

**Chicopee Municipal Lighting Board**  
**Minutes of Meeting**  
**Wednesday, May 31, 2023**

Chairman Pasternak called a regular meeting of the Chicopee Municipal Lighting Board to order at 4:03 PM on Wednesday, May 31, 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.

Commissioner Mashia\_ made a motion to accept the minutes of the April 20, 2023 meeting 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 #E050523** dated 5/1/2023 in the amount of \$57,746.87; **Warrant #E050523** dated 4/27/2023 in the amount of \$128,792.63; **Warrant #E051223** dated 5/4/2023 in the amount of \$247,534.35; **Warrant #E051223** dated 5/8/2023 in the amount of \$232,009.07; **Warrant #E051923** dated 5/11/2023 in the amount of \$177,459.74; **Warrant #E051923** dated 5/16/2023 in the amount of \$1,544,555.46; **Warrant #E052623** dated 5/18/2023 in the amount of \$111,058.91 and **Warrant #E052623** dated 5/22/2023 in the amount of \$1,574,293.61. Commissioner Mashia 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 **\$2,327,755.71**. Commissioner Mashia seconded the motion. Discussion: The General Manager pointed out that approximately \$2.04M of the above total is related to our Pension liability for the 2023-24 City fiscal year; Motion was passed 3 to 0.

The General Manager presented the Commissioners with CEL **Bid #23-0503** for Single Phase Polemount Transformers. The Board was informed that the pricing and lead times are at historically high levels. Material shortages continue to have a sincere impact on the industry with no relief in sight. The Utility Industry is pushing back against a DOE proposed regulation to increase the efficiency of transformers, as it would only improve the efficiency by a fraction of a percent and would further exacerbate the pricing and leadtime issues we are currently experiencing. We received only 2 bids and one of the bidders only bid on half of the items with a 144 week lead time. The other bidder provided a 60 week lead. Neither bidder would provide more than a 30-day price guarantee. Pricing is nearly 2X what it was in early 2022 and 5X what it was around 10 years ago. Staff is recommending the award to Howard Industries, who provided a quote for all items and a lead time of 60 weeks. CEL anticipates ordering approx. \$175-225K worth of transformers. *Document: CEL Bid 23-0503*

Commissioner Sittard made a motion to award the bid consistent with staff recommendation. Commissioner Pasternak seconded the motion. Discussion: None. Motion was passed 3 to 0.

#### **POWER SUPPLY COST AND PPA UPDATE**

The General Manager provided the Board a 30,000' view of power supply costs and sales through the end of April. Through the end of April, sales are down approximately \$1.5M compared to budget – this is almost entirely attributable to the very mild winter we experienced. Operating

expenses are slightly lower (2%) than budget. However, power supply costs are well below budget. Through April, they are running approx. \$4.8M below budget and we anticipate that escalating to over \$6.5M by the end of June. The difference can be attributed to the actual real time energy pricing we have seen through April and into May. When budgets and rates were established in late November, the real time pricing for January through May was \$.295/.281/.167/.085/.056 per kWh compared to the actuals of \$.055/.117/.044/.031/.032. This difference applies to the portion of our power portfolio that floats in the real-time market (“unhedged”), which typically ranges between 20-25% of our total requirements. Looking ahead, pricing for June through end of year are also trending lower than budget, with average costs approx. \$.022/kWh less than budgeted. If this trend continues, we would realize an additional \$1.1M +/- in savings. On the opposite end of the spectrum, we have seen \$1.03M in Mystic COS costs vs. the budgeted amount of \$225K through the first three months. Commissioner Sittard questioned whether we could challenge or refuse to pay these costs. The General Manager informed the Board that unfortunately, as it currently stands, not paying is not an option if we are to participate in the ISO markets. MMWEC, along with all public power in New England have submitting a filing to FERC challenging the costs and the transparency of the costs and the ISO-NE audit. We are currently awaiting a response.

