

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, AUGUST 16, 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: ROBERT EMMONS - (PRESENT)

TRUSTEE: DAVID CLUFF - (PRESENT)

TRUSTEE: DAN BARTILUCCI - (PRESENT)

ALSO PRESENT:

Mike Hubbard, the Financial Engineering Company,

(Via telephone)

Matthew Rancourt, Business Manager

Kathleen DeMarre, Transcriptionist

APPEARANCES:

Bill Grabin, Kennebunk

Peter Ashley, Cape Neddick

David Wayne, Kennebunk

Donna Teague, Kennebunk

Sean Teague, Kennebunk

Albert Kolff, Kennebunk

Agnes Gormley, Office of the Public Advocate

TRANSCRIPT OF PROCEEDINGS

THE VERBATIM PORTIONS OF THIS MEETING are supplied to you on the condition that receipt thereof will certify the accuracy of the spoken word but not that of the speakers.

THE VERBATIM PORTIONS OF THIS MEETING are a transcript of the recorded proceedings and since the proceedings were not taken in front of a court reporter, accuracy in the depiction of speakers cannot be guaranteed in the colloquy of the transcript.

THE VERBATIM PORTIONS OF THIS MEETING are the only official transcript which may be relied upon for purposes of verbatim citation of the proceedings.

Whereupon, President Kilbourn called the meeting to order at 6:01 p.m.

Whereupon, Item II, Public Hearing on Delivery Rate Increase, occurred. President Kilbourn took the floor and read the following statement:

"Assistance is available from the Office of the Public Advocate. The rate filing may be investigated by the Commission in accordance with 35(a) MRSA Section 3502 of the Maine statutes."

Whereupon, the Board moved directly to Item II, Public Hearing on Delivery Rate Increase.

Public Comment Period

Verbatim Transcription

MR. GRABIN: Bill Grabin, Kennebunk. I was just looking at these handouts on finances and I just wondered if you could provide a brief explanation. It talks about adjustments to test year. I just wasn't sure what that was in regard to.

PRESIDENT KILBOURN: Would you like to take that, Todd?

GENERAL MANAGER SHEA: I'm going to have Mike take that over the phone. He set this up. He's done several of these.

Mike -- Mike, if you don't mind, the question was: Can you explain the adjustments to the financials?

MR. GRABIN: And also --

GENERAL MANAGER SHEA: Sorry.

MR. GRABIN: And also, what is the test year; what does that refer to?

GENERAL MANAGER SHEA: And what does the test year refer to?

MR. HUBBARD: Okay. Sure. I'd be happy to explain that. In the rate making process, we go through a process where we look at the historical -- the latest 12 months historical on file -- it's usually a calendar year -- and so, we took the 2015 actual revenues and expenses and that's referred to as our test year. 2015 is the test year.

And then what we do is, we go through a process where we make adjustments to those revenues and expenses for what is termed as "known and measurable changes". Such that, if we know that there has been a change in something and it can't (sic) be measured, then we make an

adjustment for that. And so, that's what you see there, is that those are all those adjustments are made for things that happened after the 2015 test year that we know happened and we can't measure it and, therefore, we adjust it.

I will say that because of that, because we're -- we hold ourselves to a kind of a -- the known and measurable, that there's going to be a lot of other changes to those, inflation and things like that, that we don't normalize in, 'cause we don't know what they are and we don't know for sure what those effects are and so we're being very -- these adjustments are going to be on the low end. So I would expect that while we show that we're striving for a certain net margin, that our net margin will probably be -- probably be less than that because there will be some adjustments or just things that happen over the occurrence of time that we can't normalize in.

GENERAL MANAGER SHEA: Thank you, Mike.

MR. GRABIN: Thank you.

MR. HUBBARD: Yup. Um-hmm.

VICE-PRESIDENT BERRY: Just let the record show that that was Mike Hubbard speaking from The Financial Engineering Company out of Rockport.

PRESIDENT KILBOURN: If there any further comments with regard to the rate -- proposed rate increase, please step forward. If not, we'll bring this portion of the meeting, this hearing to a close.

Thank you, Mr. Grabin.

All right.

MS. TEAGUE: I'm actually reading something for someone else who was supposed to be here but, possibly, is running a little short. So do I put my name or his name?

