 2023 meeting with minor typo correction under the Crossroads Fiber update. 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 #E100623** dated 10/2/2023 in the amount of \$42,297.21; **Warrant #E101323** dated 10/5/2023 in the amount of \$186,141.20; **Warrant #E101323** dated 10/10/2023 in the amount of \$93,198.20; **Warrant #E102023** dated 10/12/2023 in the amount of \$143,461.57; **Warrant #E102023** dated 10/16/2023 in the amount of \$101,667.48; **Warrant #E102723** dated 10/19/2023 in the amount of \$358,000.89 and **Warrant #E102723** dated 10/24/2023 in the amount of \$3,180,132.31. Commissioner Mashia seconded the motion. Discussion: None; Motion was passed 3 to 0.

Uncollectibles and Delinquencies

The General Manager informed the Board that **Write-off Uncollectibles** dating back to Q3 2022 are **\$41,019.56**. Of this total, approx. \$34,000 are for electric accounts, ~\$1,300 are for Telecom and ~\$5,600 is related to an accident job involving an uninsured motorist. This figure is a typical value for 3rd and 4th quarter write-offs. We exhausted all efforts to collect on the accident job, including engaging our attorney and we are unable to pursue the accident claim any further due to unknown location of the driver. Staff continues to investigate options to assist in the collection of uncollectibles. The General Manager put out a survey to other GM's to find out what others are doing. It is pretty evenly split between taking customer to small claims court, turning them over to collection agencies or doing what we are currently doing – i.e. best effort internally. In no case, are MLP's reporting directly to the credit agencies – those that do, have their collection agencies do the reporting. We had discussions with a collection agency and were quoted a 35% rate on anything collected. This is based on our historical value of write-offs. After CEL informs the agency of the accounts, the agency sends collection notices to customer and then can place bad debt on their credit report. We reached out directly to the local MLP's and most have dropped the collection agencies because they didn't see an increase in recovery. One does use the collection agency we inquired with and they stated they haven't seen an increase in results. It should be noted that our write-off level is less than .5% annually (typically <.25%), which is quite low for the industry and as noted in our S&P annual review, "*CMLP has had very few issues with collections*".

Commissioner Mashia made a motion to **Write-off Uncollectibles** in the amount of **\$41,019.56** for accounts dating back to Q3 2022 plus the one accident job. Commissioner

Sittard seconded the motion. Discussion: Commissioner Sittard requested that we review our service Terms and Conditions and insert a clause stating that CEL reserves the right to engage a collection agency to collect on outstanding debt and report the bad debt to credit bureaus. The Board would like to engage a Collection Agency for a period of 1 year to determine if there is value in pursuing this option. The Board set a minimum value of \$1500 for utilizing the Collection Agency; Motion was passed 3-0.

The General Manager provided an update on the **delinquency report** through the 27th of September. There are a total of 251 customers totaling ~\$366,000. Of these totals, 159 are protected accounts that comprise \$334,500 of the total amount owed. Commercial accounts make up \$1,800 and telecom \$2,300 of the \$31,500 unprotected accounts. Customer service continues to do an outstanding job in keeping this total as low as possible. Since we don't have the ability to disconnect service for force payment on protected accounts, Commissioner Sittard questioned whether we can report them to the credit bureaus. The General Manager stated that we will check with our attorney on this question.

Purchase Power Adjustment

The General Manager informed the Board that real-time and day ahead pricing has remained well below budget levels and the estimated amount that was being withheld for Rate Stabilization funding, when we implemented the PPA decrease in June, continues to grow. Based on assumptions and information known at the time of the PPA adjustment in June, we projected a Rate Stabilization Contribution of approx. \$1.1M. Based on current figures, the contribution will likely be in excess of \$1.5M and the potential exists for this figure to ultimately exceed \$2M, if November and December temperatures are mild and/or real-time pricing remains lower than typical. The General Manager reminded the Board that we pulled approximately \$6M from the fund between 2018 and 2022 and the fund has decreased from nearly \$20M to under \$14M over that period. The new General Manager has set a goal to increase the Rate Stabilization Fund back up to \$20M over the next 4-5 years by including approximately \$1.2M in fund contributions annually when establishing the rates on an annual basis. Based on the potential 2023 contribution into the fund, we may be able to reduce the annual contribution going forward or complete the funding a year earlier. The General Manager informed the Board that we just completed our annual S&P Credit Rating and one of the metrics they use in evaluating our credit rating is the number of days of liquidity we have available. As a result of the Crossroads buildout and the pull from Rate Stabilization over the years that figure has decreased from approx. 300 days to under 200 days. Refunding the Rate Stabilization will increase our liquidity and improve one of the metrics used in evaluating our credit rating. The General Manager suggested maintaining the PPA as is through the end of the year and making the final Rate Stabilization Fund contribution, in consultation with our auditors, during the audit process in 2024. The Board was in agreement with this approach.

