

MINUTES OF GAS & ELECTRIC COMMISSION MEETING
REGULAR SESSION
JUNE 13, 2023

A meeting of the Holyoke Gas and Electric Department was held on June 13, 2023, at 5:05 P.M. in the Department's offices. In attendance were Commissioners Hoey, Sutter and Marrero; Manager Lavelle; Superintendent Steve Roy; Brooke McMahon, Kate Sullivan, Lisa Rogers, and Attorney John Ferriter.

CALL TO ORDER:

Chairman Hoey called the meeting to order at 5:05 P.M.

MINUTES:

On a motion from Commissioner Sutter, seconded by Commissioner Marrero, it was unanimously voted to approve the minutes from May 16, 2023, subject to minor edits suggested by Commissioner Marrero.

REPORTS & RECOMMENDATIONS OF MANAGER:

Financial Report:

Ms. McMahon then reviewed the draft April 2023 financial statements and presented the 2022 DPU Annual Report for Commissioner signatures. There was a brief discussion on the matter.

DIVISION REPORTS:

GAS DIVISION

Mr. Lavelle reported that wholesale natural gas purchases continue consistent with the hedging plan for the current 12-month procurement window. He stated that 72% of summer supply is locked in price and that 30% of winter ('23-'24) is locked in price. He then reviewed the June natural gas rate comparisons and reported that the Department remains very competitive in all rate classes.

Mr. Lavelle then provided an update on the LNG reliability project and stated that the RFP for the project design has been issued and that responses are due before the end of June. He noted that efforts are currently focused on procurement of long-lead items that are in the non-jurisdictional portions of the project, including the vaporizers and the backup generator. He stated that the next phase in the EFSB is the discovery phase, in which EFSB staff will submit questions to the Department and he noted that the discovery phase should be completed by the end of September. He then gave an update on cast iron and bare steel service replacements, and he reported that there are currently no leaks on record. There was a brief discussion on the matter.

Mr. Lavelle then discussed how the Department continues to evaluate available options to reduce the carbon footprint from its system operations including substituting renewable natural gas and hydrogen (for blending) into the distribution system. In order to comply with the state's clean energy goal for 2030 (50% of 1990 levels), based on current system operations and alternative fuel market costs, the necessary volume of these two components would add approximately \$22 Million to annual wholesale fuel costs for the Gas Division, increasing annual fuel costs from \$10 Million to over \$30 Million. He stated that, if this approach were to be adopted, these fuel cost increases would have to be passed onto consumers resulting in rate increases of approximately 78%-97% from current levels.

He stated that other options include migrating customers to electric heating solutions (electrification) and noted that to meet the 2030 carbon reduction targets, the entire residential customer base would have to be converted to electric heat. He stated that converting the residential base to whole home electric heating will cost approximately \$205 Million plus additional costs for electric system upgrades that are projected to cost at least \$150 Million for a total of over \$355 Million.

Mr. Lavelle further noted that staff continues to monitor various district geothermal pilot projects and that preliminary data indicates costs as high as \$100,000 per customer, in very limited samples. He stated that it would cost nearly \$1 Billion to convert the entire residential base to district geothermal at those rates. He again cautioned that those costs are based on limited data, and much more will likely be learned as those pilot projects progress. Chairman Hoey asked if staff was evaluating other options such as wind and anaerobic digesters to help meet carbon reduction targets. Mr. Lavelle stated that the City is currently looking at the feasibility of a digester project and that staff has been involved in those discussions.

Mr. Lavelle stated that much more analysis is required to identify the best solutions and he noted that MassDEP will hold the first stakeholder meetings on June 20th regarding the proposed Clean Heat Standard (CHS) for the State. He noted that the CHS was recommended as part of the 2050 Roadmap published by the State to set goals and objectives to decarbonize the heating sector. He further noted that staff would monitor those discussions.

Mr. Lavelle reported that staff continues to work with PHMSA on the \$10 Million grant award and is preparing to submit a modified project scope, per PHMSA request, to reduce the project cost from \$27 Million to \$10 Million. He further reported that the 2023FY PHMSA NOFO has been issued with a July 22 deadline for submittals. He noted that there will be a lot of competition for these funds and the parameters have been modified to give more credit to projects with actively leaking infrastructure which does not work in favor of HG&E due to our aggressive leak management program, but the team is working hard to present a project that will target the key criteria (LPI mileage rehabilitated, ability to reduce emissions, existing right-of-way access vs. permitting required, etc.).

ELECTRIC DIVISION

Power Supply:

Mr. Steve Roy reviewed the June electric rate comparisons and reported that the Department remains very competitive in all rate classes compared to regional peers. He then reviewed the June Mark-to-Market report and reported that all transactions are within policy limits. He also gave an update on peak load reduction activities and noted that the May peak occurred on May 31st, hour-ending 19, and that 7.96 MW were shed via Department load reducers. There was a brief discussion on the matter.