PRESIDENT KILBOURN: If you'd, please, introduce yourself and then put your name on the sheet --

MS. TEAGUE: On the sheet, okay.

PRESIDENT KILBOURN: -- and then indicate who you're speaking for --

MS. TEAGUE: Okay.

PRESIDENT KILBOURN: -- that would be fine.

MS. TEAGUE: Okay. I'm Donna Teague, 18 Oak Bluff Road, and I'm reading something that Albert Kolff prepared. He's entitled it: *No Need to Increase Distribution Rates*.

"The July 11, 2016 letter to ratepayers was a notification for a 13.7 percent rate increase for distribution is only the first increase we will see if KLPD ceases operation." I assume he means of the dams.

"Cited reasons for the increase: The 'significant expenses associated with studies regarding the disposition of the hydro units from the July 11, 2016 financial engineering company letter to the Maine Public Utilities Commission KLPD proposed rate increase.

KLPD is becoming a broker, purchasing electricity instead of a producer generating revenue. The former trustees' reluctance to review a serious new alternative that provides a profit of \$4,400,000 instead of a \$13,000,400 loss with the ceasing of operations begs a no confidence vote.

The 2011 Wright-Pierce Draft Report predicted high pending costs for the four alternatives. Even with the dire future predictions, in 2011 the three dams generated 1,495,760 kilowatts or \$122,000 of revenue. With a revenue of 122,000 and an operating cost of 80,787, an escrow account or a rainy day fund of 41,000 per year should have been set aside."

Bullet: "How are the former trustees planning to pay for the significant expenses? For the last two months, the three dams have not been generating electricity. What is the current bill for these two months from NextEra Energy for replacing the lost energy not generated?"

2. What is the cost of the one-and-a-half percent lost energy not generated or stranded costs by the three dams? The Wright-Pierce Facilities Alternatives Report budgeted \$65,000 for capital maintenance of the dams in 2016 and \$150,000 for dams and generating equipment costs in 2018.

3. How are the trustees and KLPD planning to pay for these expenses? Keep the dams generating revenue for the next five years to offset significant expenses. Don't raise the rates based on the costs of the studies.

4. Budget the FERC review expenses over 40 years without short-term rate increases."

And then he says: "See attached cost analysis spreadsheets for Alternative 4."

I think you've got copies of this, did you?

PRESIDENT KILBOURN: Yes, we did.

MS. TEAGUE: Okay. Good thing, because I'd never be able to repeat it.

okay. Thank you.

PRESIDENT KILBOURN: Thank you. Would you like to --

GENERAL MANAGER SHEA: Yes. If I may.

MS. TEAGUE: Umm, Albert just walked in.

GENERAL MANAGER SHEA: In the test year that Mr. Kolff referred to, I'm assuming that's 2011, because the figure referenced was 1,495,760 kilowatt hours. Per the Statement of Hydro Activity that was provided to the Board as requested, that year actually showed a \$7,473 loss of revenue to the District or cost to the District as opposed to purchasing hydro -- purchasing

wholesale electricity. And this Statement of Hydro Activity will be provided to the Public Utilities Commission in conjunction with this conversation.

PRESIDENT KILBOURN: Thank you, Todd.

All right, then. Thank you very much for your comments and for relaying other comments. We'll bring this portion of the meeting, the public hearing, to a close. Todd, am I correct in saying that comments can still be directed to us or to the Public Utilities Commission?

GENERAL MANAGER SHEA: yes.

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Public Comment Period and Verbatim Transcript Concluded

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Whereupon, Item III, Approval of Regular Meeting Agenda, occurred. With no objections, the Board moved forward.

Whereupon, Item IV, Public Comment Period (Limited to 15 Minutes Total), occurred.

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Public Comment Period

Verbatim Transcription

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MR. ASHLEY: My name is Peter Ashley. I've written something so that it will only take about three minutes and twenty-five seconds. I have tended to run over considerably in the past, and I hope you'll excuse me for that.

Okay. This is in three major topics, so it -- three major items in one topic. Okay. This has to do with recording of information I think may need some improvement by the trustees and those working at the light plant, but this only applies to the hydro end of things, nothing to do with the distribution and all of that. Because I know, from looking and talking with the fellows, that that's working very well from my point of view.