2024 Capital Budget Review

The General Manager provided the Board with the proposal capital budget of \$11.3M for 2024. Major costs include the following:

- We have budgeted for the ongoing deployment of Crossroads Fiber with the goal to construct an additional 20 FSA's in 2024 and install an additional 1200 customers during the year. The Total Telecom Capital Budget for 2024 is \$4.114M
- We have included \$2.9M for the Hydro Penstock project
- The delay in the availability of distribution transformers will result in the series of orders being delivered in 2024. Several of these were initially set for 2023 but extended lead times have pushed them off until 2024. The total estimated cost of the delivered transformers is \$1.92M
- Vehicle purchase across all departments are estimated at \$915K – this includes 1 line bucket, 2 telecom service buckets, dump truck replacement and a number of pickups. The General Manager explained to the Board the reasoning behind the procurement of 2 telecom service buckets.
- \$200K has been included in the budget for Noise Mitigation for the Front St. Diesels. The General Manager informed the Board that a resident filed an “informal” complaint with the DEP last week and he had a conversation with the DEP on Monday to provide some history and lay out the groundwork in working with the DEP on noise mitigation efforts.
- Capital Construction projects total \$875K – this includes an 18L UG feeder upgrade, infrastructure for the BTM BESS at 18L Substation, switchgear replacement and reconfiguration of the UG in the James St./Johnson Rd. area.

The capital budget is approximately \$2.5M more than 2023, primarily due to Hydro Penstock Project (\$750K) and the significant increase in transformer costs and the fact that our orders placed in 2022 and 2023 are all being delivered in 2024 due to lead time issues (\$1.6M). These transformer orders should cover most of our requirements for 2024 and 2025. The General Manager informed the Board that we will start the year with a Depreciation Fund Balance of \$19-20M and we project an end-of-year balance of \$13-14M, if everything goes as planned.

Commissioner Mashia made a motion to accept the Capital Plan as presented. Commissioner Sittad seconded the motion. Discussion: The Board questioned how this year's budget compares to past submissions. The General Manager stated historically we have seen Capital Budgets in the \$4-6M range and we are currently projecting capital budgets around \$7M in 2025 and 2026 as we wind down the Crossroads Fiber buildout. Looking long-term, with the completion of the Crossroads build in 2026, we have assumed finally proceeding with the 1895 Building Renovation in 2027. At this early point, we have assumed that some of the costs may need to be covered by issuing debt through the MMWEC Pooled Loan Program. Motion was passed 3 to 0.

Draft Income Statement Review – September 2024

The General Manager reviewed the September 2024 Draft Income Statement with the Board. A summary of the Statement is as follows:

- Revenues are down approx. \$6.275M through the end of September. This is primarily driven by 2 factors – very mild weather in the winter and summer months and the implementation of the $-.025/\text{kWh}$ PPA, effective July 1st
- RNS Revenues are lower than budgeted due to timing of distribution by ISO-NE
- Total Telecom Revenues are ~1.3% above budget
- Total Generation Costs are running approx. 25% below budget due to Front St. Gens running much less than anticipated, which drives down actual fuel costs
- Purchase Power and Transmission Costs are down approx. \$8.377M compared to budget driven by 3 factors – lower Transmission costs due to lower loads than assumed when developing the budget, lower total energy purchased due to the mild weather and lower real-time and day-ahead prices on the unhedged portion of our portfolio, which comprise approx. 22% of our total energy purchases.
- Total Net Power Costs (Purchase Power + Generation) are down \$8.688M compared to budget
- As indicated on the report, Operating Expense are running approx. \$358K below budget (2.7%), but it should be noted that the September Depreciation Expense has not been processed as of the date of this report – this would lower the variance by \$75K to \$283K or 2.2%
- The Net Operating Income through September is \$5.84M, which is \$2.7M over budget. Of that total, ~\$1.5M can be attributed to the Rate Stabilization Fund “hold-back” approved in June when setting the PPA reduction of $-.025/\text{kWh}$. Operating income for Q4 should be lower than budget due to the PPA reduction, which in turn will decrease the Net Operating Income by year-end. Income in excess of the 8% ROI allowed by Mass DPU will be put into the Rate Stabilization Fund
- Investments are slightly up for the year - \$134.7K, but we anticipate a loss by year-end

Certificate - MMWEC Designation of Voting Rep & Alternate(s)

Commissioner Sittard made a motion to designate, *effective January 5, 2024*, Daniel R. Faille, its Voting Representative and Commissioner Pasternak, Sittard and Mashia as Alternate Designated Voting Representatives, to vote and execute written instruments on its behalf as it relates to various MMWEC actions, per language as follows:

Voted:

- (1) That, effective January 5, 2024, the City of Chicopee, pursuant to Article III, Section 6 of the Massachusetts Municipal Wholesale Electric Company (MMWEC) By-Laws, as revised and amended, and Section 3(b) of Chapter 775 of the Acts of 1975 hereby designates Daniel R. Faille, assistant

manager of municipal lighting (General Manager designate), as its Voting Representative, to vote and execute written instruments on its behalf relative to adoption, amendment, or repeal of MMWEC By-Laws, the election of President and Directors of the Corporation, and other action by the Member cities and towns of MMWEC; and

