

**MINUTES
TOWN OF BELMONT
MUNICIPAL LIGHT BOARD
BELMONT LIGHT CONFERENCE ROOM, 40 PRINCE STREET
Wednesday, May 14, 2014
8:00 A.M.**

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I. CALL TO ORDER

Chair Andres Rojas called a regular meeting of the Municipal Light Board (BMLB) to order at 8:10 AM.

Ashley Brown called the Municipal Light Advisory Board (BMLAB) meeting to order at 8:11 AM.

Present:

BMLB Chair Rojas, Vice Chair Baghdady, Member Paollilo

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

Belmont Light- General Manager Palmer, Staff Klubnichkina and Keane, Consultant Seavey, and Clerk Kochem

Absent:

BMLAB Members DiOrio and McVay

II. APPROVAL OF MINUTES DATED 3/10/2014

Paolillo made a motion to approve the March 10, 2014 minutes. Chair Rojas seconded the motion, which was approved with a vote of two in favor and one abstention.

III. RATES AND FUEL ADJUSTMENT DISCUSSION

Klubnichkina introduced Mayhew Seavey, consultant from PLM, who discussed his report 'Proposed Rate Modifications'. Per Belmont Light's request, Seavey conducted a cost of service study to analyze cost allocation across Belmont's rate classes. Seavey noted that Belmont Light is currently meeting all of its revenue requirements and that the primary reasons for the rate modification is an accounting fix as recommended by Belmont Light auditors to appropriately account for the Substation Debt Service charge in its rates. The Substation Debt Service charge had previously been separated out as a separate line item on a customer's bill, but

with the modified rate tariffs this will be rolled into the transmission charge rather than appearing separately.

Seavey next went on to discuss changes to Belmont Light's Purchase Power and Transmission Adjustment (PPTA). In addition to the accounting fix, Belmont Light's auditors also recommended revising the way the PPTA is calculated. Seavey concurred with the auditor's recommendation that the PPTA should be used to adjust for small fluctuations in purchased power costs. He explained that there has been a very significant increase in the cost to purchase power over the last 12 months, particularly during the past winter, which has caused the PPTA rate to increase. The rising costs of purchased power are a region-wide problem not unique to Belmont. It is very difficult to get natural gas into New England to run power plants during the winter, so supply costs have increased across the region. Given the long-term nature of the increases in purchased power costs, it was determined by Belmont Light staff that the increase in generation costs should be rolled into the generation component of Belmont Light's rates. This would more equitably allocate the increased generation costs across Belmont customers and would allow for purchased power costs to be collected when incurred rather than after the fact.

For accounting purposes, Belmont Light is requesting to increase its rates, which will then be offset by the decrease of the PPTA charge. Adjusting the rates and the PPTA will result in minimal or no net changes in billing costs for customers.

Following Seavey's presentation, the boards discussed Belmont Light's proposal:

- Brown noted that this reallocation is a flow through to the customers and it is allocated based on the cost of service to each class.
- McClain said that the rate stabilization fund will not be enough to manage the shortfall of the increased purchased power costs Belmont Light has incurred this winter but has not yet sufficiently recovered in rates through the PPTA.
- Paolillo said that he recognized that Belmont Light could not have predicted this shortfall. He and Rojas stated that they want to inform the public about this rate modification and make it clear that the reason for the modification is that constrained pipeline capacity has driven up the costs of electricity in New England. They emphasized that it is important to communicate that the pipeline constraints are forecasted to persist for at least two years.
- Klionsky noted that while the goal is for the PPTA to be re-set as close to zero as possible, there may still be a PPTA charge or credit going forward, as purchased power costs can never be forecasted perfectly.

Rojas made a motion to approve the modification of the rates to: incorporate the increased purchase power costs in the generation charges; and to incorporate the previously separate Substation Debt Service charge into the transmission charges. The motion was seconded by Baghdady and was unanimously approved.

IV. EXECUTIVE SESSION

The Board moved: into Executive Session at 9:05 AM:

To discuss trade secrets or confidential, competitively sensitive, or other propriety information provided in the course of activities conducted by a governmental body as an energy supplier under a license granted by the department of public utilities pursuant to section 1F of chapter 164.

V. ADJOURNMENT

The Board re-entered open session at 9:42 AM to adjourn.