

BOZRAH UTILITIES COMMISSION

Minutes of Regular Meeting

April 27, 2016

1. CALL TO ORDER

Chairperson Galbraith called the meeting to order at 9:11 a.m.

ROLL CALL

Present: Chairperson Marian Galbraith

Commissioners: Seymour Adelman, Scott Barber, Shirleyann Dunbar-Rose, Edward E. DeMuzzio, Jeffrey Godley, Richard Tanger, Ralph Winslow

Staff present: Director of Utilities Ronald A. Gaudet
General Manager-Utility Finance David F. Collard
Manager-Engineering Brian J. Roche
Office Manager Mary L. Polaski
Executive Assistant Deborah J. Gaudette

2. APPROVAL OF MINUTES

Commissioner DeMuzzio moved, **Commissioner Winslow** seconded that the minutes of the regular meeting of January 27, 2016 be approved. **Motion carried.**

3. COMMUNICATIONS AND CORRESPONDENCE

Director Gaudet suggested include a standing agenda item to the Bozrah Utilities Commission meeting agenda for a Connecticut Municipal Electric Energy Cooperative (CMEEC) Board of Directors Report now that Bozrah is a member of CMEEC.

Commissioner Barber asked for a definition of the Board of Directors and Member Delegates. Commissioner DeMuzzio explained that the Board of Directors represent all of the municipal electric utility (MEU) members and act collectively on behalf of the best interest of CMEEC overall as a company. Member Delegates vote based on the best interest of each individual MEU. Each MEU has one (1) Member Delegate and two (2) Directors. Commissioner DeMuzzio is the Member Delegate for Groton Utilities, and Director Gaudet is the Member Delegate for Bozrah Light and Power.

Commissioner DeMuzzio reported on the March Board of Directors meeting. The Board reviewed and approved the audited financials for the year. As part of the audit, CMEEC is changing financial accounting standards from the Financial Accounting Standards Board (FASB) to the Government Accounting Standards Board (GASB) for financial reporting.

The Board also reviewed the energy power pricing and impact of environmental issues relating to fluctuating power costs. One of the major issues is CMEEC members' demand has been significantly lower than budgeted. Bozrah utilized 6-7% less energy than budgeted, and is similar to other CMEEC members have experienced. When power is purchased into the future, it is purchased based on projected power requirements. When less power is utilized than what is budgeted for, it becomes difficult to manage power purchasing costs. Additionally, as all the other MEU's have the same issue, the amount of power required has changed the price of energy production. The previous power purchases were based on gas prices that were on a constant incline.

The Risk Management Committee has revised CMEEC's hedging policy to adjust the purchasing policy. The Board will review the Committee's recommendations at its meeting scheduled for April 28, 2016. Commissioner Tanger asked if the degree days affected the draw of energy. Commissioner DeMuzzio stated there are a lot of variables that go into the projections, and this issue is why the

projections will be revised. Director Gaudet stated that if too much energy was purchased, it has to be sold back at market prices, at a loss.

There will be a CMEEC Member Delegate meeting on May 9, 2016.

4. PUBLIC COMMUNICATIONS

There were no public communications.

5. MONTHLY FINANCIAL HIGHLIGHTS

General Manager Collard stated there was a correction made on the Comparative Income Statement. Line 40 should read "Other Income / Expenses" and line 42 should read "BANS Interest". The corrections do not affect the bottom line.

General Manager Collard presented the following financial highlights:

