

MINUTES OF GAS & ELECTRIC COMMISSION MEETING
REGULAR SESSION
FEBRUARY 8, 2018

A meeting of the Holyoke Gas and Electric Department was held on February 8, 2018 at 5:00 P.M. in the Department's offices. In attendance were Commissioners Hoey, Griffin and Sutter; Manager Lavelle; Superintendent Beauregard, Dan Smith, Brian Richards, Kirk Jonah, Kate Sullivan, Brooke McMahon, Jim Jackowski, Terry Sweeney and Attorney John Ferriter.

CALL TO ORDER:

Commissioner Griffin called the meeting to order at 5:00 PM.

MINUTES:

On a motion from Commissioner Griffin, seconded by Commissioner Sutter, it was voted 2-0 to approve the minutes from January 9, 2018. Commissioner Hoey abstained.

REPORTS & RECOMMENDATIONS OF MANAGER:

Financial Report:

Ms. McMahon presented the draft December 2017 financial statements and gave an update on the 2017 annual audit. There was a brief discussion on the matter.

DIVISION REPORTS:

GAS DIVISION

Mr. Smith reported that wholesale natural gas procurements continue consistent with the hedging plan for the current 12-month procurement window. He also presented the February natural gas rate comparisons and noted that the Department is very competitive in all classes.

ELECTRIC DIVISION

Power Supply:

Mr. Beauregard reviewed the February electric rate comparisons and noted that the Department remains very competitive in all rate classes. He also reviewed the mark to market report for power supply and stated that all transactions are within policy limits. There was a brief discussion on the matter.

Mr. Beauregard gave an update on ongoing solar and power supply projects including the HG&E Jackson Street garage and the Holyoke Boys & Girls Club. Commissioner Hoey disclosed that he is on the Board of Directors at the Boys and Girls Club. Mr. Beauregard also gave a brief update on the potential electricity demand from, and applicable rate offerings for, various marijuana related business developers that have indicated their intent to establish operations in Holyoke. There was a brief discussion on the matter.

Mr. Beauregard also gave an update regarding the results of the FCA #12 (Forward Capacity Auction). There was a brief discussion on the matter.

TRANSMISSION & DISTRIBUTION

Mr. Beauregard reported that planned preventive maintenance and capital projects are on schedule and he gave an update on the design and planning activities for the Holyoke 17L Substation.

Mr. Beauregard also reported that the Department received the American Public Power Association (APPA) RP3 Diamond award for reliability. He stated that this is the highest level award given out for reliability and that only 76 public power utilities across the nation achieve this recognition. There was a brief discussion on the matter.

Mr. Lavelle gave an update on the status of various proposed bills in the Massachusetts State House that would have a significant impact in Municipal Utilities in the State. He reported that S.1876 and H.2700 (both bills would have required an MLP renewable MANDATE) have been placed in an extension order by the Joint Committee on Telecommunications, Utilities and Energy. The Order extends the time for the Committee to act until March 9th. So there is still work to do. He reminded the Commission that if HG&E is required to comply with the renewable portfolio standard as outlined in these bills, the energy rates would likely double. He stated that the extension period will allow the MLP's, through MEAM, to continue to work with DOER on a MLP renewable standard that will have much less of a negative impact on HG&E's, and other MLP community, ratepayers.

He also reported that S.1880 (which would have required a similar mandate) was placed into a STUDY. He noted that most bills placed into a study usually (but not always) remain there for the remainder of the year. Another bill which MEAM opposed, H.3393 (this bill would have eliminated MLP's exemption from allowing competitive choice of generation supply) was also placed into a Study.