Number one, long-term organizations think of forever when dealing with information. The Smithsonian and the Library of Congress are the two most memorable. A minimum of three sets of records are usually required. The archives are, naturally, the largest required and industry has used microfilm as its lifetime exceeds 500 years expected.

Number two, office files are the next level and may also include microfilm/microfiche in conjunction with the materials being prepared for archives and the paper computer files of the modern era. Paper files of the day-to-day kept until sifted and prepared for archival preparation and storage.

Three, the day-to-day files of the hydro office, all data references, addresses, contact info, phone calls, computer files, et cetera are moved to a secure place at the office on Factory Pasture. Files every two years to provide work overlap timing.

If decisions are made that will change ownership of equipment or other types of capital assets, a full paper, computer, and microfilm trail is available from cradle to grave so to speak.

Kennebunk Light and Power District has room over the truck base for a hydro office so it can prepare the day-to-day information that will be needed and has been needed regarding all aspects of operating and maintaining its hydro investments. This will be very beneficial in the next few years.

Again, this is just another of my suggestions to be addressed by KLPD. Thank you for your many hours of deliberations and concern for the town's ratepayers. I know with the course you have it is a phenomenal job for all of you to take care of.

Peter Ashley, August 16, 2016.

PRESIDENT KILBOURN: Thank you, Peter. Thank you, Peter.

MR. WAYNE: Hello. David Wayne, ratepayer, River Oaks Drive. I just wanted to let you know that Albert Kolff and I met with the Governor, with the director of the Energy Office, with the commissioner of Maine Resources, with a staff member, and one of the politicians there at 3 o'clock this afternoon. A letter will be forthcoming from that office. There seemed to be some question as to whether they would be contacting you or you would be contacting them. And it was very apparent from the discussion that they would ask you, at least to consider, holding back as far as the submission to FERC closer to the date when it's actually required. But I just wanted to let you know that they were working on a variety of types of things to support the decision making and we'll have that to you very quickly. Thank you.

PRESIDENT KILBOURN: Thanks.

VICE-PRESIDENT BERRY: Can I ask a question?

PRESIDENT KILBOURN: Sure.

VICE-PRESIDENT BERRY: What specific reasons were they given -- were they going to give us for not filing until later?

MR. WAYNE: (INAUDIBLE)

VICE-PRESIDENT BERRY: Could you come back to the mic?

MR. WAYNE: There were several different things that have come out. There's a major hydro report which has just come out. There's a lot of detail in it relative to improvements in hydro, in terms of hydro production, in terms of the -- also the bill that is currently in committee at the federal level, which will affect how FERC could be operating at the federal level, so if there are any caps (sic), who knows. But there were several different types of different things

they wanted to look at in terms of environmental protection, in terms of cost factors, and providing some support and a review. So that's how I understand it. Albert, is there anything...

VICE-PRESIDENT BERRY: Was the major hydro report you're referring to a state basis, or a federal basis, or --

MR. WAYNE: Yeah, that was national.

VICE-PRESIDENT BERRY: Okay. Was the --

MR. WAYNE: And it was the most --

VICE-PRESIDENT BERRY: Was the Mousam River included in that report?

MR. WAYNE: No. This was looking at the whole issue of hydro generally, the difference between the small dams, the regeneration of energy, which can be, apparently doubled or more based on some of the technology, and so on. And that has -- that came out fairly recently and I assume that if you haven't received it, you should. It's a federal report.

VICE-PRESIDENT BERRY: Okay. Thank you.

MS. TEAGUE: Donna Teague, again. Now am I on?

PRESIDENT KILBOURN: You are.

MS. TEAGUE: Thank you. Can you hear me now? That's the question. On August 8th I sent you folks a memo, a request about the NOI. I'm just reminding you of that tonight. And, also, in case some of the public does not know about that request, I won't read it again but basically, we had between 800 and 950 citizens of Kennebunk, registered voters, support three ballot questions about the dams that are now going to be on the November 8th election ballot. We are hoping that in light of that, the Town's people support, your customers support, and the various things that are going on, both at the national and state levels with hydro, that we would hope that you would wait with a filing of a NOI until at least after the election, if not until the deadline in March. The people really kept saying to us can you hear us now, KLPD? So, I hope, because you haven't responded, I hope you will respond tonight and give due respect to your constituency. Thank you.

