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**BOARD OF LIGHT COMMISSIONERS**

**February 27, 2013**

**SPECIAL MEETING MINUTES**

**The meeting was called to order at 6:05 PM.**

**Present were: Scott Bigelow – Chairman, Don Steadman – Commissioner, Chris Conway – Commissioner, and Brian Allen – General Manager. Also Present were: Phyllis Booth, Jim Whitman.**

**Agenda:**

Commissioner Bigelow made a motion to approve and stick to the agenda. Commissioner Conway seconded the motion. All were in favor (3-0).

**Purchased Power Cost Adjustment (PPCA) Discussion:**

Mr. Allen presented the Board with a working document that outlined the current budget, electric costs for January, and scenerio’s of rates for funds to collect from customers and the financial impact. January we budgeted $95K for purchased power, actual invoices paid to date total approximately $118K with approximately $28K still to be received (a shortfall of approximately $50K). Mr. Allen explained that wholesale electric purchases increased in cost because of the supply and demand for natural gas in this region. He explained that natural gas distribution could not meet the need and thus electric generators in the region had to rely more on diesel and oil powered energy which cost a lot more.

The Board acknowledged the reason for January’s purchased kilowatt power number (1,603,00) to be more than the actual kilowatts billed to customers (1,409,875) because of unmetered equipment (i.e. transformers) in the system and an approximate 6.1% loss (i.e. energy lost on tree limbs, etc.). Mr. Allen commented that 6.1% is well within reason and has improved (decreased) over the years because of the improvements to the distribution system and tree trimming.

The Board acknowledged that a PPCA at a rate of $0.035/kwh will cover the $50K shortfall for January. Everyone discussed the options and appropriateness of applying a PPCA to bills.

Mr. Allen explained that February’s Locational Market Prices are also coming in high and that they are higher than January’s. The Board reviewed how the LMP is set and how purchasing energy and selling wind energy affect our hourly and daily price of energy. The price PMLD pays is so variable due to wind generation and market prices. Mr. Allen explained how the hourly activity of wind generation and electric use by customers can offset each other, and how it impacts the price (i.e. if it is 2 AM – off peak – and we are generating a lot of wind, we are selling it at a low price through the market and customers aren’t using much so there is no significant offset; however if its 6 PM – on peak – and customers are using a lot of energy but there is no wind , we are purchasing at a high price with no sale offset). The only sure message to pull from the LMPs, based on the $124.48 per MWH price we saw today (2/27/13), is that prices will be high in February, how much more above the $95K we budgeted for we won’t know until actual bills are received.

The Board acknowledged that PMLD does not have the financial resources to absorb all of the hit for the higher costs because we currently have no rate stabilization fund or depreciation account (which is what most utilities have readily available); and that our reserve fund has just over $3K in it. The Board acknowledged that PMLD has been managing under a tight budget and that we have been fortunate that energy costs in the past have been managed and paid through the available funds. Mr. Allen reminded the Board of his long term goal to build up the funds, but that we are not able to do that just yet. Mr. Allen acknowledged measures he has taken to tighten the operating budget (i.e. freeze on spending, inventory purchases, no movement on the purchase of a new/used bucket truck or meter truck).

The last PPCA was imposed in June 2008 through February 2009 (9 months) for a rate of $0.0145 to $0.0154 on top of a base RR rate of $0.1727. The highest PPCA was applied in November 2005 at $0.0572 on top of a base RR rate of $0.1183. The Board acknowledged that the last time we applied an additional fee was the $10 per month service fee from April 2009 through May 2011 (May 2011 we only charged an additional $5) which was for costs associated with the December 2008 ice storm.

The Board discussed at length the impact on each customer and reviewed kilowatt usage and cost analysis detail. Everyone agreed that the PPCA funds collected can only be used to pay towards the shortfall to satisfy the purchased power bills. Mr. Allen confirmed that all purchased power flows through the Massachusetts Municipal Wholesale Energy Cooperation (MMWEC) because the ISO demands payment on a daily basis. PMLD only pays MMWEC once a month, which is why MMWEC was created and we are a member.

The Board asked Mr. Allen to look into whether or not our municipal can acquire a loan or line of credit directly from a bank.

Everyone agreed that an explanation must be included in the bill. A message will be added to the bottom of the bill to explain why the PPCA had to be added. A comment on how to conserve energy should also be included.

Commissioner Conway made a motion to accept the recommendation of the General Manager and grant him the authority to apply a Purchased Power Cost Adjustment (PPCA) fee on kilowatt usage beginning with March 1, 2013 bills to all customers at a rate not to exceed $0.035 per kilowatt for no more than three (3) months. Commissioner Bigelow seconded the motion. All were in favor (3-0).

**At 6:55 PM the Board voted unanimously in favor (3-0) to adjourn.**

***Respectfully Submitted,***

***Christine Trudeau***

***Recording Secretary***