He further reported that bills to establish a carbon pricing mechanism are also expected to be filed this week, and that those proposals may include an MLP renewable mandate as well. He stated that reports indicate that proposals would include a charge of approximately \$40/ton of carbon dioxide equivalent emissions. He also stated that the Massachusetts DEP, in August 2017, finalized rules that limit the amount of carbon emissions that can be produced by electric generating facilities. For 2018 the limit is 8.9 tons and that limit will decline by 234,000 tons (2.5%) each year until it reaches 1.8 million tons in 2050. This amounts to an 80% reduction in 32 years. He noted that the 2018 aggregated limit for the MMWEC Stony Brook generating facility, for which HG&E is a participant, is 68,844 metric tons per year. He stated that during the first eight days of January, in the extreme cold weather, Stony Brook used 32,311 metric tons of its credits, or 46.9% of its allocation for the year. He noted that this is not an uncommon situation for many fossil generators in New England which has significant reliability implications. There was a brief discussion on the matter.

ELECTRIC PRODUCTION

Mr. Lavelle gave an update on production and maintenance activities. He stated that ice buildup has caused an increase in maintenance and a decrease in production over the past two weeks. There was a brief discussion on the matter.

TELECOMMUNICATIONS

Mr. Jonah gave a brief update on commercial sales and ongoing projects. There was a brief discussion on the matter.

OLD BUSINESS:

MMWEC POOLED FINANCING PROGRAM: Ms. McMahon reminded the Commission that they voted, at the January 9, 2018 Commission meeting, to authorize the Department's participation in the MMWEC Pooled Financing Program to finance the design and construction of the 17L Substation replacement. She reported that MMWEC has requested that the Commission modify its prior vote to expand the scope of the Department's participation in the program to include other electric distribution capital projects.

She stated that it was recently determined by bond counsel that approximately \$1.2 Million of the 17L Substation project costs that were expended in 2017 are not eligible for reimbursement, as was part of the financing plan. The reason that prior expenditures are not eligible is that there is no vote on record evidencing the Department's intent to fund the project with tax exempt financing, prior to committing those expenditures (as management did not contemplate the need to utilize the pooled financing program until the end of 2017).

She further reported that it has also been determined that other electric distribution capital projects, which are currently planned for the 2018 capital budget, are eligible for the Pooled Financing program. MMWEC's recommendation is to have the Commission modify the prior vote to expand the scope of the Pooled Financing to include approximately \$1.2 Million of other 2018 planned electric distribution projects, as well as the 17L Substation expenditures planned for 2018 and 2019. The amount of the program authorization (\$10,574,444.40) has not changed.

Attorney Ferriter briefly described certain requirements for tax-exempt financing and described the proposed vote requested by MMWEC. After a brief discussion and on motion by Commissioner Griffin, seconded by Commissioner Sutter, it was unanimously voted that the Commission intends to utilize tax exempt financing for the 2018 and 2019 planned capital expenditures for the 17L Substation replacement, and may utilize tax exempt financing for other items included in the 2018 capital plan.

Also on a motion from Commissioner Griffin, seconded by Commissioner Sutter, it was unanimously voted that:

WHEREAS, the HG&E intends to finance, own, construct, acquire, use, operate, hold and maintain, a Substation for transformation and distribution of electricity at a site located at 102 Cabot Street, Holyoke , Massachusetts and replace and improve various distribution system equipment including UG Vacuum Switches, pole, line and cable equipment; and

WHEREAS, the Manager of the HG&E has determined, with the advice of counsel and the Financial Manager of the HG&E, that it is prudent and in the best interests of the HG&E to finance the construction, ownership and use of the Substation and the distribution system equipment including UG Vacuum Switches, pole, line and cable equipment through funds obtained by a loan from MMWEC through MMWEC's Pooled Loan Program;

WHEREFORE, it is voted:

Vote: That the Holyoke Gas & Electric Department Commission ("Commission") hereby accepts the recommendations of the Manager and HG&E's counsel and hereby finds that it is prudent and in the best interests of the HG&E to: (i) obtain the funds necessary to reimburse the HG&E for any amounts previously expended by the