The General Manager informed the Board that he will be presenting a recommendation for a PPA decrease at the June meeting to be effective July 1<sup>st</sup>. The recommendation will be combination of a PPA reduction, effective July 1<sup>st</sup>, and contribution to the Rate Stabilization fund which we have pulled from extensively over the past 3 years (> \$8M).

## **2022 FINANCIALS OVERVIEW**

The General Manager provided a brief summary of our final 2022 financials in advance of the formal presentation by our Auditors at the June Meeting. 2022 was a unique year for a number of reasons. Net income figures are “distorted” by Rate Stabilization transfers and required adjustments made to Pension and OPEB expenses. In order to truly understand the 2022 Financial to be presented next month, the following needs to be taken into consideration:

### Pension and OPEB Adjustments

- Determined by our Auditor (Meyers Brothers Kalicka), using actuarially-determined figures from CEL’s GASB 74/75 (OPEB) Report, as well as the City’s GASB 67/68 (Pension) Report – both of which are compiled by Stone Consulting
- For 2022, our OPEB and Pension liabilities were reduced drastically, leading the auditors to book most of this decrease as a reduction in expenses for the year, which has the effect of increasing our net revenue. OPEB liability was reduced by ~ \$400K and Pension liability was reduced by ~ \$3.75M – TOTAL of \$4.15M. The Board asked the General Manager if he could find out what the primary drivers of this significant decrease. The General Manager will work with our Accounting Supervisor on this request and will report back to them at the June meeting.

### Rate Stabilization

- The “standard” Rate Stabilization transfer for the year totaled \$1.125M – transfer from Rate Stabilization Fund to Operating Cash – this transfer is booked as a revenue
- MMWEC transfers from our Reserve Trust, which is a component of our Rate Stabilization Fund, to our Working Capital Account, netted to \$3.5M for the year. The Working Capital Account is essentially the account that pays our ISO-NE Power bills, which MMWEC handles for us. The increase was necessary due to the increase in power supply costs in

2022. This transfer shows up as an increase in revenue and like the decrease in our Pension/OPEB liabilities, has the effect of increasing our Net Income.

- At year end, a Rate Stabilization adjustment of \$2.1M (transfer back into the RS Fund) was necessary to reduce overall net income below the 8% ROE mandated by MGL/DPU. This was primarily triggered by the year-end Pension and OPEB adjustments previously discussed.
- To summarize, the Total activity in the Rate Stabilization Fund is as follows:

○ Standard Rate Stabilization Transfer	\$1.125M
○ MMWEC Transfer to Working Capital	\$3.500M
○ Year-end Transfer to Reduce Net Income	(\$2.100M)
<b>TOTAL</b>	<b>\$2.525M</b>

#### Impact on Year-end Financials

- \$4.15M in Pension/OPEB adjustments plus the \$3.5M of MMWEC Rate Stabilization transfers results in a combined \$7.65M of transactions that essentially had nothing to do with CEL Operations. Operating Income for '22 per our Income Statement equals ~ \$7.65. Backing out the effect of the these adjustments and transfers would lead to an adjusted operating income of \$22K – basically a break-even year.
- Net Income per the '22 Income Statement equals \$4.365M, Backing out the \$7.65M of adjustments and transfers leaves us with a loss of \$3.285M, including the unrealized investment losses. If you back out these investment losses (-\$3.4865M), we would essentially have net income of \$200K

The Board asked whether the Auditor could include comments/notes in the Audited Financials that call out and summarize the Pension/OPEB/Rate Stabilization adjustments

#### **NEW GM CONTRACT REVIEW & EXECUTION**

As instructed by the Board at the April meeting, the General Manager negotiated a contract with their preferred candidate, Daniel R. Faille, CEL's current IT and Telecommunications Manager. The GM presented the Board the contract, with terms summarized as follows:

- Length of Contract – 5 Years effective the day following the retirement of the existing General Manager (January 4, 2024)
- Effective June 4, 2023, will take on the role of Assistant General Manager with an annual salary of \$175,000
- Effective January 4, 2024, will assume the position of General Manager with an annual salary of \$195,000
  - New GM will be evaluated after 6 months and annually thereafter
- Effective January 1, 2024, Dan will be provided 4 weeks' vacation

The GM reviewed, with the Board, the various non-monetary provisions of the contract including Terms of Employment, Performance Review and Compensation, Benefits, Profession Development and other legal terms and conditions.