TRANSMISSION & DISTRIBUTION

Mr. Roy reported that conversion prep-work continues on the H-1 and H-3 circuits to facilitate upgrades from 4.8kV to 13.8kV. He stated that the H-3 prep-work would be completed by the end of the month and the H-1 prep-work would continue into the fall, with the full conversion expected to be complete by the end of the third quarter. He also reported that four of the seven planned vacuum switches have been replaced and the planned clearing of the 1292-line right-of-way has been completed. He then reported that planned backyard cable relocations are progressing on schedule and planned manhole and pole inspections would begin in July. He also provided updates on several other construction projects. There was a brief discussion on the matter.

ELECTRIC PRODUCTION

Mr. Roy stated that hydro production is approximately 5% below plan for May and is approximately 8.5% ahead of plan year-to-date. He also noted that the higher generation has been offset by average

market power prices that are approximately 66% below budget year-to-date. He reported that FERC conducted their annual inspection on May 23rd and 24th with no material findings. He further reported that the rubber bladder manufacturer, Bridgestone, issued a notification that the life expectancy of their bladders has been reduced from 30 years to 20 years, based on current field data. He noted that HG&E's bladder was installed in 2021 and stated that staff are working on a plan to replace the bladder over the next few years. Commissioner Hoey asked if crest gates had been considered as a possible solution. Mr. Roy responded that crest gates have been evaluated and have not proven to be an economically viable solution to date. Commissioner Marrero asked if there were any safety implications related to a bladder failure. Mr. Roy stated no and explained that the bladders are mainly used to manage environmental flows required by the project license. Mr. Roy then gave an update on grant funding opportunities and potential project applications. There was a brief discussion on the matter.

TELECOMMUNICATIONS

Mr. Lavelle gave an update on the status of sales activity noting that sales and net income continue to track ahead of plan, largely due to wholesale ISP service sales. He noted that staff has completed an upgrade to the email spam filtering system and that all other planned capital projects are on schedule for completion by the end of the year. He further reported that the FTTH design, including build-out estimates, is scheduled for completion by the end of November. There was a brief discussion on the matter.

MARKETING AND COMMUNICATIONS

Ms. Sullivan gave an update on public outreach efforts associated with the Robert E. Barrett fishway. She noted that over 271,000 shad have been lifted to date and that over 5,500 people have visited the facility so far this season. She then reported that the Mayor's office will hold a press conference on Friday to announce updates on ARPA allocations, including for projects for which the Department applied for ARPA funding. There was a brief discussion on the matter.

Customer Service:

Ms. Rogers gave an update on collection activities and fuel assistance support. There was a brief discussion on the matter.

OLD BUSINESS: None

NEW BUSINESS:

COMMERCIAL ENERGY CONSERVATION ASSISTANCE REQUEST – 850 HIGH STREET, LLC:

Mr. Lavelle reported that the Department received a Commercial Energy Conservation Assistance request in the amount of \$98,210 from the owners of 850 High Street for the installation of six (6) energy efficient roof-top HVAC units to replace old inefficient units that are at their end of their useful life and he recommended that it be approved. Commissioner Marrero asked if the customer was required to evaluate alternatives to fossil fuel heating HVAC systems. Ms. Sullivan stated that staff asked the question of the customer but did not force an alternative solution due to the fact that we are in the middle of a program year and the customer had no notice of any requirement to evaluate alternative sources. She further noted that the Green Team is in process of evaluating program parameters for the next program year that would give customers adequate notice of any requirement to evaluate non-fossil fuel solutions under certain conditions. After a brief discussion and on a motion

from Commissioner Sutter, seconded by Commissioner Marrero, it was unanimously voted to approve the assistance as requested per the recommendation of management.

BID AUTHORIZATIONS:

BACKUP GENERATOR- MUELLER ROAD: Mr. Lavelle requested authorization to solicit bids for the purchase of a Backup Generator for the Mueller Road LNG Storage Facility. He stated that the existing generator is not sized to backup all required equipment at the facility and is nearing the end of its useful life. He also stated that the new generator would be sized to backup all critical equipment contemplated in the LNG reliability project, including the air compressors used for heat stabilization. Chairman Hoey asked if the backup generator could be used as a load reducer and Mr. Roy stated yes, but there is a limited number of hours per year that the unit can run before triggering certain permit requirements. After a brief discussion and on a motion from Commissioner Sutter, seconded by Commissioner Marrero, it was unanimously voted to authorize the bid per the recommendation of management.

