

**Town of Medway  
Board of Selectmen's Meeting  
February 6, 2013 – 7:00 PM  
Medway Senior Center  
76 Oakland Street**

**Present: Selectman Dennis Crowley, Selectman John Foresto, Selectman Richard D'Innocenzo and Suzanne Kennedy, Town Administrator. Chairman Espinosa and Vice-Chairman Glenn Trindade were absent.**

Also Present: David D'Amico, Deputy Director of the Public Works Dept.; Susan Affleck-Childs, Planning and Economic Development Coordinator; Shelley Wieler and Charles Myers of the Energy Committee, and Consultant Joseph Fitzpatrick.

At 7:10 PM the meeting was called to order and the Pledge of Allegiance recited.

**Discussion – Net Metering**

Ms. Kennedy discussed the net metering research undertaken up to this point. Constraints to bringing it to Medway included the need of some prospective providers to construct a solar array and unresolved interconnectivity issues. The prospective providers that were currently able to provide services did not offer good rates of return. Mr. Foresto noted that the Town should have used a different RFP, as well, for their solicitation.

Ms. Kennedy stated Mr. Fitzpatrick of DG Clean Power (DGCP) was invited to this meeting discuss net metering with the Board and the Energy Committee. She introduced him. Mr. Fitzpatrick offered information about GC Clean Power, which has been in existence for 10 years. They are independent power developers. The company developed gas turbine stations, including the one in Bellingham. Three years ago, because of Green Communities Act and solar initiatives, the company starting developing solar facilities. The company has 10 megawatts either developed or in construction and another 8 in process. Locations include Uxbridge, Douglas and Clinton. DGCP works with a number of investors and the opportunity they have brought to the Town Administrator is unique. He said Medway could achieve interconnectivity with a distribution utility in a timely and cost effective way.

Describing how the process works, Mr. Fitzpatrick stated the solar generation facility would connect with service in street, which he noted necessarily creates limitations for a solar farm. His company perceived an opportunity in Plympton and had an interconnection study done. NSTAR had upgraded a substation nearby the Sysco facility to take more capacity. Thus, rapid interconnection was created before his company came into picture. Mr. Fitzpatrick said he is confident they have another 3 mW of capacity. Mr. Fitzpatrick noted there is "as of right" zoning in Plympton and a PILOT is already in place. Plympton has indicated interest in the solar generated electricity as well and wants to reserve 800,000 to million kW.

Mr. Fitzpatrick said this is a market unto itself. The generated electricity must be distributed within its load zone, which Medway is. He stated a net metering agreement can be developed for Medway, and he has submitted pro forma agreements for their consideration. DGCP has already signed with Milford

and Northbridge. The pricing is the same as is being offered to Medway. He said the savings for the Town would be \$160,000 in first year, and about \$6 million over 20 years.

Mr. Fitzpatrick clarified that net metering is not the sale of power. It is not like what was done in Bellingham; it is not creating electricity and flowing into a distribution company. The company is generating the solar power, selling it to the distribution company and assigning net metering credits to the municipality with which it has a contract. The credits are valued at retail, currently 13 ½ cents. The limitation is that the value can only be assigned to someone in the load zone. The entity that is creating the project can negotiate a trade. If it assigns credits to the Town, the Town in turn will repay a portion of that cost so that it can be amortized. The rate payers receive this value. What the developers do is go to a community and assign it. Mr. Fitzpatrick said that Plympton does not need the full load for its municipality, which means the credits must be marketed to another community. DGCP will negotiate a portion of the net metering benefits, in this case 9 ½ cents.

Mr. Fitzpatrick's said DGCP's escalator is 3% per year for the next 20 years. He stated the variable is the 13 ½ cents number. He believes the cost of electricity is likely to increase. He said DGCP's escalator is at a slight discount of what will happen to prices. He stated the Town will receive a monetary benefit if the annual increase in electricity prices is anything beyond 0%. He clarified that he is not asking the Town to enter into a power purchase agreement. He stated that when net metering terminates, the obligation to repay also terminates. The risk goes to the provider; there is less risk to the Town.

Mr. Fitzpatrick said that based on the first phase, they could be operating by January 2014. He stated that interconnection for all intents and purposes is done. DGCP would be applying formally in the next couple of weeks. He said the permitting process in Plympton is straightforward and there is a special bylaw to accommodate solar projects. It is a friendly environment.

Mr. Fitzpatrick said DGCP needs to have an agreement with the Town in the second quarter to satisfy investor requirements. He said large utility affiliates are the investors. Mr. Myers asked about reconciliation cycle language in the pro forma agreement: monthly power generated versus utilized. Mr. Fitzpatrick said that the credit is received immediately minus a couple of decimal points. The Town receives net metering value for so many hundreds of thousands of kW hours. The company invoices the Town following usage making it a positive float to the Town. It is not akin to Kiersarge. The company is only billing after the Town has received net metering credits on the bill.