HG&E with respect to the Substation and distribution equipment including UG Vacuum Switches, pole, line and cable equipment in accordance with the HG&E's previously expressed reimbursement intentions; and (ii) finance the construction, ownership and use of the Substation and distribution system equipment including UG Vacuum Switches, pole, line and cable equipment, both through funds obtained by a loan from MMWEC under MMWEC's Pooled Loan Program; and

hereby authorizes and approves the HG&E's borrowing of funds from MMWEC, from time to time, pursuant to MMWEC's Pooled Loan Program for the purposes stated in this vote; and

hereby approves the Pooled Loan Program Loan Agreement between MMWEC and the City of Holyoke acting by and through the HG&E ("PLP Loan Agreement") substantially in the form of the PLP Loan Agreement presented to the Commission at this meeting and made a part of the record of this meeting; and

hereby authorizes the Manager to execute and deliver the PLP Loan Agreement substantially in the form of the PLP Loan Agreement presented to the Commission at this meeting, with such changes and amendments thereto as the Manager, with the advice of counsel, may deem necessary or appropriate; and

hereby approves the Promissory Note Pooled Loan Program Loan Agreement ("Note"), to evidence the obligation to repay the loan made by MMWEC to HG&E under the PLP Loan Agreement, substantially in the form of the Note presented to the Commission at this meeting and made a part of the record of this meeting; and

hereby authorizes the Manager to execute and deliver the Note substantially in the form of the Note presented to the Commission at this meeting, with such changes and amendments thereto as the Manager, with the advice of counsel, may deem necessary or appropriate; and

hereby directs the Manager to cause the HG&E to perform all of its obligations under the PLP Loan Agreement and the Note at such time as the Manager determines is appropriate to carry out the intent of this vote; and

hereby authorizes the Manager, with the advice of counsel, to execute, accept, deliver or perform obligations for such further documents, or agreements and take any and all further actions, as the Manager deems may reasonably be required to carry out, give effect to and consummate the PLP Loan Agreement and the Note.

NEW BUSINESS:

SPONSORSHIP REQUEST – ST. PATRICK'S COMMITTEE OF HOLYOKE: Mr. Lavelle reported that the Department received a sponsorship request from the St. Patrick's Parade Committee consistent with the level of support that the Department has given over the past several years and recommended that the Commission approve the request. After a brief discussion and on a motion from Commissioner Griffin, seconded by Commissioner Sutter, it was unanimously voted to approve the request per the recommendation of management.

COMMERCIAL ENERGY ASSISTANCE REQUEST – 335-337 DWIGHT STREET: Mr. Lavelle reported that the Department received a Commercial Energy Assistance Request from a developer that is considering a redevelopment project at the former Hotel Jess on Dwight Street. He provided a project proposal that was submitted by the developer and a draft response to the developer indicating that the project, as described, could qualify for assistance in the amount of up to \$150,000 depending on final design and permitting details. There was a brief discussion on the matter.

SPONSORSHIP REQUEST- LA FAMILIA HISPANA, INC.: Mr. Lavelle reported that the Department received a sponsorship request from the organizers of the Hispanic Family Festival consistent with the level of support that the Department has given over the past several years and recommended that the Commission approve the request. There was a brief discussion on the matter.

BID AUTHORIZATIONS: None

BIDS RECEIVED:

PURCHASE OF NEW ALUMINUM WORK BOAT & TRAILER: Mr. Lavelle recommended that the Commission award the bid for the base option (workboat and trailer) to Kann Manufacturing, the lowest qualified and eligible bidder meeting all requirements of the solicitation. After a brief discussion, and on a motion from Commissioner Griffin, seconded by Commissioner Sutter, it was unanimously voted to award the contract per the recommendation of management.

HYDRAULIC TURBINE MECHANICAL MAINTENANCE & REPAIRS ON CALL ANNUAL CONTRACT – EXTENSION: Mr. Lavelle recommended that the Commission authorize a one-year extension to the Hydraulic Turbine Mechanical Maintenance & Repairs Annual Contract with O'Connor Corporation, consistent with the provision in the existing contract allowing for an extension. He stated that O'Connor has agreed to a 3% increase in wages with all other terms remaining the same. He also noted that applicable prevailing wage rates in effect for the extension term will increase approximately 9.5%. After a brief discussion, and on a motion from Commissioner Griffin, seconded by Commissioner Sutter, it was unanimously voted to authorize the contract extension per the recommendation of management.

