

**MINUTES
TOWN OF BELMONT
BELMONT MUNICIPAL LIGHT BOARD
SELECTMEN'S MEETING ROOM
TOWN HALL
Friday, August 28, 2015
8:30 A.M.**

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I. CALL TO ORDER

Chair Sami Baghdady called a regular meeting of the Municipal Light Board (MLB) to order at 8:38 A.M.

Present:

MLB- Chair Sami Baghdady, Vice-Chair Mark Paolillo, Member James Williams

Temporary Net Metering Working Advisory Group (NMWAG or Working Group)-
Chair Roy Epstein, Vice-Chair Steve Klionsky, Clerk Jake Jacoby

Belmont Light- General Manager Jim Palmer, Staff Becca Keane

II. UPDATE FROM TEMPORARY NET METERING WORKING ADVISORY GROUP

Epstein reported that most of NMWAG's work was complete. The Working Group had developed a draft report that needed minor editing, would likely be approved by NMWAG at their next meeting, and could then be turned over to the Light Board. The Working Group had also developed a draft tariff for Belmont Light and legal counsel's consideration. Epstein summarized the methodology that the Working Group used in drafting the tariff and explained that it is not meant to be a final document, but will hopefully help in getting a simplified tariff in place soon.

Epstein then described the Working Group's preliminary recommendations for Belmont Light's solar policy and pricing. The recommendations include:

- The new tariff should apply pretty broadly to municipal and residential installations, but not to large facilities over 250 kW or large-scale commercial and industrial-type facilities.
- Each solar host should pay for all electricity received from Belmont Light at the applicable retail billing rate. This billing rate will be different for residential and commercial customers.
- For any electricity sent back to the grid, NMWAG proposes a flat 11-cent-per-kWh buyback price. This pricing would apply until the end of 2017. Thereafter, the price should be updated annually depending on current energy prices.
- There should be an aggregate limit of 1,000 installed kilowatts of solar DG for the whole town. Reaching this limit would trigger a halt on new solar applications until the Light Board can reassess the impacts of growth beyond this limit. There are currently

approximately 280 kW of installed capacity in town, so the Working Group feels there is plenty of room for expansion before the 1,000 kW-limit is reached.

- Regarding compensating existing customers for their transition to the new rate, the Working Group was not unanimous and will present two separate majority and minority recommendations. According to Epstein and Jacoby's majority perspective, if compensation is due to any existing customers, it is to customers who installed prior to November 28, 2011 when the current tariff was first implemented. Their recommendation is that these customers be eligible for a credit of up to \$3,000 if they demonstrate to the Light Board that they cannot recoup their return on investment within 15 years of installation under the new rate structure. To Klionsky, this type of grandfathering is not the best option because he believes that customers should keep in mind that prices change over time. Klionsky's recommendation is that, for complexity and equity purposes, all existing solar hosts be allowed to continue on full retail net metering for a period of 3 years from the time the new tariff is implemented.
- Belmont should hold a solarize-like, group-buying effort as soon as possible. This has been done successfully in surrounding communities and would allow customers to take advantage of discounts on solar PV before the expiration of federal tax credits in December 2016.

The Board thanked NMWAG members for their contributions. Klionsky asked to get on record that Epstein put in an extraordinary amount of time and effort into drafting the report and leading NMWAG's work. Baghdady explained that once NMWAG finalizes its report, group members will return to formally present it to the Light Board.

III. FIRST AND SECOND QUARTER FINANCIAL REVIEW

Williams noted that the financials for the first and second quarters of 2015 seem in line with last year's performance. Palmer agreed and said that the financials indicate that the department is stable. He wanted to call the Board's attention to fluctuations in the Purchased Power Adjustment Charge (PPTA) that reflect fluctuations in fuel prices. Recently, Belmont Light was able to adjust this charge down due to more stable supply pricing.

The Board and Palmer discussed the financials in more detail and agreed to address OPEB funds and PILOT payments more in-depth at an upcoming meeting. Williams suggested that the Board should contemplate whether OPEB funds need to be segregated from operating cash and how future PILOT payments should be structured.

IV. SUBSTATION & TRANSMISSION PROJECT UPDATE

Palmer stated that the substation and transmission project is facing some significantly increasing challenges. The June 2016 energization date is still achievable, but challenging.

In terms of progress, the demolition at 20 Flanders Road was successfully completed. However, the building of the new substation is behind schedule. The project team is finalizing an acceleration plan with an ambitious goal of having the building weather tight by December so

that major equipment could then be delivered and stored. A bid for electrification of the substation will be issued in late September.