PRESIDENT KILBOURN: Thank you.

MR. TEAGUE: Sean Teague, married to Donna. I just want to piggyback on that comment just very briefly by saying that this is the third time the -- push the button?

GENERAL MANAGER SHEA: The button on the microphone, Sean. Right at the base.

MR. TEAGUE: Push on.

GENERAL MANAGER SHEA: There you go.

MR. TEAGUE: In English. I should be able to catch that. I just want to piggyback on her comment just recently, which is that this is the third time the majority or a significant

majority of Kennebunk residents have appealed to you guys to hold back on ceasing operation and taking down the dams.

The first was our 450 names that are attached to our online petition. I'm sure all of you are well aware of that, because you got bombarded by that with your e-mail accounts.

The second was the election of Dan Bartilucci. Dan, I forgot how many votes you got. What was it?

TRUSTEE BARTILUCCI: 1200 --

MS. TEAGUE: 1276.

MR. TEAGUE: That is more votes than any other, I think, elected official has received in recent memory. That's another strong statement to KLPD that we want to keep generation, we want to keep our hydropower, we want to keep our river, and we want to keep our dams.

And the last one was this 900 plus signatures on these ballot initiatives. It's another major mandate that the Town is trying to say to you guys, we want to keep what we've got. Nearly a thousand people signed. I collected a hundred signatures. Only two people refrained from signing the petition. That was the experience of most of the people that are going around collecting signatures. Very little resistance as far as signing that petition. Please take that into consideration. Thank you.

PRESIDENT KILBOURN: Thank you.

MR. KOLFF: My name is Albert Kolff. Is this off?

GENERAL MANAGER SHEA: There you go.

MR. KOLFF: My name is Albert Kolff. I would like to offer my spreadsheets to Todd Shea, to work with Todd Shea. I only charge a dollar an hour.

(Laughter.)

MR. KOLFF: And I'm serious that I'd like to see --

PRESIDENT KILBOURN: (INAUDIBLE)

MR. KOLFF: -- I'd like to see the Wright-Pierce numbers updated and I offer the opportunity to go over operating costs, whatever it is, so that we don't have to spend our money on Wright-Pierce. Thank you.

PRESIDENT KILBOURN: Thank you. If I could just say, I think safely say, that Todd's door is always open, and if you'd like to make an appointment with him to review them, I'm certain he would be willing to do so.

GENERAL MANAGER SHEA: All I ask is that you, if you're going to be coming in for a while, please call ahead of time just so that I can set aside some time. For anybody that's going to -- if you're just coming in to make a comment, that's fine, or a quick tip, like Mr. Grant or

Miss -- I don't remember your name, but, if you're coming in just for a quick flyby, that's fine. If you're going to need more than an hour of my time, just, please, give me a call. And let's schedule something, Albert.

PRESIDENT KILBOURN: Are there any other comments during this public comment period?

(No verbal response.)

PRESIDENT KILBOURN: Don't be bashful. All right. Thank you. Thank you very much for taking the time out of your evening to come and speak with us. I hope you enjoy the rest of the meeting.

We will, just because we don't have answers tonight about any of the comments or questions that were made, doesn't mean that we didn't hear them or that our General Manager won't be reviewing them and we will try and certainly be responsive.

Public Comment Period and Verbatim Transcript Concluded

Whereupon, Item V, Board Review and Approve 07/26/16 Meeting Minutes, occurred. Trustee Bartilucci stated that Page 496, Paragraph 3, of the July 26, 2016 minutes should be amended to reflect \$5.6 million over a forty year period rather than \$5.6 million over a four year period. President Kilbourn asked for a motion to accept the minutes. Trustee Bartilucci made the motion to accept the minutes as amended. Vice-President Berry seconded the motion.

Whereupon, with ayes heard from the Board, with Trustee Cluff abstaining, the minutes are accepted.

Whereupon, Item VI, General Manager's Report, occurred as follows:

General Manager Shea addressed the requests received from the Board during past board meetings. He stated that the time of day that the District's peak occurs is generally around 6:00 p.m. He stated that in July of 2016, there were two peaks and the previous peaks were broken on August 12, 2016 in which the District was just over 21 megawatts.