BIDS RECEIVED:

LIQUID STORAGE TANK: Mr. Lavelle recommended that the Commission authorize the expenditure of up to \$1,750,000 for the purchase of a 70,000-gallon storage tank for the Mueller Road LNG storage facility. He stated that the Department's application for installing the additional storage tank is pending before the EFSB and that the lead time on the tank is up to 100 weeks. He stated that if the Department's application is denied by the EFSB, the order for the tank would be canceled subject to any applicable termination charges. He further stated that the procurement would be sole sourced to Chart Energy and Chemicals as they are the only vendor that meets the specifications for the tank, including the domestic sourcing requirement. After a discussion and on a motion from Commissioner Sutter, seconded by Commissioner Marrero, it was unanimously voted to authorize the expenditure per the recommendation of management.

ENGINEERING SERVICES – 1894 TRANSMISSION POLE LINE REPLACEMENTS: Mr. Lavelle recommended that the Commission authorize the expenditure of up to \$179,730 for Engineering Services required to design replacement for transmission poles on the 1894 Transmission Line. He stated that recent inspections have shown that seventeen (17) poles along this line are near the end of their useful life and in need of replacement. After a brief discussion and on a motion from Commissioner Sutter, seconded by Commissioner Marrero, it was unanimously voted to authorize the expenditure per the recommendation of management.

SPECIALTY CONSTRUCTION & FACILITIES MAINTENANCE ANNUAL CONTRACT: Mr. Lavelle recommended that the Commission award the annual contract for Specialty Construction and Facilities Maintenance to Garland Construction Corp., the low and only bidder meeting all requirements for the solicitation. After a brief discussion and on a motion from Commissioner Sutter, seconded by Commissioner Marrero, it was unanimously voted to award the contract per the recommendation of management.

POWER PIPING SYSTEMS & HVAC MAINTENANCE, INSTALLATIONS & REPAIRS ANNUAL CONTRACT – EXTENSION: Mr. Lavelle recommended that the Commission authorize a second one-year extension to the Power Piping Systems and HVAC Maintenance, Installations and Repairs annual contract (No. 20-24) with Harry Grodsky & Co., Inc., subject to an approximate 1% adjustment to labor rates. All other terms and conditions remain consistent with the current contract.

After a brief discussion and on a motion from Commissioner Sutter, seconded by Commissioner Marrero, it was unanimously voted to authorize the extension to the contract per the recommendation of management.

COMMUNICATIONS

06/08/23 – Draft Commission Meeting Minutes from 05/16/23

05/26/23 – JL/DD/Financial Statements, Balance Sheet & Summary Report – April 2023

06/02/23 – JL/MM/2022 DPU Report

06/09/23 – JL/KS/Commercial Energy Assistance Request – 850 High Street, LLC

06/09/23 – JL/BR/Authorization to Bid – LNG Facility Emergency Generator

06/09/23 – BR/CW/Purchasing Approval: LNG Storage Tank

06/06/23 – SR/CP/Purchasing Approval: 1894 Transmission Pole Line Replacement Engineering Services

06/07/23 – JL/CW/Bid Recommendation – Specialty Construction & Facilities Maintenance Annual Contract

06/02/23 – JL/CW/Recommendation – Power Piping Systems & HVAC Maintenance, Installations & Repairs Annual Contract – Extension

NEXT MEETING DATE:

It was agreed that the next Commission meeting would take place on Wednesday, July 12th at 5:00 P.M.

Mr. Lavelle recommended that the Commission enter into Executive Session to discuss strategy with respect to real estate.

Chairman Hoey stated that the commission would reconvene the Regular Session after the Executive Session.

On a motion from Commissioner Sutter, seconded by Commissioner Marrero, it was unanimously voted, on a roll call vote, to enter into Executive Session at 6:15 PM.

Upon returning from Executive Session, Chariman Hoey reconvened the Regular Session at 6:29 PM.

Mr. Lavelle recommended that the Commission authorize the purchase of approximately 1.08 acres of vacant land at 60 Water Street consistent with the terms in the draft Purchase and Sale Agreement presented in Executive Session. He stated that the parcel is located at 60 Water Street, between North Canal Substation and the 5 Appleton Street property. He noted that the parcel would be of value to the Department in providing a security buffer for the substation and in both in facilitating additional revenues from potential future data center pod sites, and from transmission related PTF revenues. He further stated that the payback on the investment would likely be less than five years based on the additional revenues noted above. After a brief discussion and on a motion from Commissioner Sutter, seconded by Commissioner Marrero, it was unanimously voted to authorize the purchase of the property per the recommendation of management.

ADJOURNMENT:

On a motion from Commissioner Marrero, seconded by Commissioner Sutter, it was unanimously voted to adjourn the regular session of the Meeting at 6:32 P.M.

HG&E Commission

Minutes 06/13/23