



Peabody Municipal Light Plant

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PEABODY MUNICIPAL LIGHTING COMMISSION BUDGET MEETING MINUTES

January 15, 2016

A Budget Meeting of the Peabody Municipal Lighting Commission was called to order on Friday, January 15, 2016 at the Peabody Municipal Light Plant, 201 Warren Street Ext., Peabody, MA at 9:00 AM.

Present for the meeting were Chairman Thomas Paras and Commissioners William Aylward, Charles Bonfanti, and Robert Wheatley. Also present were Manager Glenn Trueira and recording secretary Barbara Previte. Supervising Electrical Engineer Russell Dunn and Principal Electrical Engineer Bryan Howcroft were present for the beginning of the meeting as well to discuss the Budget Overview and Power Supply sections of the budget.

Chairman Paras asked if there were any additions to the agenda, and Manager Trueira stated there were none.

A. APPROVAL OF AGENDA

MOTION BY COMMISSIONER WHEATLEY, SECONDED BY COMMISSIONER BONFANTI AND UNANIMOUSLY VOTED (4-0):

MOVE TO APPROVE THE AGENDA OF JANUARY 15, 2016.

Chairman Paras acknowledged that this is an open meeting and informed the public that the meeting is being recorded by hand.

B. REVIEW OF 2016 BUDGET AND ACTION PLANS

Review of 2016 Proposed Budget and Action Plans

- The meeting opened with Manager Trueira giving an overview of the electric operations expense budget, electric operations capital budget, generation expense budget, generation capital budget, estimated operating revenue along with staff action plans. Manager Trueira stated that the operating revenue is based on energy sales of 519,714,947 kWh assuming a 1.0% projected growth rate over 2015 energy sales.
- The 2016 Operations Expense Budget has been prepared using a 4% depreciation rate, which is 1% decrease from the 2015 rate. The 5% rate for 2015 and the 4% rate for 2016 were determined according to the Long-Term Financial Plan which was approved in February 2014. The higher than usual depreciation rates are needed in order to fully fund our aggressive 5 year capital improvement plan.
- Manager Trueira spoke about the general budget carrying a figure of \$949,943 to account for our OPEB costs. A \$507,066 payment will be made to our OPEB Trust account, at MMWEC, based on the 20 year OPEB funding schedule approved by the Commission. The



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remainder of this cost will be expensed throughout the year as a pay-as-you-go expenditure.

- The 2016 budget reflects projected net income of only \$8,611 which is lower than the \$214,153 estimated for 2016 net income in the Long Term Financial Plan. Manager Trueira explained that by using a higher than usual depreciation rate of 4%, an additional \$1 million will be taken out of the operational budget and set aside for capital improvements. Also due to the funding of our OPEB Trust account, we are also incurring a higher than usual cost for OPEB related expenses.

Commissioner Wheatley expressed his concern that much of the budgeted expenses for 2015 were not spent, and that for many accounts, there was even more money budgeted in 2016. The Manager explained why that had occurred. Sometimes money is budgeted but never spent because we either don't get to accomplish certain tasks, or we have done a good job of limiting our expenses. Also, we sometimes budget money as a contingency and fortunately, that money never needs to be spent. Regardless of what was spent in the past, the Manager stated that the budgeted amounts are the funds that we expect to spend in 2016. Commissioner Wheatley reiterated his concern, and wants to make sure that we are doing a good job of limiting our expenses, and not asking for money that we don't need.

Manager Trueira deferred to Russell Dunn, Supervising Electrical Engineer, and Bryan Howcroft, Principal Electrical Engineer (Engineering) to present an overview of the **Power Supply Budget**. Russell Dunn deferred to Bryan Howcroft to review the power supply budget. Bryan explained the expenses for the MMWEC Services including the day-ahead energy market, REMVEC Expenses and Legal Expenses. The higher-than-usual legal expenses have to do with the Peabody Solar project. Bryan continued and spoke about the power supply portfolio including Hancock Wind, Eagle Creek, PASNY, Rousselot, Weekly Studies and Peabody Solar. The weekly studies have to do with hedging short and intermediate term energy investments. He also spoke about the cost of capacity in the New England area and how capacity payments to ISO NE will be going up, with those rates doubling in 2016.

The Commission was happy with Bryan's explanation.

Each Division presented their proposed 2016 Budget and Action Plans as follows:

Administration, represented by Manager Glenn Trueira presented the Administration/General budget and action plans for 2016. An overview of the actions plans includes the Ipswich River and Johnson St. Sub. Upgrades, and Automated Meter Infrastructure projects. The actions plans are not prioritized; however action plans that have a dollar associated with it, excluding payroll, are in the beginning of the action plans along



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with the associated divisions. Administration will be continuing to work on the solar project with the City of Peabody. Manager Trueira will be working with the Attorney to finalize the Collective Bargaining Agreement and continuing to adhere to our long term financial plan.

