

KENNEBUNK LIGHT & POWER DISTRICT  
COUNTY OF YORK  
STATE OF MAINE

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BOARD OF TRUSTEES MEETING MINUTES

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KENNEBUNK LIGHT & POWER DISTRICT  
4 FACTORY PASTURE LANE  
KENNEBUNK, ME 04043  
TUESDAY, JUNE 28, 2016  
6:00 p.m.

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BOARD MEMBERS:

PRESIDENT: JONATHAN KILBOURN - (PRESENT)

VICE-PRESIDENT: WAYNE E. BERRY - (PRESENT)

GENERAL MANAGER/TREASURER: TODD SHEA - (PRESENT)

CLERK: MICHAEL JORDAN - (PRESENT)

TRUSTEE: DAVID CLUFF - (PRESENT)

TRUSTEE: ROBERT EMMONS - (PRESENT)

ALSO PRESENT:

Peter Ashley, Cape Neddick

Dan Bartilucci, Kennebunk

Bill Pasquill, Kennebunk

Beverly Freudenreich, Kennebunk

Bill Grabin, Kennebunk

Craig MacDonald, Kennebunk

ALSO PRESENT (continued):

Matthew Rancourt, Business Manager

Kathleen DeMarre, Transcriptionist

Whereupon, President Kilbourn called the meeting to order at 6:00 p.m.

Whereupon, Item II, Review/Approve Agenda, Occurred.

Whereupon, Item III, Public Comment Period (Limited to 15 Minutes Total), occurred. Mr. Ashley took the floor and discussed several documents that he presented to The Board for their review. Mr. Ashley discussed the 1951 bylaws of Kennebunk Light & Power District, along with the community solar hub, reducing the cost of energy, and the impact on house mounted photovoltaic. Mr. Ashley then briefly discussed notes from the National Association of Home Builders and the New England Solar Energy Association, of which he was a founding director, with a website of NESEA.ORG.

Ms. Freudenreich then asked if the 2016 budget will be placed on the website. General Manager Shea will upload that information tomorrow. She also asked about the power outage that occurred on June 27, 2016. General Manager Shea will touch on that topic during the General Manager's Report section of the meeting.

Mr. Pasquill then thanked The Board for their efforts.

Whereupon, Item IV, Board Review and Approve 05/31/16 and 06/15/16 Meeting Minutes, occurred. Trustee Cluff made the motion in which Trustee Emmons seconded the motion. President Kilbourn would like a log kept of any items that come up that need to be addressed so as to ensure that nothing is overlooked.

Whereupon, with unanimous ayes heard, the minutes for May 31, 2016 and June 15, 2016 were accepted.

Whereupon, Item V, Board Review May 2016 Financial Reports, occurred. Business Manager Rancourt took the floor and advised The Board that upon their guidance, he has adjusted the format of the report. He then stated that revenues were higher this year over last due to an increase of 220,000 kilowatt hours. Other revenue is higher, as well, due to the timing of pole rental payments. Administration expenses are lower this year over last due to the retirement of Ms. Staz. Regulatory commission expense was then discussed by Business Manager Rancourt. The expense was recorded in April in 2016. In 2015, the expense was recorded in June. Customer accounting and collection expenses were then discussed. Distribution expenses are higher year-over-year due to a timing issue of payment of dispatch expenses to the Town of Kennebunkport.

Business Manager Rancourt then moved on to the Budget Analysis, in which he expressed to the Board that he added a column for monthly actuals. He explained that the budget is currently being handled based on historical data. Going forward it will be weighed throughout the year. Business Manager Rancourt eliminated the remaining budget column. A schedule was added for hydro expenses. Eventually, year-to-date numbers will be added to the hydro schedule.

The Board thanked Business Manager Rancourt for his efforts. Trustee Cluff asked about the dam re-licensing expenses of \$30,894 year-to-date, with a budget of \$104,068. Trustee Cluff asked if there are any outstanding expenses. General Manager Shea stated that there are

outstanding expenses; some of which have been processed in June of 2016. Business Manager Rancourt stated that any bills that are received are processed immediately.