Commissioner Mashia made a motion to approve the contract language and terms and recommended executing the contract and presenting it to Dan Faille for his signature and final execution on June 1<sup>st</sup>. Commissioner Sittard seconded the motion. Discussion: None. Motion was passed 3 to 0. *Document: Dan Faille GM Employment Contract*

## **EXISTING GM CONTRACT EXTENSION + MINOR REVISION**

The General Manager informed the Board that in accordance with Section 2(b) of his employment contract, the Board needs to formally vote to extend the term of the General Manager from the current date of June 16, 2023 to January 3, 2024. This extension will allow the existing GM to work with the newly selected GM through the remainder of 2023. Additionally, the GM has requested that the Board approve an increase in the consulting rate, following his retirement, as defined in Section 2(b), from \$90/hr to \$100/hr.

Commissioner Mashia made a motion to extend the General Managers contract from June 16, 2023 to January 3, 2024 plus increase the consulting rate (post retirement) to \$100/hr. Commissioner Sittard seconded the motion. Discussion: None; Motion was passed 3 to 0.

## **PERFORMANCE REVIEW OF GENERAL MANAGER**

The General Manager and the Board reviewed the GM's performance for the period January 1, 2022 to present and discussed Goals for 2023, which will be the last year for the GM prior to his retirement. A Summary of accomplishments are as follows:

- Oversight of all aspects of the operation of the Utility. Continues to perform the duties and responsibilities of both the Assistant GM and GM
- Successfully navigated CEL through a very volatile 2022 power supply year and maintained rates well below the IOU's and comparable with other MLP's (middle of the pack)
  - Power Supply review and brought CEL back in line with our hedging strategy to reduce our open position in 2023, 24 and 2025.
  - Coordinating w/ MMWEC on Non-Carbon emitting opportunities (energy + environmental attributes) as part of our Carbon-Free Roadmap to 2030
    - 5 MW ATC, 10 Year Hydro Contract for energy and environmental attributes with Brookfield Hydro
    - 17 MW ATC, 22 Year deal (2028-2050) with Nextera Energy (Seabrook) – to be finalized Q2 '23
    - Agreement with Delorean for a new 5MW/15MWh BTM BESS project at 18L substation – to be operational Q3 '24
- Environmental Compliance Program Management and Oversight
  - Training and Education of Staff – transitioning the responsibility of oversight to Engineering
- Crossroads Fiber Growth
  - Continued expansion of CRF – buildout of approx. 40 FSA's, despite “broken” supply chain
  - Addition of over 1200 new customers in '22 + 500 already in '23
  - Telecom Revenue in excess of \$2.2M for 2022 and projected revenues over \$3.3M in 2023
  - Individually responsible for the design of over 25 FSA's in 2022 and 2023
- Continuous and ongoing capital improvements of CEL Distribution System
- Completed the deployment of the AMI System
- 2023 Capital + Expense Budget Preparation including new 2023 Rates
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- ISO-NE Rate Working Group – establishment of RNS Rates, including transitional phase dictated by FERC in 2022 and new reporting requirements for 2023. Worked with Erik Morgan on taking over this responsibility in 2024
- Participation in numerous MMWEC, ENE, MEAM activities including Board Meetings, Legislative and Legal meetings, etc.
- ISO-NE Compliance Related Activities and Administrative requirements
- CEL NERC Compliance Related Support (“Subject Matter Expert”)
- Chicopee Falls Hydro – continuing effort to bring the plant back into operation
  - Alternatives reviewed and preferred approach selected
- Staffing and Succession Planning
  - Hired new Compliance Manager ('22), Sr. Electrical Engineer ('22), Operations General Foreman ('23) and finalizing agreement for new General Manager
- Maintain positive and productive working relationship with City Hall and other City departments
- Completed our S&P Rating Review in 2022, maintaining our AA- credit rating. Not performed in 2023 as of this date

