

Chicopee Municipal Lighting Board
Minutes of Meeting
Wednesday, June 28, 2023

Chairman Pasternak called a regular meeting of the Chicopee Municipal Lighting Board to order at 4:06 PM on Wednesday, June 28, 2023

Present for this meeting were Commissioner Carl E. Sittard, Commissioner Joseph F. Pasternak, III, Commissioner Daniel J. Mashia, Assistant General Manager, Dan Faille and General Manager and Clerk of the Board, James M. Lisowski. Also present during the presentation of the Audited Financial Statements was Ken Labrie, CEL Accounting Manager and Howard Cheney and Mia McDonald of Meyers Brothers Kalicka, PC

Commissioner Sittard made a motion to accept the minutes of the May 31, 2023 meeting as presented. Commissioner Mashia seconded the motion. Discussion: None; Motion was passed 3 to 0.

Commissioner Mashia made a motion to concur with the payment of **Warrant #E060923** dated 6/5/2023 in the amount of \$139,017.06; **Warrant #E061623** dated 6/8/2023 in the amount of \$320,127.87; **Warrant #E061623** dated 6/12/2023 in the amount of \$261,714.45; **Warrant #E062323** dated 6/20/2023 in the amount of \$1,270,583.98; **Warrant #E062323** dated 6/15/2023 in the amount of \$90,380.57; **Warrant #E063023** dated 6/22/2023 in the amount of \$104,301.14 and **Warrant #E063023** dated 6/26/2023 in the amount of \$1,738,307.13. Commissioner Sittard seconded the motion. Discussion: None; Motion was passed 3 to 0.

Commissioner Sittard made a motion to pay **Bills and Customer Refunds** in the amount of \$232,062.96. Commissioner Mashia seconded the motion. Discussion: None; Motion was passed 3 to 0.

CUSTOMER DELINQUENCY UPDATE

The General Manager provided the Board an update on Customer Delinquency as of the end of May. We have completed the 2 month period following the end of the winter moratorium, which is the timeframe necessary to “visit” all the delinquent accounts, and the amount has decreased from over \$1M in February to \$470K. Of this total, approx. \$347K (171 accounts) are protected account and \$49K (56 accounts) are on payment plans, leaving a balance of approx. \$75K (132 accounts). Over half of the outstanding balance (\$250K) are over 90 days in the arrear. Other than the increase in the protected accounts, the amount in arrears is at or below the typical value for this time of the year.

CROSSROADS FIBER UPDATE

The Assistant General Manager informed the Board that we currently have 3,534 active residential customers and 86 business customers. There are 117 additional in the survey/install queue. There are currently 74 FSA’s open and accepting applications, 7 under construction and/or awaiting splicing and testing and an additional 10-11 planned for the remainder of 2023, bringing the year-end total to 90-92 FSA’s. This will leave approximately 50 FSA’s still to build – the plan is to construct most of the remaining FSA’s over the next 3 years.

We have encountered some construction challenges while building out the Labelle Drive fiberhood, specifically Tolpa Circle, Tolpa Court, and Lafond Drive portion, which makes up around a third of the homes in this area. In order to meet the in-road requirements set forth by the DPW and to reduce the overall cost of the underground construction in this area, we are working

with our contractor to evaluate whether hydro-excavation would be a good fit here. We have utilized hydro-excavation in the past in areas with multiple completing buried utilities with positive results. The cost to build the underground area is 3-4X the cost to build a similar overhead neighborhood. The Board voiced some concern about the conduit being installed “only” 18” below grade. The Assistant GM and GM informed the board that this is pretty typical and we install a caution tape above the conduit that warns the digger that there are facilities buried below the tape.

Finally, we have recently engaged the services of a commercial metal roofing and siding company to make repairs to three remote fiber huts that had previously supported electric substations, now decommissioned. Repair of siding, application of roll-on roofing material, and a coat of weatherproofing paint should significantly extend the life of the structures. The company providing the service offers a 10-12 year warranty on the work performed.

PRESENTATION OF THE AUDITED FINANCIALS –MEYERS BROS. KALICKA

Howard Cheney and Mia McDonald of Meyers Brothers Kalicka presented the “Report to Management” and the 2022 Audited Financials to the Board. The financials are an unmodified/clean opinion identifying solid accounting policies in compliance with GAAP, no internal control issues, no disagreements with management and no major adjustments to the draft financial statements except for the OPEB and Pension obligation. The Actuarial Study performed by the City’s consultant, Stone Consulting resulted in expenses much lower than 2021, due primarily to the income position of the fund controlled by the City. The report was reviewed with the Board, GM, Assistant GM and Accounting Supervisor. The major talking points of the presentation were:

- Report to Management – provides the auditors observations and suggestions for improvement and recommended best practices. One deficiency was identified, that was a carry-over from the prior year - the Assistant GM and GM will work to rectify the deficiency
- Draft Audited Financials
 - There was a significant increase in operating revenues, resulting from an increase in rates due to higher power supply costs
 - Investments (mostly unrealized) had a loss of \$2.95M for the year – this is consistent with the performance of the markets as a whole
 - Net income for the year was \$2.76M prior to Pension, OPEB and Rate Stabilization adjustments; \$4.365M after all adjustments
 - CEL maintains a healthy Current Ratio: Assets vs. Liabilities.
 - The Depreciation Fund, which is used to fund capital products fell to \$17.49M due to ongoing Crossroads Fiber build-out, while the Rate Stabilization is currently at \$10.5M. There was a pretty significant reduction due to movement from the Rate Stabilization to Working Capital at MMWEC, plus other disbursements during the year to reduce rates for the customer base.
 - CEL’s Other Post-Employment Benefits Funds net position for year-end 2022 is \$4.75M.

