



Peabody Municipal Light Plant

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PEABODY MUNICIPAL LIGHTING COMMISSION 2020 BUDGET MEETING MINUTES JANUARY 30, 2020

A Budget Meeting of the Peabody Municipal Lighting Commission was called to order on Thursday, January 30, 2020 at the Peabody Municipal Light Plant, 201 Warren Street Ext., Peabody, Massachusetts at 6:00 p.m.

Present for the meeting were Commissioners William Aylward, Charles Bonfanti, Thomas D'Amato, Thomas Paras, and Robert Wheatley. Also present were Manager Charles Orphanos, Assistant Manager Bryan Howcroft and recording secretary Barbara Previte.

A. APPROVAL OF AGENDA

MOTION BY COMMISSIONER AYLWARD, SECONDED BY COMMISSIONER BONFANTI AND UNANIMOUSLY VOTED (5-0):

MOVE TO APPROVE THE AGENDA OF JANUARY 30, 2020.

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

B. REVIEW OF 2020 BUDGET

Review of 2020 Proposed Budget

- Chairman Wheatley deferred to Manager Orphanos stating that he will review the overall budget by going through the 2020 Budget memo. He stated that the budget includes all expenditures necessary to maintain PMLP's daily customer service at its current high level. The 2020 estimated operating review is based on energy sales of 491,028,894kWh. This represents a 1.1% decline from 2019 budget figure and a 2.7% growth over the 2019 actual energy sales. Manager Orphanos stated that we could also use MMWEC's new 5-year power cost projects to assist with our estimate and believe this is reasonable approach given the 2017 and 2019 decline in sales.
- The 2020 Operations Expense Budget has been prepared using a 4% depreciation rate, which is the same as 2019. Due to the major capital improvements made in 2019 and the capital work planned for Waters River as part of the 2015A project, the 4% rate remained unchanged in order to keep the Capital Depreciation Fund vibrant and sustain our 4-year capital improvement plan. The 2020 budget, as presented, reflects a projected net income of \$48,447. The net income assumes that we will be using a portion of the surplus funds being held at MMWEC on our behalf. Depending on how our actual sales, revenue and expenses materialize in 2020 will determine how much, if any, of these funds will be needed in 2020 to maintain a healthy cash balance and net income. Due to weaker than



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expected sales in 2019, the Business Division is recommending using \$1 million to support our net cash position.

- Manager Orphanos spoke about the Revenue Budget of \$62,445,085. Questions arose about the decline in revenue every year and what PMLP is doing to create more revenue. Manager Orphanos explained, he just heard the State intends to electrify. The state is moving forward on electric vehicles for their fleet, and due to low municipal rates may be looking to install charging stations within municipal territories. With Peabody's low rates, this could be a great opportunity for us.
- There was a discussion about the 20% discount and the cost to PMLP. Commissioner Paras stated when the 20% discount was implemented it was temporary but the Commission collectively does not want to reduce it. The Commission also talked about building battery storage system. Manager Orphanos agrees with that direction.
- The Commission then discussed line items in the Administrative Division. The discussion included the amount of money which is allotted to consulting services. Manager Orphanos spoke about the cost of service, strategic plan and the reorganization of the company. Manager Orphanos stated that the last Cost of Service was done in 2010. The Cost of Service determines the total amount that must be collected in rates for the utility to recover its costs and earn a reasonable return. Manager Orphanos also said that MMWEC has a new 5-year model which could help us with the cost of service study.
- The Commission spoke about salaries within the Company. Manager Orphanos explained that once the consultant is hired for the strategic plan then they would assist us with the reorganization / restructuring of the company. They would make recommendations on appropriate staffing levels. Commissioner Paras asked about a timeframe. Manager Orphanos stated that we cannot hire anyone until the Budget is approved. Further conversations occurred regarding timing and Manager Orphanos stated that he would like the target date to be the first quarter. Manager Orphanos stated that he has received proposals from three consultants and is ready to make a recommendation.
- On another note, Manager Orphanos explained the consultant, Tri-Mont, for the gas pipeline. Manager Orphanos gave the background of the gas pipeline and it is something that is imperative we are not trained on all the regulations.
- Questions arose about the line item "Rents and Leases" and Manager Orphanos stated that we have a fee of \$127,000 that PMLP will pay to National Grid which has to do with the Ipswich River construction project. PMLP signed a contract with National Grid to perform this work and now PMLP is being billed for it.
- Manager Orphanos stated that he would like to add two new positions for approximately \$90,000 each or a total of \$180,000 as well as to consider increasing two or three employees' salary. The Commission asked whose salary and Manager Orphanos stated



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that he would prefer not to state anyone or anyone's position. Manager Orphanos said that he will come before the Commission if and when this comes to fruition.

- The Commission asked what other sources of income PMLP could do to offset the decrease in revenue. One thing is to revisit our opt-out policy, increase customer deposits, etc.
- Discussions ensued regarding RCN and the cost to us of structures / towers. It was noted that we bill RCN for our work and it is reimbursed based on our actual costs.
- Barbara Previte left at 7:30 p.m.
- Further discussions ensued regarding our customers and that they are happy with our rates.
- Commissioner Paras believes the union should be informed about revenue and sales are down. Commissioner Wheatley asked highest paid lineman made \$183,000 which includes overtime and on-call stipend. \$105,000 is his base salary with \$5,600 stipend and \$66,000 in overtime. Commissioner Aylward asked if lineman's salary is comparable to other utilities. Manager Orphanos stated that you can't just look at salary you need to include benefits. Commissioner Paras asked about training and there is no money in the budget. Manager Orphanos stated that there is money in the budget for training. The numbers could be in Utility Awareness or in the respective Division's budget. Commissioner Wheatley asked what if the budget is held up for a month or two? Manager Orphanos stated that action plans and expenses get held up. Questions arose about Glenn Trueira's salary. Commissioner D'Amato asked about a teacher who works with the special need students at PVMHS wondered if we have a life skills program asking if we can provide employees through this program. The Commission suggested Commissioner D'Amato obtain more information and request for it to be put on the agenda for February.

MOTION BY COMMISSIONER D'AMATO, SECONDED BY COMMISSIONER BONFANTI AND VOTED BY ROLL CALL WITH COMMISSIONERS D'AMATO AND BONFANTI VOTING AFFIRMATIVELY AND COMMISSIONERS AYLWARD AND PARAS VOTING NEGATIVELY, WITH COMMISSIONER WHEATLEY STATING TO TABLE THE VOTE AND CONTINUE TO THE FEBRUARY 27, 2020 PMLC MEETING (2-2):

20-9 MOVE TO TABLE THE VOTE UNTIL THE REGULAR MEETING OF FEBRUARY 27, 2020.

Chairman Wheatley declared the budget review meeting of January 30, 2020 recessed until February 27, 2020 at 8:20 p.m.

A TRUE RECORD



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Attest:

William C. Aylward, Secretary