The **Engineering Division**, represented by Russell Dunn, Roy Simoes, Chuck Orphanos, and Tim Hennessy presented their action plans and budget. Commissioner Wheatley asked about how much pcb oil is in a transformer at a pole; the answer was 22-25 gallons. Engineering gave an overview of their Action Plans. The overview of the action plans includes Ipswich River, Johnson Street and Waters River project as well as AMI. These are the two priority projects for PMLP as a whole. Roy Simoes discussed substation training. Engineering will be hiring a trainer to come to PMLP for a week. Engineering discussed a testing program for the 23kv pole mount reclosers, specifically the intent to perform testing on three existing 23 kv reclosers in the Centennial Industrial Park area. Engineering spoke about Survalent Inc., which will provide the hardware, software, installation and testing necessary to have a fully functioning redundant SCADA system. Engineering mentioned replacing the existing analog video recorder with a digitally based network solution to serve as PMLP's new surveillance system for the office building and substations in the future. The Commission thanked Engineering.

Business Division, represented by Kevin Moran, Debbie Davis-Leclair, Jan Kentros, Sharon Glavin and Tony Martins presented their action plans. Kevin Moran discussed the Security Assessment Report for the physical changes to the foot print of the Customer Services areas to provide appropriate safety measures. Kevin Moran stated that SEDC implementation took up much of Business' time in 2015. Kevin mentioned that he is working with Administration and Engineering on the redesign of the Engineering area as well as the McCarthy Auditorium. He is also working on hiring a contractor to make the curb ramps compliant with ADA to provide access to the building for people with disabilities. Kevin is working on implementing a maintenance plan to replace up to three of the 27 McQuay Heat Pumps in the building on an as-needed basis. Business will be looking to hire a structural engineer to complete a structural evaluation of the Diesel Plant building.

Chairman Paras stated that Business has done a tremendous job; and he thanked both Kevin and his staff.

Community Relations Division, represented by Jennifer Santoro presented her action plans and budget. Jenn gave an overview of her action plans regarding Branding which will include updating the following to ensure consistency and conformity throughout the company, and discussed Public Power Week, Science Fair Awards, new PMLP website, participation in



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Peabody Annual GreenFest, and PMLP's 125th Anniversary Celebration with an Open House on June 18, 2016

Information Technology Division, represented by Joe Anastasi, presented his action plans and budget. He spoke about purchasing, installing and configuring a new internal telephone system, switchboard and voice mail system with new telephones and cabling software, hardware, rack with PDUs and services. He stated that he will be evaluating and upgrading the existing VMWare virtual environment. This includes VMWare software version/license upgrade, 3 additional Hosts and 1 additional Dell Equallogic SAN Storage Device. He spoke about working with Administration to develop an internal document documenting procedures for both intra-division and inter-division procedures. IT will be working with Engineering in all phases of implementation of the new Surveillance System. IT will be working with Engineering and Distribution with the implementation of an AMI/Smart Grid system. IT is working to review the existing network infrastructures, its supporting hardware, devices, servers, services and applications. The Commission asked about laptop replacements. Commissioner Wheatley opposes the use of these computers by the Commission.

Environmental Division, represented by Tony Makovitch, presented his action plans and budget. Tony gave a brief overview of his action plans. There was discussion about LSP license/certification. Tony explained the LSP license to the Commission and what it involves. Discussion ensued regarding the spill and clean-up costs. Specifically, the Commission asked if there are other companies other than Clean Harbor for such spills. Both Tony Makovitch and Manager Trueira stated that they have used Enpro and were not satisfied. Tony discussed the underground storage tanks which will involve hiring consultants to provide design and bid specifications to remove the existing gas and diesel underground storage tanks at Warren Street and install new gas and diesel tanks above ground. Tony will also work with Engineering to perform an environmental assessment prior to construction of new substation.

Distribution Division represented by Phi Rohn, Bill Jackson, and Dennis Ahlin presented their action plans. Phil Rohn gave an overview of the actions plans regarding providing training, including Dennis Ahlin's training for his credentials as a CUSP and staying on top of changes with regards to safety. Phil Rohn spoke about the training for linemen and troublemen regarding underground splicing and operations training. This will most likely have to be performed off-site by APPA or another Utility. Discussions ensued about underground and manhole training. Phil continued talking about training for meter installers for metering, safety awareness and customer/interpersonal communications that may be offered by NEPPA, ECNE, APPA, National Grid, General Electric or other Regional Meter Schools. Distribution is continuing to train the two apprentice linemen hired in 2015 through NEPPA, National Grid and other on-the job training. A short discussion ensued regarding the



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apprentice linemen and their status. Distribution will begin working on preparing and completing bid specifications for the purchase of two new material handling bucket trucks as well as two new AWD vehicles to replace vehicles #42 and 43 (Engineering). Distribution continued on and spoke about the multi-year pole replacement program. Commissioner Wheatley asked how it is determined what poles are inspected. Phil Rohn explained it is geographically within the City – a section at a time. Discussions ensued regarding the Route One incident and the condition of the pole. Bill Jackson said the pole was in good condition. Further discussion ensued regarding about how the poles are inspected. A short discussion ensued regarding the ventilation system. Dennis Ahlin reported that it is 50% complete and will be completed shortly. The Commission was pleased with this and thanked Distribution. It has been a long time coming.

Remarks of the Commission

- Chairman Paras thanked everyone and stated that it was a good budget meeting.

MOTION BY COMMISSIONER WHEATLEY, SECONDED BY COMMISSIONER BONFANTI AND UNANIMOUSLY VOTED (4-0):

MOVE TO ADJOURN THE BUDGET MEETING OF JANUARY 15, 2016.

Chairman Paras declared the budget review meeting of January 15, 2016 adjourned at 3:50 PM.

A TRUE RECORD

Attest.



Thomas M. D'Amato, Secretary