Commissioner Sittard requested the auditor include statements in the notes concerning the OPEB, Pension and Rate Stabilization activities during the year to provide additional clarification on the impact on the financial statements. Also, the Auditor and CEL accounting

will work on a Commitments Report, which will identify any committed purchases that may have a material impact on the finances of the organizations. This is primarily due to the extended lead times for equipment (trucks, transformers, etc.) that had been ordered in 2022 but might not be received for 1-2 years.

Commissioner Sittard made a motion for the Board accept the Draft Audited Financials as presented. Commissioner Mashia seconded the Motion. Discussion: None; Motion was passed 3 to 0.

BOARD SIGNING OF 2022 DPU REPORT

The General Manager informed the Board that CEL has completed the DPU report and our Auditor has reviewed the report and provided the following statement in a letter received May 10, 2023 – “To the best of our knowledge the report appears to be accurate and complete and has been prepared from the accounting and financial records of the Chicopee Electric Lighting Plant which our Firm audits”.

The General Manager informed the Board that the report is prepared by Accounting Staff with the support of a number of CEL departments. The General Manager provided the Board the signature page and requested that each commissioner sign-off on the report, which will be submitted to the DPU in July.

Commissioner Sittard made a motion for the Board to sign off on the DPU report. Commissioner Pasternak seconded the Motion. Discussion: None; Motion was passed 3 to 0.

NEXTERA SEABROOK PURCHASE POWER AGREEMENT

The General Manager informed the Board that we have received the executed “Carbon-Free Energy and EFEC Product Supply Agreement” (between MMWEC and Nextera) and the Purchase Power Agreement (between MMWEC and Chicopee) for 17.0MW of Around-the-Clock (ATC) Energy and qualifying non-carbon emitting environmental attributes, as currently defined, from the Seabrook Nuclear Plant (from 2028 – 2049) for execution. The General Manager reminded the Board that they authorized the General Manager to execute the Purchase Power Agreement through the Certificate of Vote taken at the March 29th Board Meeting and that no additional action is required by the Board at this time. The General Manager will execute the Purchase Power Agreement on 7/29/23 and will provide it to MMWEC to formalize the agreement. The cost of the contract starts at \$9.8M in 2028 and escalates ~2.2% per year over 22 years, with a final year cost of \$14.67M. The average annual cost for the contract is ~ \$81/MWh (energy + attributes) or \$12.06M/Year. The PPA will play a crucial part in our Clean Energy (non-carbon emitting) Roadmap and the State requirement to have 50% non-emitting energy by 2030, 75% by 2040 and 100% non-emitting by 2050,

PURCHASE POWER ADJUSTMENT (PPA) DISCUSSION

The General Manager informed the Board that thru May, Electric Sales revenues are down ~\$1.85M while power supply costs are down by approx. \$6.95M, resulting in a net variance (actual vs. budget) of ~\$5.1M “to the good”, As mentioned at the May Board Meeting the variance in sales is related to a milder than normal winter and early Spring, while the variance in Power Supply Costs are related to the lower than budget real time energy prices for the first 5 months of the year. To the contrary, the Mystic COS cost for April came in at \$150K,

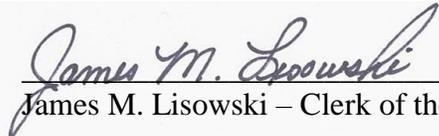
resulting in \$1.2M in costs for the first 4 months of the year versus a budgeted figure of \$300K. Based on the MMWEC Forward Price Curve, energy prices for June through December are trending lower than budget by ~ \$.02-.025/kWh. If this holds true, we could realize an additional \$1-1.25M in savings related to our open, un-hedged energy position. The potential savings from June through December are taken into consideration when calculating the need for a purchase power adjustment. However, some of these savings, could be negated by the costs related to the Mystic COS as costs through the first 4-5 months are well above the budgeted amount – only time will tell. Operating expenses are running approx. 4% below budget; revenues for Crossroads Fiber are ~2.7% above budget and investments have seen a modest gain through May (\$390K).

Based on actual costs power supply costs and electric sales revenue through May and projected costs for June through December, the General Manager is recommending a decrease in our PPA of \$.025/kWh, or ~15% across all rate classes, effective July 1st. This implementation of the PPA will have the impact of reducing revenues through electric sales by nearly \$6M from July to December. For the average residential customer using 600 kWh in a month, this will result in monthly savings of \$15.00. In addition to the PPA decrease, the General Manager recommended utilizing/retaining ~\$.005/kWh of the realized power supply savings to date, for contribution to the Rate Stabilization Fund, which has been pulled from extensively over the last 3 years and has lost ~40% of its value as a result. This will result in a contribution of ~\$1.1M by year end. The initial contribution of \$600K will not be made until September – after a couple additional months of sales and power supply costs are known and will be adjusted accordingly. The General Manager informed the Board that we will continue to monitor the situation closely and will present our financial position again in September, at which time a determination on any additional changes to the PPA and Rate Stabilization contribution will be made.

Commissioner Mashia made a motion to accept the General Manager's recommendation on the PPA decrease and the Rate Stabilization contribution as presented. Commissioner Sittard seconded the motion: Discussion: None; Motion was passed 3 to 0.

NEW BUSINESS - None

Commissioner Pasternak made a motion to adjourn the meeting at 5:42 PM. Commissioner Sittard seconded the motion. Discussion: None. Motion was passed 3 to 0.


James M. Lisowski – Clerk of the Board

Approved: July 25, 2023