

**MINUTES  
TOWN OF BELMONT  
MUNICIPAL LIGHT ADVISORY BOARD  
BELMONT LIGHT CONFERENCE ROOM, 40 PRINCE STREET  
Tuesday, May 13, 2014  
7:15 P.M.**

RECEIVED  
TOWN CLERK  
BELMONT, MA

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**I. CALL TO ORDER**

Chair Ashley Brown called a regular meeting of the Belmont Municipal Light Advisory Board (BMLAB) to order at 7:20 PM.

Present:

BMLAB- Chair Brown, Vice Chair Forrester, Members DiOrio, Jones, Klionsky, McClain

Belmont Light- General Manager Palmer, Finance Manager Klubnichkina, Clerk Kochem, Consultant Seavey

Absent:

BMLAB Member McVay

**II. RATES AND FUEL ADJUSTMENT DISCUSSION**

General Manager Palmer summarized a memo from its auditors regarding the FY13 audit, which recommended that Belmont Light eliminate the Debt Service Charge. When the cost of service study was conducted in FY13, the charge should have been added into the base rates rather than being accounted for separately. Palmer explained that the auditors also recommended increasing generation charges to reduce the amount of the Purchase Power and Transmission Adjustment (PPTA).

Per Belmont Light's request, Seavey, consultant from PLM, conducted a review of the FY13 cost of service study to address the auditors' recommendations and to analyze cost allocation across Belmont Light's rate classes. Seavey discussed his findings, described in his report 'Proposed Rate Modifications'. In the report, Seavey noted that Belmont Light is meeting all of its revenue requirements and that a main reason for the rate modification is an accounting fix to satisfy financial reporting.

Regarding the PPTA, Seavey stated that there has been a very significant escalation in the cost of purchased power over the last 12 months due to natural gas pipeline constraints (as has been discussed at length in previous MLAB meetings). These capacity constraints have caused an

unprecedented increase in the PPTA. He concurred with the auditors' and Belmont Light's recommendations that the PPTA should be used to adjust for small fluctuations in purchased power costs and not long-term, large changes in supply costs. Given the long-term nature of the increases in purchased power costs, it was determined that increased generation costs should be rolled into the generation component of Belmont Light's rates. This would more equitably allocate increased generation costs across all Belmont Light customers and would result in minimal or no net change in billing costs for customers.

The group then discussed specific aspects of Seavey's report. Points raised include:

- Brown said that BMLD must recover previously purchased energy/capacity expenses.
- Palmer discussed that the PPTA went into effect on April 1st in order to compensate for the under-collection of purchased power costs from the winter months. He also stated that new rates will go into effect on July 1 to offset the high PPTA. Palmer noted that summer is the highest-use period for customers and would like to get the PPTA as close to zero as possible. Any additional PPTA collections could take place in the fall. As the fall season is a shoulder period, this option would offer less rate impacts to customers.
- At the end of June and again at the end of 2014's 3<sup>rd</sup> quarter, Belmont Light staff will review the utility's financials as they result from the rate change. It will then be determined if Belmont Light will need to take further steps to collect any losses that occur in the last quarter. Palmer said that Belmont Light will cover all of its costs, but that it is possible that not all of its past losses will be fully recovered. Seavey said that as July 1<sup>st</sup> approaches, Belmont Light will look at the expected purchased power costs, along with expected revenue for purchased power and transmission. Purchased power is a continually adjusting mechanism and its costs are always going to fluctuate.
- Forrester noted that it is important to make it clear to customers that their bills always include PPTA, which can be a charge or a credit. This is the first time that PPTA will be a charge, rather than a credit.
- Brown does not want Belmont Light customers to mistakenly believe that the substation is causing a potential rate increase as this is absolutely not the case.

### **III. GENERAL MANAGER'S REPORT**

Palmer gave an update on the substation project:

- The Owner's Project Manager (OPM) was mobilized during the first week of March and have taken over the project schedule.
- Bids were opened for the Flanders Road demolition and site preparation on February 27<sup>th</sup>.
- The engineering value of the project is \$850K; the contract amount is \$775K.

- Mobilization will begin during the week of May 19<sup>th</sup>.
- Pre-demo work begins the week of May 27<sup>th</sup> and demolition will commence during the week of June 9<sup>th</sup>.
- Demolition and site preparation will be substantially complete by late August and completed by late September.
- The new substation design is in process; the target date for the Bid Package Issue is early July 2014.

#### **IV. FUTURE MEETING**

The next meeting of BMLAB will be Thursday, June 19 at 7:15 PM.

#### **V. EXECUTIVE SESSION**

The Board moved: into Executive Session at 8:20 PM:

- a. To protect trade secrets, confidential, competitively sensitive or other proprietary information provided in the course of proceedings when a municipal lighting plant board determines that such disclosure will adversely affect its ability to conduct business in relation to other entities making, selling, or distributing electric power and energy pursuant to section 47D of chapter 164.
- b. To conduct contract negotiations with nonunion personnel.

#### **I. ADJOURNMENT**

The Board re-entered open session at 9:32 PM to adjourn.

Respectfully submitted by Gretchen McClain, Advisory Board Secretary