A newsletter will be produced. General Manager Shea is awaiting a list of topics that the Board would like to have addressed within the newsletter.

Water Street substation Discussions were then discussed. The first meeting was held with Central Maine Power representatives on August 4, 2016. A follow-up meeting with CMP's chief distribution engineer will occur on August 19, 2016. CMP is in the planning stages of a distribution line voltage upgrade in the area of the West Kennebunk substation, from the Biddeford Industrial Park to Branch Brook in Wells. Per General Manager Shea, the voltage supply at the Water Street substation would increase costs of a new substation considerably. Options will be discussed with CMP which will include the option of CMP building a 115

kilovolt substation to a 34.5 kilovolt substation for the potential of CMP sharing in the cost of the additional funds required for a higher voltage supply, which may help void their costs of building a new substation in that area. CMP has not identified the timeframe for the upgrade. General Manager Shea hopes that the upcoming meeting will help to synchronize the two projects. General Manager Shea will have additional information at the September meeting.

General Manager Shea was asked by Trustee Bartilucci to identify the amount that MainePers is unfunded by. Per the most recent MainePers valuation, it indicates that the plan is currently funded at 89.5%.

General Manager Shea will have the remaining 2016 meeting dates placed on the KLPD website. He has requested that all Board members either accept or decline via e-mail invitation. President Kilbourn will be unable to attend the December 27, 2016 meeting. General Manager Shea would like to discuss other available dates for that meeting.

General Manager Shea was asked by Vice-President Berry to follow up on the line of credit. Per General Manager Shea's research, several conversations have occurred in the past with Camden National Bank, but no application has ever been made.

Trustee Bartilucci requested that any information received from the Governor's be added as an agenda item for the next meeting. General Manager Shea stated that pursuant to this request, The Governor's Office information will be added to the agenda. General Manager Shea then discussed a small hydro bill that the Governor is strongly in favor of. General Manager Shea sent information to the Governor's Office in regard to the District's hydro assets. The Governor advised General Manager Shea that, at some point, he would like to work with the District and the PUC to try and work out figures for what RECs would be worth for the sites if the District were to upgrade.

Clerk Emmons' request for additional conversations in regard to the substation have occurred tonight and will continue to be discussed at the September 27, 2016 meeting.

General Manager Shea then discussed the outage that was occurring at the time of this meeting on Depot Street due to a tractor trailer pole accident. Crew was on site working to repair the damage. Staff was called in to handle telephone calls.

General Manager Shea then moved on to hydro site safety. He reminded the Board that the hydro sites are not public facilities. The facilities are not ADA compliant and are not easily accessible. Liability could occur if public tours are permitted at the facilities. General Manager Shea would like to gain concurrence from the Board on that item.

Vice-President Berry then discussed the line of credit issue and asked if the Board would like management to review options available at various banks. General Manager Shea feels that it is something that should be reviewed and that it may be prudent to apply for. Trustee Cluff asked if management had a dollar amount in mind. General Manager Shea stated that Business Manager Rancourt has no current projections but he will review and report back to the Board at the September meeting. President Kilbourn would like to ensure that there is a cash flow buffer in place and would like to know what management feels would be a prudent cash on hand amount relative to overall revenues. Vice-President Berry suggested that management should, perhaps, discuss the topic with the District's auditors, along with GASB information. Trustee

Cluff is open to the idea of opening a line of credit, but he would like to see Business Manager Rancourt reach out to various banks for comparison purposes.

Trustee Cluff asked if General Manager Shea could speak with the District's insurance agent in regard to hydro safety. General Manager Shea stated that he has had a conversation with Jeff Cole from the Cole-Harrison Agency and that ADA compliance is an issue. Slip and falls were then discussed, along with other types of liability situations that could possibly happen. Vice-President Berry would like management to check with the Department of Labor and OSHA in regard to non-employees on the premises of the hydro facilities. President Kilbourn then added that Homeland Security rules and regulations should be reviewed. President Kilbourn does feel that if visits to the hydro facilities can be done safely, securely, and legally, that members of the public shouldn't be precluded from the facilities.

Whereupon, Item VII, Board Review July Financials, occurred. Business Manager Rancourt took the floor and started by stating that energy, transmission, delivery, RNS were up from last year based on a larger consumption. Expenses were lower this year over last due to pay period variances. Annual expenses will not be affected by that variance. With no questions from the Board, President Kilbourn stated that the format and presentation are good, clear, understandable, and he thanked management for their efforts.