As previously stated, 2023 will be the final year for the General Manager. As such, the primary goals and objectives for 2023 will be centered around the transition of leadership to the new General Manager. These shall include, but are not limited to the following:

- New GM “Training” and institutional knowledge transfer
- Responsibility Delegation and transfer of responsibility
  - Environmental Compliance Program to Engineering
  - ISO-NE Activities to Engineering and the new GM
  - CEL’s fiber infrastructure to Telecom Division
  - Chicopee Hydro Oversight to Engineering
- Chicopee Hydro
  - Finalize bid document for Penstock Replacement, Bid, Eval and Award and set in motion plan for construction in 2024 to bring plant back into operation by Fall 2024
- Telecom
  - Ongoing FSA Construction and New Customer Acquisition
    - Goal to construct up to 30 FSA’s + 1200+ customers by year-end
  - Backfill IT and Telecom Roles with new GM hire
- 2024 Budget Preparation
  - Work with new GM on development of 2024 budget
- Power Supply Related Activities
  - Finalize Nextera/Seabrook PPA
  - BTM BESS Delorean Project
  - Other Non-Carbon emitting opportunities
  - Close 2024 position and reduce 2025 open position
  - 2023 PPA Adjustments + 2024 Rate Development + DPU filing w/ new GM

Following discussion and based on the performance of the General Manager during what was a challenging year, Commissioner Sittard made a motion to increase the General Manager

salary to \$235,000, retroactive to January 1<sup>st</sup>. Commissioner Mahsia seconded the motion.  
Discussion: None; Motion was passed 3 to 0.

## NEW BUSINESS

The General Manager presented the Commissioners with CEL **Bid #23-0504** for New/Unused Digger Derrick Truck. The Board was informed that the pricing and lead times are at historically high levels. We received only 1 bid (from our preferred supplier) at a cost of \$468K+ with anticipated delivery sometime in 2025 or 26. This truck will replace a 2005 digger; our 2<sup>nd</sup> digger was received in 2020 at a cost of \$303K+. As evidenced by the pricing, the cost for exactly the same truck has increased by 155% just in the past 3 years. Unfortunately, these price increases are a cost of doing business and requires us to look 3-4 years into the future on equipment needs. Commissioner Sittard asked what we do with the old trucks upon replacement. The General Manager informed the Board that recently started using an Auction House and have received much higher value than we did prior to using this service. CEL received approximately \$25K for our last truck at auction. With the current new truck market (cost and leadtime), the General Manager believes the value of these used trucks will continue to escalate.

Commissioner Sittard made a motion to award the bid consistent with staff recommendation. Commissioner Mashia seconded the motion. Discussion: None. Motion was passed 3 to 0.  
*Document: CEL Bid 23-0504*

The General Manager recommended that the Board go into executive session for the purpose of approving the Executive Session minutes of the April 20, 2023 meeting and return to Regular Session after conclusion. The motion was seconded on the basis of a roll call at 6:02 PM with vote as follows:

Pasternak	Aye
Sittard	Aye
Mashia	Aye

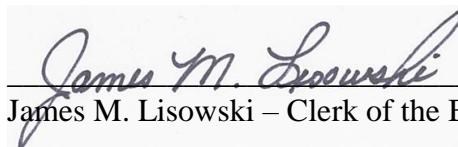
The motion was passed 3 to 0.

Commissioner Sittard made a motion at 6:04 PM to adjourn from Executive Session and enter into Regular Session. The motion was seconded on the basis of a roll call vote as follows:

Pasternak	Aye
Sittard	Aye
Mashia	Aye

The motion was passed 3 to 0.

Commissioner Sittard made a motion to adjourn Regular Session at 6:05 pm. Commissioner Pasternak seconded the motion. Discussion: None; Motion was passed 3 to 0.

  
James M. Lisowski – Clerk of the Board

Approved: June 28, 2023