Mr. Myers talked about the Town's interest in reducing its power consumption. He asked how that impacts the Town's agreement – e.g. they use less than what they thought they might. Mr. Fitzpatrick responded that DGCP can seek to sell that excess power elsewhere. He encouraged the Town to do more to reduce consumption. He said if a pattern develops from under-consuming, he will look for other accounts in Town or elsewhere. The agreement will say that they have right to look for other municipal consumers.

There was discussion about how aggregation might fit into the net metering. They may have more load than what is agreed. Aggregation has private customers. Mr. Fitzpatrick said the Town could then perhaps create a net metering class of customers.

Mr. Fitzpatrick stated the process is designed to keep the utility out. DGCP is in the business of selling it. Supplementation to the load zone is needed. The company is only doing a municipal grid structure. It is an easy operating cost reduction. The problem is it is a very arcane, complicated process, and

municipalities have a fear from that perspective. DGCP is trying to make this as transparent as possible. He encouraged the Town Administrator to talk to other towns that have net metering agreements. He will disclose the investors. He is a developer. The real counterpart is the owner of the project, which will sign the tax PILOT with Plympton and the net metering agreement with Medway.

Mr. Myers asked how the system going down would be accounted for. Mr. Fitzpatrick stated that everything flows into that distribution. If that happens, there is no credit and the company is not billing the Town. The Town is paying the utility in that instance. Medway would only be paying DGCP for what it is producing. He added that the owners have been in the business and are going to build viable projects and maintain their assets.

Mr. Foresto asked if there is a performance agreement between the company and the project owners. Mr. Fitzpatrick said there will be warranties of availability. The owners are online communicating with those facilities around the clock. The utility does not want to be down because that means it is not collecting.

Ms. Wieler discussed the details of the credit. Mr. Fitzpatrick said that NSTAR would credit usage and, being on the same grid, generate credit from actual production from the facility. He said they can reassign unused net metering credits (on schedule Z) to any building on the schedule and can adjust consumption once there is a history. Crediting can be carried over in the meantime.

Ms. Wieler asked if DGCP has looked at the Mass Energy Insight database. Mr. Fitzpatrick answered that they have not. They are content to take the usage directly off the bills, and are looking for a year's worth. DGCP will be generating 4 million kW hours for Medway.

Mr. D'Amico asked how they deal with seasonal variation. Mr. Fitzpatrick answered that is how net metering credits come into play, but not as much as one might think, as there will not be wide swings. He said the shoulder months will show a fall off of net metering credit to Town. He said that because it is a solar facility it will not be producing 8,760 hours. Its productivity should encompass just 1,300 hours.

Mr. Myers asked about storage ability in the future. Mr. Fitzpatrick did not feel it was relevant to the net metering agreement. The bottom line is they are trading money for money.

Ms. Wieler asked about the 4 million number. Mr. Fitzpatrick said that is what has been discussed and what the company can offer, but the company can agree to less. DGCP does want to accommodate Plympton, which will use approximately 800 kW. DGCP believes its output will be 4.8 or 4.9 million. It wants to sell the rest to Medway.

Mr. Fitzpatrick said Bellingham was a 3 megawatt AC project. Production off that will be 4.9 million kW hours. He noted that kW hours are generated of DC capacity, not AC, although AC power is what people see. Bellingham took the entire load and dedicated it to the Douglas project. The numbers are almost exact. It is the same for Milford and Northbridge, as well.

Mr. Crowley asked what the Town would be charged if it Town contracted for 4 million and used 4.5 million. Mr. Fitzpatrick answered the retail rate would apply. NSTAR will show the Town what the net metering bill looks like. Mr. Crowley asked Mr. Myers what the downside might be. Mr. Myers worried about in a few years they might be utilizing less than the four million. It was reiterated DGCP could re-

market that. Mr. D'Amico asked what happens if the energy prices do not keep going up. Mr. Fitzpatrick said that he thinks the numbers he is presenting are conservative. He thinks gas prices will normalize, adding that the gas demand is costing power generators. In high demand, they have to pay the high spot prices. As gas prices begin to recover, it will show up in the Town's schedule Z as a commodity charge.