Having to rebid for the construction of the transmission line is posing some cash flow challenges. The bid originally went out in June, but the low bidder rescinded and the remaining bids were more than double. When the job was rebid, proposed budgets came in much higher than originally expected. Williams and Palmer commented that this particular part of the project has a zero tolerance because of stringent MWRA and MBTA requirements. To Williams, if the project team had gone with the original low bidder, it would have been a bad plan. Accepting a higher bid actually looks better from a risk standpoint.

The Board discussed the project budget further. Though the project's cost might go up due to recent challenges, Eversource, rather than Belmont, bears the burden of the risk because of the terms of the project's Joint Development Agreement. Belmont might need to fund an overage, but will be reimbursed by Eversource upon completion of the project.

V. NEW FINANCIAL/BILLING SYSTEM PROJECT UPDATE

Palmer explained that after a year of collaboration with staff from other town departments, a final contract for Belmont Light's new accounting and billing system is ready to be executed. He expects that the new system will improve business management for all departments involved. Williams and Baghdady noted that this is a positive achievement for Belmont Light and that the Board appreciates hearing about successful collaboration between town departments.

VI. ANNUAL PERFORMANCE & SALARY REVIEW OF THE GENERAL MANAGER

Baghdady asked the Light Board to provide constructive feedback that highlights Palmer's strengths and areas of improvement. Williams explained that though he has only been on the Light Board for a few months, he is a strong supporter of Palmer. He sees Palmer as having 3 jobs: managing the light department, managing the substation and transmission project, and being unfairly affected by the community debate about solar. Williams does not see the latter aspect as a performance issue for Palmer. The project is the biggest financial risk in town, so it is more important for his review.

Paolillo stated that Palmer has done a phenomenal job running the substation project. He thinks Palmer did a wonderful job cleaning up a mess and the project is on-schedule because of Palmer's efforts. In terms of constructive comments, Paolillo pointed out that it hasn't always been the case that Palmer has worked so closely with the town. Paolillo would like Palmer to keep working collaboratively. He also said that though the solar issue is distressing, Palmer, at times, let his emotions get the best of him. As a representative of Belmont Light, Palmer should try to remember that General Manger's stability affects the stability of the entire staff.

Baghdady agreed with the positive comments made by Paolillo and Williams. He acknowledged that Palmer has a large role and does a lot. Baghdady also understands how stressful Palmer's job can be, but thinks that as the face of Belmont Light, he should strive to maintain composure.

Baghdady also appreciates that though Palmer may have gotten used to things being done a certain way, the Light Board might change each year with new people, new thoughts, and new processes. Baghdady wants Palmer to respect that this Light Board wants a more active role and thinks that Palmer is starting to do so.

Palmer responded that as general manger, it can be difficult to navigate Belmont Light's confusing governance structure. Reporting to two separate boards without clarity on which is the ultimate governing body can be frustrating. In fact, the two previous general managers were not successful under the current structure. From a general manager's perspective, it would be helpful to have less confusion and more guidelines when it comes to interacting with the Light Board and MLAB. Baghdady concurred with Palmer's point that there needs to be more clarification in the governance structure. The Board then discussed this topic in more detail.

The Board next discussed whether to approve a salary increase for Palmer. Williams proposed approving the 4.5% salary increase recommended by MLAB as part of their performance review. Paolillo and Baghdady said that it was important to consider that other department heads in town were recently given 2% increases. The Board talked this over further, noting that they should grant an increase that is competitive with other towns with municipal light departments. Paolillo also posed the idea of giving Palmer a bonus for successful project completion, which the Board agreed to consider at a future meeting.

Paolillo moved to approve a 3% increase in the base salary for General Manager Jim Palmer. Williams seconded and the motion was approved with a vote of all in favor (3-0).

VII. APPROVAL OF MINUTES DATED 5/22/15, 6/16/15, & 6/22/15

Williams suggested a wording change to the draft minutes from June 16, 2015.

Williams moved to approve minutes from May 22, 2015. Paolillo seconded and the motion was approved with a vote of all in favor (3-0).

Williams moved to approve minutes from June 16, 2015 as amended. Paolillo seconded and the motion was approved with a vote of all in favor (3-0).

Williams moved to approve minutes from June 22, 2015. Paolillo seconded and the motion was approved with a vote of all in favor (3-0).

VIII. FUTURE MEETINGS

Baghdady proposed that the Light Board meet twice a month going forward. They could meet once for a morning working session meeting and one evening session. The 2nd Friday and 4th Thursday of each month might work best for all members' schedules.

IX. ADJOURNMENT

The Board moved to adjourn at 10:44 A.M.