Whereupon, Item VIII, Board Review 2010-2015 Hydro Expense Report, occurred. General Manager Shea stated that management has reviewed the 2010-2015 operating expenses regarding the hydro facilities. Electrical generation figures were verified via meter reads. The expenses and the presentation of the figures were reviewed. Depreciated assets and depreciable services were not included.

General Manager Shea stated that the foresight of past boards did not exist in regard to the hydro facilities. The desire to keep rates low was the underlying theory. Money wasn't put away in anticipation of hydro facility costs. General Manager Shea stated that expenses are acknowledged as they are experienced. He advised those present that it is an expense to the District to generate hydro. In 2010, based on all costs associated with hydro along with the 1.1 million kilowatt hours produced, the District saw a loss of \$54,156. The revenue value was reached by taking the cost per kilowatt hour to produce the electricity in the year it was realized. The cost per hour purchased includes energy, RNS, and transmission costs, which is everything that is paid by the District to get electricity to the substation. Delivery costs are passed onto the customer at the same rate no matter where that energy is produced.

In 2010, the purchase price of energy, RNS, Transmission and LNS was .1076 cents per kilowatt hour. Production was .1565 cents per kilowatt hour. In 2011, the purchase price was .089 cents per kilowatt hour. Generation was at .094596 cents per kilowatt hour. In 2013, due to low expenses, and higher generation, at 1.5 million kilowatt hours, the District saw a net gain of \$421.00. General Manager Shea stated that going forward the hydro financials will be updated on a monthly basis.

Depreciation was then discussed with Trustee Bartilucci asking for clarification on the methods used. Business Manager Rancourt stated that the District uses the straight line method. In other words, the historical cost of an asset divided by its useful life. The dams have a useful life of approximately 50 years based upon the FERC website. Historical costs of the dams, upgrades and operational expenses were then briefly discussed. It doesn't fluctuate year to year.

If management was able to ascertain a more detailed understanding of the historical costs of the dams, then fluctuation would occur. The District does fund depreciation. It is included as a line item within the budget and revenues are raised against that cost. The District treats depreciation as an above the line expense.

Trustee Bartilucci then asked the District's total insurance policy versus the dams. Business Manager Rancourt stated that the total this year was less than in previous years as the umbrella component was not maintained. In 2015, the cost was approximately \$55,000 to \$56,000. This year, without the umbrella, the cost was approximately \$38,000 to \$40,000. The dams are 25 percent of the aggregate amount of the insurance per Trustee Bartilucci, with Business Manager Rancourt agreeing. Business Manager Rancourt included that insurance is allocated to facilities, vehicles, directors, and officers. Trustee Bartilucci feels that it is a high price. Business Manager Rancourt added that it is a niche market which is extremely specialized. The District reviews the policy annually with the insurance company. President Kilbourn then asked how and why is 25 percent of the District's total insurance premium allocated to the dams. Business Manager Rancourt stated that the bill is broken out by the specific types of insurance coverage that the District holds.

Whereupon, Item IX, FERC Filing Notice to Board, occurred. General Manager Shea reviewed the Notice of Intent letter with the Board. The Notice of Intent letter states that a publically attended meeting was noticed and held on Wednesday, June 15, 2016, that a unanimous vote, with one abstention occurred in which it was decided that FERC would be notified of the intent to cease generation and surrender the license for the generation of hydropower at three sites on the Mousam River when they expire in March of 2022 and not to cease prior to that. He stated that filing the Notice of Intent is a requirement of any renewal or surrender of any license and it is due five years prior to the expiration of the active license. General Manager Shea also stated that the KLPD Board of Trustees voted to only provide notice of the intent to discontinue generation of hydropower and surrender the license with no indication of the disposition of the facilities. He continued by stating the research and due diligence that the Board performed in making this decision, including the years of meetings, commissioning, researching, reviewing and dissection of studies, along with several public meetings, review of public comments and input received from government and federal agencies along with non-governmental organizations and members of the public.