ELECTRIC DISTRIBUTION TRANSFORMERS ANNUAL CONTRACT: Mr. Lavelle recommended that the Commission rescind the September 12, 2017 transformer contract award to Power Sales Group, Inc. (PSG), c/o Howard Industries, as it was learned that PSG did not disclose a price escalation clause in their bid submittal. He further recommended that the Commission award the contract for the subject transformers (as specifically identified in the January 31, 2018 memorandum from Yocelyn Delgado) to WEG Transformers USA, Inc., and WESCO Distribution, the low bidders meeting requirements for the respective transformers. After a brief discussion, and on a motion from Commissioner Griffin, seconded by Commissioner Sutter, it was unanimously voted to rescind the contract award to Power Sales Group, Inc., and to award the contracts per the recommendation of management.

OVERHEAD CRANES & HOISTS INSPECTIONS, MAINTENANCE AND REPAIRS ANNUAL CONTRACT – EXTENSION: Mr. Lavelle recommended that the Commission authorize a one-year extension to the Overhead Cranes & Hoists Inspections Annual Contract with Mass Crane & Hoist Services, Inc., consistent with the provision in the existing contract allowing for an extension. He stated that Mass Crane has agreed to the extension with the same wages, terms and conditions of

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

GAS DISTRIBUTION FITTINGS AND PARTS: Mr. Lavelle requested authorization for the expenditure of up to \$102,526 for the purchase of various gas piping fittings as identified in the February 2, 2018 memorandum from Bill Sullivan, Jr. After a brief discussion, and on a motion from Commissioner Griffin, seconded by Commissioner Sutter, it was unanimously voted to authorize the expenditure per the recommendation of management.

2018 ANNUAL ASSOCIATION MEMBERSHIPS: Mr. Lavelle requested authorization for the purchase of the various industry association memberships identified on the January 26, 2018 memorandum from Jonathan Zwirko. After a brief discussion, and on a motion from Commissioner Griffin, seconded by Commissioner Sutter, it was unanimously voted to authorize the expenditure per the recommendation of management.

COMMUNICATIONS:

- 01/26/18 – Draft Commission Meeting Minutes from 01/09/18
- 02/07/18 – JL/DD/Financial Statements, Balance Sheet December 2017
- 02/05/18 – JL/BM/MMWEC Pooled Finance Program
- 01/19/18 – JL/KC/Sponsorship Request – Saint Patrick’s Committee of Holyoke
- 01/18/18 – COMM/JJ/Commercial Assistance Request – 335-337 Dwight Street
- 02/06/18 – JL/JJ/Sponsorship Request – La Familia Hispana, Inc.
- 01/26/18 – JL/YD/Bid Recommendation – Purchase of New Aluminum Workboat & Trailer (Rebid)
- 01/26/18 – JL/YD/Recommendation – Extension of Hydraulic Turbine Mechanical Maintenance & Repairs On Call Annual Contract
- 01/31/18 – JL/YD/Recommendation – Electric Distribution Transformers Annual Contract
- 02/01/18 – JL/YD/Recommendation – Extension of Overhead Cranes & Hoists Inspections, Maintenance and Repairs Annual Contract
- 02/02/18 – BR/WS/Purchasing Approval: Gas Distribution Fittings and Parts
- 01/26/18 – BB/JZ/2018 Annual Association Membership Requests

NEXT MEETING DATE:

It was agreed that the next Commission meeting would take place on Tuesday, February 27, 2018 at 5:00 P.M.

ADJOURNMENT:

On a motion from Commissioner Sutter, seconded by Commissioner Griffin, it was unanimously voted to adjourn the Meeting at 6:17 PM.


HG&E Commission