President Kilbourn then asked about the addition to the schedule based on hydro production. Business Manager Rancourt has captured all items that pertain to the hydro expenses. Depreciation was then discussed briefly. Clerk Jordan then discussed fixed assets and their life span of 50 years and the affect on depreciation. General Manager Shea then briefly discussed the 40-year old bond. President Kilbourn then stated that contractor expenses have not been included. Business Manager Rancourt would like direction as to whether contractor expenses should be incorporated into the re-licensing expenses. Per President Kilbourn, maintenance, inspections, renovations, specialty work, does not necessarily need to be included, but if the expense is directly related to operating, safety and other issues related to the dams, it should be included. General Manager Shea agreed and discussed how expenses are being reflected within the report.

Vice-President Berry asked if expenses are being classified against operating expenses, re-licensing expenses, et cetera. He discussed the breakdown of expenses under operating expenses. Further discussion then occurred between The Board and General Manager Shea in regard to classification of expenses. Current year write-offs were then discussed, with Vice-President Berry asking for a breakdown of unordinary expenses.

Vice-President Berry then asked Business Manager Rancourt about RNS revenue and how close the District is to getting back to zero. Business Manager Rancourt stated that the deficit between the cost of power and transmission and what has been charged to the District's customers has accumulated to \$203,400 with fiscal year ending in 2015. General Manager Shea then discussed RNS and LNS rates along with legacy issues. General Manager Shea also discussed line loss and system losses stating that they should be dollar for dollar. Vice-President Berry remarked that by the end of 2016, based on historical data, the goal should be that the \$203,400 will be down to zero. Business Manager Rancourt added that it will be dependent upon usage. Vice-President Berry agreed.

Vice-President Berry then asked about under collection of power and whether it is due to line loss or non collection of payments. General Manager Shea stated that it is a combination, but, per Business Manager Rancourt, revenues are not dependent upon collections and the District has been systematically undercharging for power. Business Manager Rancourt then briefly discussed RNS rates and delivery rates in rate restructuring. Business Manager Rancourt and General Manager Shea will meet after the holiday to discuss power rates.

Vice-President Berry then discussed the Mike Hubbard report in regard to the rate structure. General Manager Shea discussed Mr. Hubbard's opinion and the need for the District to be very transparent. President Kilbourn then discussed the recouping of costs for the power itself, notwithstanding adjustments to rates elsewhere due to inadequate coverage. The Mike Hubbard report was then briefly discussed by the Board members, with General Manager Shea stating that energy expenses and energy revenues are being matched as they are realized. Lag times no longer occur as they did in the past. Energy revenue and power purchase expenses were briefly discussed and the impact that line loss has on those figures. Legacy accounts, distribution costs and operational costs were then discussed by General Manager Shea and Business Manager Rancourt.

Trustee Emmons then asked for clarification in regard to the graph of delinquent accounts. Business Manager Rancourt advised The Board that the delinquent account balance for accounts that are 30 days or older for May of 2016 was \$157,000. Delinquent accounts for May of 2016 was \$190,000. President Kilbourn then requested the average DSO (days sales outstanding). Business Manager Rancourt will forward that information along to the Board.

Whereupon, Item VI, General Manager's Report, occurred. General Manager Shea thanked Clerk Jordan for his nearly ten years of service, presenting him with a commemorative gift. The Board discussed and reminisced about Clerk Jordan's time on The Board.

General Manager Shea advised The Board of his upcoming vacation. He also stated that on July 13, 2016 a meeting is scheduled to be held in Augusta with Governor LePage in regard to any assistance the Governor and his staff might be able to give the District as they move forward with the hydro issue. Board members then discussed attendance to that meeting.