- Overall Electric Revenues for the nine (9) months ending March 31st are almost 2% less than budget and over 2.9% more than the same period last fiscal year. Cooling degree day requirements were 47% greater for the period than last year and Heating degree day requirements were 39% less than the same period last year. A higher PPA than last year contributed to higher revenues. The warmer than normal winter season had a negative effect on kWh sales, which were almost 3% less than last year.
- Other Operating Expenses for the nine (9) months of fiscal year 2016 are 1.3% less than budget. Net Income before the Return to Groton for the fiscal year-to-date is 11.4% more than budget primarily due to lower operating expenses, lower interest expense, and increased material and jobbing (M&J) income.
- Cash in the bank at March 31st is \$2.9 million. The cash flow statement indicates a \$1 million net cash improvement as a result of fiscal year-to-date 2016 operations.
- Days cash on hand is 46 days, compared to the APPA benchmark at 90-120 days.
- In November, bond anticipation notes (BANS) were issued for Bozrah Light & Power Company by the City of Groton to fund a schedule of capital projects in the amount of \$750,000, of which \$300,000 was to replenish for capital expenditures over the previous 18 months and the remaining \$450,000 was deposited to the money market fund restricted for the scheduled capital projects.
- Fiscal year-to-date plant investments total \$348,000, mostly related to the completion of Phase One of the Bishop Road Upgrade Project.

6. PROJECTS / INITIATIVES UPDATE

Manager Roche reported the Stockhouse Road transformer repairs have been completed and the unit has been tested. It is anticipated the unit will be delivered on May 12, 2016. The Commission discussed the warranty of the unit, and the potential need to replace the 1X transformer should Airgas expand their operations in the future.

The Commission discussed potential expansions within the service territory and possible solar installations.

7. OLD BUSINESS

There was no old business to discuss.

8. NEW BUSINESS

Agenda Item 8A – BUC-16-04-04: Consideration of and action to adopt a Resolution appointing Bozrah Utilities Commissioner Richard Tanger to serve as an Alternate Member Representative to the

Board of Directors of the Connecticut Municipal Electric Energy Cooperative (CMEEC) and Connecticut Transmission Municipal Electric Energy Cooperative (TRANSCO)

Commissioner DeMuzzio moved, **Commissioner Dunbar-Rose** seconded that the Bozrah Utilities Commission adopt a Resolution appointing Bozrah Utilities Commissioner Richard Tanger to serve as an Alternate Member Representative to the Board of Directors of the Connecticut Municipal Electric Energy Cooperative (CMEEC) and Connecticut Transmission Municipal Electric Energy Cooperative (TRANSCO).

Commissioner Barber stated with all due respect to Mr. Tanger, at the previous Commission meeting it was discussed that Commission Winslow would be a qualified candidate and would like to know how Commissioner Tanger was selected to be Bozrah's representative. Director Gaudet stated he spoke with Commissioner Winslow after the last meeting and in trying to come to a consensus with the least controversial candidate with the most utility knowledge and with Commissioner Winslow previous employment at CMEEC, it appeared Commissioner Tanger might be the best fit.

Commissioner Barber stated he was glad to see that one of the Bozrah Commissioners would be appointed as an alternate Director, but would still like to see one appointed as a full Director. Commissioner Tanger replied he would need time to learn more about CMEEC and the responsibilities of the Board before making that decisions.

Commissioner Winslow stated he has been in the power industry since he was nineteen years old, and wonders why not all of the Bozrah Commissioners were included in this decision. While some of it may have to do with his background with CMEEC, Commissioner Winslow stated he has no misgivings with CMEEC and hopes Bozrah will be well represented.

The vote on the motion was 5 ayes, and 3 nays (Commissioners Adelman, Barber, Winslow). **Motion carried.**

Commissioner Barber asked for clarification of the personnel services listed in the Financial Report prepared by RMS US LLP. Specifically, as to why Bozrah Light and Power subcontracts for personnel. General Manager Collard reported the line crews are Groton Utilities employees and are utilized by Bozrah. There are no linemen on the Bozrah payroll. The Commission discussed the cost of subcontracting personnel from Groton and the costs of full time employees on the Bozrah payroll, including costs such as medical benefits, and other insurance costs. There was a discussion on the time needed for substation crews to travel from Groton to address outages in Bozrah.

9. ADJOURNMENT

There being no further business, at 9:56 a.m., **Commissioner Barber** moved, **Commissioner Winslow** seconded a motion to adjourn. **Motion carried.**

Attest:

Paul A. Duarte
Clerk