General Manager Shea stated that his instructions, based on the meeting held in June, was to file the Notice of Intent. His letter to the Board is based upon that instruction. He is not attempting to sway the Board to make any other decisions. He continued by stating that KLPD intends to work with FERC to perform additional studies as required to determine what the disposition of the facilities will be. The ultimate decisions will rest with FERC as they have jurisdiction over the project. The decision could vary widely and additional study results through the surrender process will determine the fate of KLPD's dams on the Mousam River.

General Manager Shea stated that the filing of a Notice of Intent does not preclude any entity from approaching KLPD to negotiate terms of a license transfer. The filing could potentially alert interested parties of available assets on the Mousam River. He then continued by stating that KLPD has unsuccessfully attempted to locate parties interested in obtaining the hydro assets with another rejection received the morning of this meeting.

General Manager Shea stated that a license transfer would not change the regulatory process. Nor would it guarantee that a license would be issued if another entity was to apply. Articles of the FERC to relicense or surrender a license were then touched upon.

General Manager Shea concluded by stating that the decision by the Board was decided upon only after review and consideration of input received from all parties. He noted that ecological, economic, community and financial impacts were assessed. The cost of fish passage, generation rehabilitation and facility maintenance upgrades were considered. General Manager Shea advised the Board of the supporting documentation that has been attached for the Board's review. He stated that the Notice of Intent is due no later than five years prior to the expiration of the license, and the application for the disposition of the assets is due no later than two years prior to the expiration of the license.

President Kilbourn and General Manager Shea then discussed what would occur if the notice was filed and if conversations would then be precluded with the Town or any other entity should there be an interest in retaining the dams. General Manager Shea discussed various scenarios and the impact of filing by KLPD including such things as intervenor status. FERC and intervenor status was then discussed.

President Kilbourn then remarked that the two year date, prior to the expiration of the license, is the latest date that the District can file the application. It is the application that would address the disposition of the dams and after that point, if there was opposition or disagreement, the intervenor status would come about. General Manager Shea is not clear as to whether or not filing a Notice of Intent would permit an entity to have intervenor status, but the filing would not preclude KLPD from having conversations with any entity that might have interest in taking over the responsibility of the assets.

Vice-President Berry then asked if filing the Notice of Intent will lock the District into a particular path. General Manager Shea stated that per conversations with FERC, FERC appears to be lenient, but failure to file a Notice of Intent is an implied surrender. If the District does not file a Notice of Intent by March of 2017, it will be considered an implied surrender of the license. General Manager Shea then discussed various cases that he has read through the E-library on the FERC website, in which entities have changed their minds in regard to licensing.

President Kilbourn then asked what would be the pros and cons of continuing on the current pathway versus waiting to the last possible day. General Manager Shea stated that the District could be precluded from grant funding if the Notice of Intent is filled now. Available grant funds were then briefly discussed by General Manager Shea and Vice-President Berry.

President Kilbourn then asked if there are any advantages for filing earlier that could be helpful to the District. General Manager Shea feels that, based on the political climate in town, there is no benefit in rushing to judgment. Based on his review of the minutes for the past years, it was stated on several occasions that the District would wait until March of 2017 to file and he doesn't believe that assistance from FERC will be any more advantageous filing now or in March of 2017.

Trustee Bartilucci then took the floor. He stated that he does not want to file. He would like to hold off. He feels that the grant idea could be a possibility and based upon the 2400 to 2600 people that have signed petitions, it is clear that the people want to have a say in the dams.

He stated that while he was campaigning, people were remarking that we have to keep the dams. He enjoyed the experience of meeting the people from the District, stating that it was very educational and a nice experience. He feels that a coma has been induced in regard to the three dams. He feels that the District will be looking at high costs if the dams are removed. He discussed the scheduled meeting for the proposed rate increase and how he believes that the dams could be brought up to a good generating state. Trustee Bartilucci believes that the District could obtain grants and RECs. He believes that the Board needs to sit down and work on the issue at hand. He stated that if any member of the Board would like to sit down with him, he is willing to do that. Trustee Bartilucci stated that although he lives on the river, his issue is that the District could make money with the assets and it needs to be pursued. He believes it's an honest attempt to make money. He discussed the lack of forethought in regard to the allocation of funds for the dams and it has fallen now upon the current sitting board. He would like the Board to hold off and not file.