- (2) that, effective January 5, 2024, Joseph F. Pasternak III, a member of the municipal light board, is hereby designated as an Alternate Voting Representative who shall, in the absence of the Voting Representative, have all the powers conferred upon the Voting Representative, and
- (3) that, effective January 5, 2024, Carl E. Sittard, a member of the municipal light board, is hereby designated as an Alternate Voting Representative who shall, in the absence of the first designee and second designee, have all the power conferred upon the Voting Representative, and
- (4) that, effective January 5, 2024 Daniel J. Mashia, a member of the municipal light board, is hereby designated as an Alternate Voting Representative who shall, in the absence of the first designee, the second designee, and the third designee, have all the power conferred upon the Voting Representative

Commissioner Mashia, seconded the motion; Discussion: None; Motion was passed 3 to 0.

Certificate – Designation of NYPA Recipient Voting Representative and Alternate

Commissioner Mashia made a motion to designate, *effective January 5, 2024*, Daniel R. Faille, its Voting Representative on the NYPA Recipients' Committee and Joseph Lynch as an Alternate Designated Voting Representative per language as follows:

Voted:

- (1) that the NYPA Recipient City of Chicopee, pursuant to Section 5.1.4 of the Agency Agreement between the Massachusetts Department of Telecommunications and Energy (MDTE) and the Massachusetts Municipal Wholesale Electric Company (MMWEC), hereby designates Daniel R. Faille, its assistant manager of municipal lighting (General Manager designate), as its Designated Voting Representative on the NYPA Recipients' Committee, to vote and execute written instruments or proxy vote, on its behalf relative to the reviewing of administrative reports, and reports of current issues and/or proposed litigation, to elect the Executive Committee, stand for election as a member of the Executive Committee and to serve, if elected, and to discuss and take

any other actions on behalf of the NYPA Project Power Recipient cities and towns as may be described in the Agency Agreement and to make appropriate recommendations on issues affecting the delivery of Project Power to the MDTE and/or MMWEC; and

- (2) that Joseph Lynch, an employee of the municipal light department, is hereby designated as an Alternate Designated Voting Representative for the City of Chicopee, who shall, in the absence of the Designated Voting Representative, have all the power conferred upon the Designated Voting Representative except those additional powers conferred (if any) related to serving as a member of the Executive Committee.

Commissioner Sittard, seconded the motion; Discussion: None; Motion was passed 3 to 0.

Clerk of the Board Appointment

Commissioner Mashia made a motion to appoint **Daniel R. Faille** as the Clerk of the Municipal Light Board, effective January 5, 2024 for calendar year **2024**. Commissioner Sittard seconded the motion. Discussion: None; Motion was passed 3 to 0.

Chicopee Hydro Penstock Bid Update + Gatehouse Structural Analysis

The General Manager informed the Board that the bid opening for the Hydro Penstock Replacement Project has been delayed until the 31st due to multiple bidders needing additional time to get quotes back from steel fabricators who will be provided the penstock steel. Seven (7) contractors from Mass, Vermont, Maine and NY, participated in the mandatory pre-bid meeting. If timing is critical to maintain a May construction start, the General Manager may hold a special board meeting in mid-November to present the recommendation of award. Otherwise, the recommendation will be presented at the November Board Meeting to be held the week after Thanksgiving. The General Manager will have the President of Ware River Power at the meeting to discuss the site and what needs to be done to make the site operational next Fall.

The General Manager informed the Board that he has received quotes for the structural analysis of the Gatehouse. We will engage Dubois & King for the Engineering portion (\$7,500) and diving contractor (\$8,800) for the underwater investigation/analysis (2 days) – total cost of approx. \$16,300. While we have the divers on site, we will leverage them for some other underwater analysis including the tail race, concrete penstock and side wall – this will take an additional couple of days and will cost approx. \$8,800.

New Business

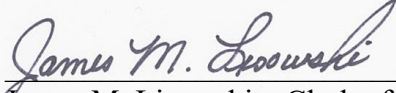
The General Manager informed the Board that we received the preliminary S&P Review late last week and we will maintain our AA- Stable outlook. In the years ahead, the

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success of Crossroads Fiber will play an important factor in whether our rating increases (revenues meet or exceed expectations) or decreases (revenues fall short of expectations)

The General Manager informed the Board that he intends on presenting the 2023 End of Year Projected Financials, a final PPA/Rate Stabilization discussion, the 2024 expense budget, proposed rates for 2024, update on the BTM BESS Project and the Penstock Project recommendation (if no mid-November meeting) will be on the agenda for the November Board Meeting to be held the week of November 27th.

Commissioner Sittard made a motion to adjourn the meeting at 5:19 PM. Commissioner Mashia seconded the motion. Discussion: None. Motion was passed 3 to 0.


James M. Lisowski – Clerk of the Board

Approved: December 6, 2023