Kesslen safety issues were discussed, in which General Manager Shea stated that the unit is not in service and will not be placed back into service until such time that the safety of the structure has been verified. A meeting will occur in the future with the Kennebunk Fire Chief, along with the property manager to determine if the fire extinguisher is tied into the alarm system. The unit does have overspeed protection, which would eliminate any overheating issues that could lead to a fire, but the District needs to ensure that it is safe to be operating in the building. As the cost to realign that unit could cost up to \$140,000, General Manager Shea cannot recommend to the Board to undertake the project at this time.

Vice-President Berry asked if the unit overheats and sets the sprinklers off, will it disconnect from the grid automatically. General Manager Shea advised The Board that that needs to be determined. He believes that to be the case, but verification is needed. General Manager Shea did advise The Board that the overspeed regulator will shut down the switch gear and it would not operate after that. Electricity would automatically stop generating.

General Manager Shea advised those present that a voltage regulator failure at the Water Street substation occurred June 27, 2016 at approximately 11:00 p.m. involving circuit 8, which serves Arundel, and circuit 9, which serves Route 1. The outage lasted about an hour. Circuit 8 was unregulated June 28, 2016, but the voltage is level on that circuit. There will be another shortage this evening, June 28, 2016, in which the voltage regulator will be brought back online to handle the load through the circuit breaker as opposed to the voltage regulator. The voltage regulator was taken apart, approximately 16 to 20 pictures were taken, and they have been sent to an electrical engineering firm to try to determine why it failed. Vice-President Berry asked if the issue occurred due to there not being enough peak demand on the circuit. General Manager Shea stated that the circuit is mostly residential so there are no big peak demands coming out of it.

General Manager Shea briefly discussed the high school issues and stated that they have been rectified. Services are in place and ready to transfer when the time is appropriate.

The Depreciation study was then discussed. Vice-President Berry asked if there is a software module within the District's current program that will handle depreciation, inventory and fixed assets. Business Manager Rancourt advised The Board that the Asyst program does have both an inventory module and a fixed asset module. Interfacing work orders and purchase orders were then briefly discussed. Vice-President Berry, Business Manager Rancourt and

General Manager Shea then discussed how assets will be identified, age determined, and various other factors that will go into the project. The plan is to get vetting from an outside source and then bring the findings to the District's auditors. Subcontracting was then discussed by President Kilbourn and the skill sets that will be required. Business Manager Rancourt would like to use an outside source who has expertise in this field, industry knowledge individuals, and then have review from the auditing team to verify the accuracy of the proposed protocols. Pole values were then discussed.

Starting points for the asset management program were discussed by Vice-President Berry, with President Kilbourn adding that there will be an accounting for each inventory item which will include the life of each item. New assets were then discussed along with capital assets. The West Kennebunk substation was then discussed, with Vice-President Berry asking if it can be traced separately within the software program. Business Manager Rancourt then stated that because it is identifiable, accumulated depreciation can be obtained and the remaining value can then be determined. President Kilbourn asked if the plan would be to take the significant assets that are already identified and call them out separately, average everything else by industry standards, and then, when new assets are assigned, they will be given a start point. Business Manager Rancourt agreed and then discussed salvaged items.

Vice-President Berry would like to know the timeframe to complete the task. General Manager Shea stated that as soon as the right person is found, the task will be initiated. He stated that various entities have been contacted, it could take several months before it is completed, and follow-up will need to occur. Consumables, assets, depreciation and industry standards were then discussed and President Kilbourn asked General Manager Shea what the plan was to locate the correct individual to undertake the task. General Manager Shea stated that he has reached out to the co-ops located in Maine, the attorneys who deal with utilities, Wright-Pierce and GZA. President Kilbourn asked if the PUC could be of some assistance. General Manager Shea will reach out to the PUC and will also contact NEPPA, and the New Hampshire co-op, as well.

President Kilbourn then asked about the condition of the Water Street substation, age and decay, and the issue that occurred June 27, 2016. General Manager Shea explained that the June 27, 2016 event was a voltage regulator that had been rebuilt due to a motor that stopped operating. The motor was inspected after the rebuild, and he believes that, in this instance, age or decay was not a factor.