Mr. Myers asked why more communities have not signed on if this is such a good deal. Mr. Fitzpatrick said it is related to the delay in getting transparency in the pricing. Mr. Fitzpatrick noted that the investments in projects supporting net metering will drop off due to the drop off in solar renewable energy credits (SREC). He stated that the power marketer Entegris serves load and has a mandate to purchase a percentage of the load from solar facilities and to pay a green/solar community credit to companies like DGCP. It is a state mandate. The initial value was viewed as high as 55-60 cents a kW hour and had a floor of 28 ½ cents. The market is overdeveloped from a presentation point of view. The credits have been bought up driving the price of solar renewable credits down. It is at 12 cents a kW hour now. He said he has seen a lot of data points in the 15 cent range in recent months. That value matters only to investors which have two revenue streams: net metering and solar renewable energy credits. The amount the investor willing to give up from net metering stream is driven by SREC. If they were at the floor of 28 ½ cents, the contract value offered to Medway would have been better. The design of the solar credit program developed a couple of years ago was done on the premise of developing 400 megawatts. The goal was to try to modulate the solar credit price for both a market growing too slowly or too fast. The state did not anticipate the real estate market supporting rapid growth. There is a long queue of projects totaling 1,100 megawatts. There is a gross over supply of projects, and Mr. Fitzpatrick said he did not think half of them would be built. Alternatively, the state could raise the cap, which would influence solar credit price.

Mr. Crowley asked what is next. The Town would need to review the proposed contract, then bring it to the Selectmen for approval. It is an energy purchase. The current energy agreement includes both the School Dept. and the Town. It is a twenty-year contract.

Mr. Verdolino said that in the last year of contract the Town would owe \$662,000 according to the spreadsheet. He asked what the Town pays now. Mr. Fitzpatrick responded that the Town pays \$540,000. Ms. Wieler asked if the Town is using 4 million. Mr. D'Amico responded that it uses just under 4 million. There was a question about what would happen if electricity prices go down due to new technologies or an abundance of existing sources. Mr. Fitzpatrick answered that is only half the bill. He said delivery costs will not go down. Mr. Crowley wondered if he could buy more and sell the excess. Mr. Fitzpatrick said the Town is buying credits, not power. Mr. D'Amico asked how NSTAR makes out. Mr. Fitzpatrick answered they still get the money from the rate payer. The retail payer is covering the subsidy inherent in the credit, which is a couple decimals more if not a consumer of solar energy produced power. The cost to NSTAR and National Grid for net metering is \$50 million per year.

Mr. Verdolino asked if there is a buyout option. Mr. Fitzgerald answered he believed he could give that to the Town at the end of the term. There is no problem on giving renewable after 20 years. Locking in beyond 20 years is the issue, if they are available. Mr. Verdolino said they have buy out options with their solar arrays. Mr. Fitzgerald responded that the buyout is less impactful with net metering. He is not sure that Medway would want to own it without net metering in place. Mr. Verdolino wondered if they could build a solar array in Medway. Mr. Foresto pointed out that there is limited opportunity to contract for net metering and that would foreclose on it. Mr. Verdolino asked what the value of the Plympton PILOT is. Mr. Fitzgerald replied \$16,000 per megawatt. Mr. Verdolino asked what it costs to

build the plant. Mr. Fitzgerald said \$2,500 per kW. A 4 megawatt would be \$10 million if talking about reaching the point of delivering to a fixed asset. This is lower than what it was in the past because panel prices have collapsed.

Mr. Verdolino asked why Mr. Fitzgerald said there is less risk in net metering than a power purchase agreement. Mr. Fitzgerald answered a power purchase agreement entails a fixed payment over the term. The buyer is obligated to purchase the exact amount it contracted for. With net metering, the Town receives a credit for what is used. If there is no net metering credit, the company loses, and must sell wholesale. He does not have a problem with renewals, but he does not think there is much to be gained with net metering. Mr. Myers said technology will change over time anyway. The potential to renegotiate for a lower cost agreement should new technology permit would be pursued if available.

Ms. Kennedy asked to see a contract. Mr. Myers said he would like to see it as well. Mr. Fitzgerald said he would be offering a live contract to the Town and would provide copies of its existing agreements.

Mr. D'Amico wondered when the contract would be in place. Mr. Fitzgerald anticipated the beginning of 2014. He said the interconnection study would take three months. Then the project must be permitted. DGCP should be breaking ground in the June - July time frame. It would take three months to build and another month to get NSTAR to connect the wires.

Mr. Crowley asked why he used 3% on their numbers and 4% on electric companies. Mr. Fitzgerald said the company wanted to be conservative. He said he also ran sensitivities, changing the escalator in both directions. There will be savings. Ms. Wieler pointed out that the option to calculate different escalators is possible within the spreadsheet that he provided.

**At 8:40 PM, Mr. Foresto moved to adjourn. Mr. D'Innocenzo seconded. It was unanimously voted.  
3-0-0**