General Manager Shea then briefly discussed revisions that will be occurring to the District's website.

Distribution rates were then discussed, along with work rates and pole rental agreements. General Manager Shea stated that RNS and LNS rates can be set by the District.

Deep Lake Holdings, an investment firm based out of New York, has expressed some interest in the hydro facilities. They are looking into exploring hydro opportunities and have requested the book value of the hydro assets. Surge Hydro has not been heard from.

Vice-President Berry then discussed RNS and LNS and how will the management team know when an adjustment is going to be needed. Business Manager Rancourt treats RNS and LNS together. Specific attention hasn't been given to RNS, but that the District needs to get back

to even. Vice-President Berry then asked when management would feel the need to trigger an increase to catch up, would it be done on a monthly or quarterly basis. Business Manager Rancourt stated that a monetary goal would be set and when it is reached, the rate would then be adjusted. The Board discussed adjusting triggers and if it should be reviewed monthly, quarterly or semi-annually. Business Manager Rancourt stated that semi-annually seems reasonable.

Vice-President Berry then discussed legacy issues and how adjustments were not done on a regular basis, which has left the District with a \$200,000 deficit; down from an original deficit of at least \$350,000. He stated that perhaps The Board needs to make a motion to authorize management to make adjustments when warranted but only after the District has cleared up the current deficit. General Manager Shea feels that both himself and Business Manager Rancourt need to first discuss how they intend to bring the deficit down to zero and bring that plan to The Board. President Kilbourn would like this to be an action item, with General Manager Shea agreeing. Business Manager Rancourt added that transparency to both The Board and the District's customers is of the utmost importance.

(Whereupon, Craig MacDonald entered the meeting at 7:10 p.m.)

Business Manager Rancourt and General Manager Shea will derive a plan that they will bring forward to The Board on how they plan to bring the deficit back to zero and how they will proceed going forward to ensure that a deficit does not occur in the future.

President Kilbourn then added that he feels that The Board will now be able to focus more on operational goals and challenges that face the District, now that steps have been taken in regard to licensing and power production at the District's facilities. President Kilbourn added that KLPD does not have a full time staff to provide information and due diligence on every inquiry that is received in regard to the dams. President Kilbourn would like to see the focus move to other issues, urgent challenges, and opportunities that KLPD is facing. General Manager Shea feels that as KLPD is a public entity and he considers himself the public information officer, if information has been compiled in regard to an inquiry, that information will be sent, but further assessment requests, due to limited staff, will not be entertained.

Business Manager Rancourt then added that the impact of the photovoltaic credits that solar customers provide back to the District are being captured. As there was a request for further detail from The Board, the four revenue streams that are credited back to customers for energy that they provide to KLPD have been broken out along with how much of the annual budget KLPD gives back per revenue line. Transmission charges, LNS, and delivery, operating revenue, were then briefly discussed. Business Manager Rancourt then explained photovoltaic accounts and the credits that those customers receive. Cent per cent is given back to the customer excluding the fixed monthly charges. In other words, the customer gets back 100 percent of what they make, except for the minimum charge and ancillary charges required by the state. President Kilbourn then discussed fixed rates in regard to photovoltaic accounts. Business Manager Rancourt then segued into the budget analysis page of his report stating that the year-to-date dollar amount of \$64,082 has been given back to photovoltaic customers, of that figure, approximately 20 percent is delivery.

Whereupon, Item VII, Board Update on Rate Case, occurred. Business Manager Rancourt stated that management met with Mike Hubbard in regard to the delivery component of the District's rates. Mr. Hubbard calculated that on an annual basis the District could net an

additional \$50,000 by raising the rates to 13.7 percent on delivery only. Customers will not see an aggregate increase of 13.7 on their bill. It will only affect the delivery portion of the bill. Business Manager Rancourt then discussed the impact on customers stating that it would average to an increase per month of \$2.06 for residential customers, \$3.21 for general service accounts, and \$7.94 for industrial customers. Business Manager Rancourt then discussed that the District cannot profit from power, LNS or transmission. In regard to delivery, however, Business Manager Rancourt noted that the District is allowed to have a reserve. GASBY was then discussed, in which a reserve of 90 days is the standard. The District currently has a reserve of approximately one and a half weeks.

Emergency funds were then discussed, in which Vice-President Berry asked what the District's line of credit currently is. General Manager Shea will find that information out and notify The Board. Attachment 2(A) was then discussed by Business Manager Rancourt.

(Whereupon, Mr. Grabin left the meeting at 7:20 p.m.)

The reserve account continued to be discussed by The Board along with depreciation, fixed assets, and the sinking fund. General Manager Shea then discussed legacy issues and the current financial status of the District.

In regard to the proposed rate increase, an open public meeting is tentatively being scheduled for Tuesday, August 16, 2016, at 6:00 p.m. in room 300/301 at Kennebunk Town Hall. Independent mailers will be sent to all of the District's customers, along with notification within billings, and to the news papers. General Manager Shea further discussed the procedures that need to be followed to implement the rate increase. The Board agreed to the tentative date. General Manager Shea will confirm the date with Mr. Brown, Kennebunk Town Clerk, and send a follow up e-mail to the Board members.

President Kilbourn reviewed the report further and would like more information in regard to an item on Attachment 2(a), entitled Hydro, specifically the assumption of hydro operations and maintenance in the future. He also would like further information in regard to amortization and net pension liability. General Manager Shea stated that MainePers is currently underfunded and the figures reflect what KLPD would be liable for if the retirement fund was to become insolvent. The status of MainePers and its members were then further discussed by The Board.

Whereupon, Item VIII, Board Review and Comment on Draft Solar RFP For Publishing, occurred. General Manager Shea drafted a report from the Madison Electric Works proposal. General Manager Shea will take the notes received from President Kilbourn into consideration when refining the report. General Manager Shea will e-mail the report to all the respondents of the Madison RFP and to known individuals within the solar market. The deadlines of the RFP were then discussed. It was agreed upon by The Board that the time period was too compressed and after a lengthy discussion, it was decided that General Manager Shea will adjust the schedule, with completion of the project expected in 2017. A variance and innovative alternatives section will be included within the RFP and that would also include proposals for more than five megawatts.

Whereupon, Item X, Date of Next Meeting, July 19, 2016 (Business/Hydro), occurred. The Board reviewed their schedules and it was decided that a meeting will occur on

July 26, 2016 and the meeting will take place at the District's office. The tentative meeting of July 19, 2016 will not occur.

Special meetings were then discussed along with a discussion in which it was decided that Board meetings will occur on the last Tuesday of every month, excluding August. The schedule will be as follows:

July 26, 2016 at 6:00 p.m.;

August 16, 2016 at 6:00 p.m.;

September 27, 2016 at 6:00 p.m.

Mr. MacDonald then asked, prior to sending the letter to FERC in regard to the dams, whether there will be an inquiry as to the reactions that have been received from the public. General Manager Shea stated that via communications with FERC, the meeting will not occur in Kennebunk but will occur in Washington, DC. There will be hydro updates that will occur at the next meeting.

Whereupon, Item XII, Board Recommendation for Agenda Items for Next Meeting, occurred. As there were no recommendations, President Kilbourn asked for a motion to move into Executive Session pursuant to Item IX, Executive Session Pursuant to 1 MRSA 405.6 (A) to Discuss a Personnel Matter. Trustee Emmons made the motion and it was seconded by Clerk Jordan.

Whereupon, with unanimous ayes heard, The Board moved into Executive Session at 8:18 p.m.

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EXECUTIVE SESSION

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Whereupon, The Board moved back into Open Session at 8:30 p.m.

There being no additional business of the District, Trustee Cluff made a motion to adjourn and it was seconded by President Kilbourn.

Whereupon, with unanimous ayes heard, the meeting adjourned at 8:31 p.m.

Attest: \_\_\_\_\_  
Michael Jordan, Clerk