Trustee Cluff noted that the past boards did consider the allocation of funds. The Board went to the PUC and were then told by the PUC that funds could not be set aside, that money could not be banked. The Board saw the expense coming and tried to be proactive, but the PUC would not allow it. President Kilbourn added that the most recent board inquired about capitalizing expenses and by having funds placed into a bond for whatever pathway was chosen in regard to the dams; the District was not allowed to do it.

Vice-President Berry then clarified Trustee Cluff's remarks by stating that the Board asked the PUC specifically if a surcharge could be realized to fund the re-licensing expenses. The PUC advised the Board that a surcharge would not be allowed. The PUC did not remark on a rate increase to enable the operation of the District. Trustee Bartilucci then remarked that his comments were in regard to the thought process of less recent boards; forty years ago, for example.

Vice-President Berry also stated that the District is not making money on the generation of electricity. He feels that the question should be how can the District improve the assets to make money, albeit that the first thing that is needed is rain. Trustee Bartilucci feels that more equipment with better generating capabilities is needed and that with better equipment generation could average at least 2.4 instead of the 2002 through 2014 average of 1.8 kilowatt hours. Vice-President Berry stated that the average was never 2.4 according to the information stated on the presented spreadsheet. Business Manager Rancourt stated that the expenses were not treated the same at that time. He will review the figures from 2002 through 2009 and relay back to the Board. General Manager Shea stated that the figures that are represented in the Hydro Statement of Activity report have been verified and double checked via meter read sheets. He does not know if meter read sheets go back to 2002, but daily logs from the facilities are available through the '70s.

After further discussion between the Board members, Vice-President Berry stated that since he made the original motion, he would not mind putting it on hold until further exploration occurs, particularly the report that is to be forthcoming from the Governor's office. He was hoping that by making the motion back in July, that there would be some response from FERC. Based on the current information, that no response will be received from FERC before the due date, regardless of whether or not the filing is received, he stated that perhaps it was irrelevant that the Board tried to get the attention of FERC ahead of time. Vice-President Berry continued

that the original motion was to continue to generate electricity until the license expired. It was never intended that the dams would be disposed of.

Vice-President Berry then asked if the Board would like a motion to reconsider the original motion. President Kilbourn discussed the due diligence that has occurred thus far, but insisted that judgments be based on facts and that the ratepayers needs are being reviewed. He is in support of delaying filing but cautions that there are many other issues that the District needs to address at the same time. If there is new information, it should be reviewed and revisited. President Kilbourn is open minded but skeptical.

General Manager Shea stated that there is no danger in delaying the filing of the Notice of Intent until March of 2017, which will give the District time for other proposals to be received, assistance, new technologies, regulation changes, et cetera. It will also get the Board beyond the November straw poll.

President Kilbourn made a motion to delay filing until the Board directs General Manager Shea to file or the due date occurs. The motion was seconded by Trustee Bartilucci. After further discussion, the motion was amended to state until further notice or to comply with the deadline.

(Thereupon, the motion was read back to the Board and public as follows:

"To delay until further notice or to comply with the deadline.")

Whereupon, with Trustee Cluff abstaining due to a conflict, although he is in favor of the motion, unanimous ayes were heard from the remaining Board members and the motion passes.

Vice-President Berry then asked if General Manager Shea and Business Manager Rancourt would be able to review the approved operating budget to see if there are funds available for studies of improvement. There may be funds available within the general budget to review increasing efficiencies. Management will have that information for the September meeting.

Whereupon, Item X, Date of Next Meeting, September 27, 2016 at 6:00 p.m. District Offices, occurred. With no discussion or opposition, the Board moved on.

Whereupon, Item XI, Board Recommendation for Agenda Items for Next Meeting, occurred. General Manager Shea suggested that since there are single meetings a month, that if any Board member has any agenda items, that they are received by the second week of the month. The items that Board members would like are as follows:

1. President Kilbourn would like a review of how the District maintains records and an update from General Manager Shea on the progress that is being made to maintain records in perpetuum.

2. Trustee Cluff would like the Board to review General Manager Shea's goals and the structure of those goals. General Manager Shea stated that based on discussion with President Kilbourn, it will occur quarterly, unless the Board would like it to be otherwise. Trustee Cluff

would like a review of annual goals, strategic plan, and any items that have been discussed previously to occur at the September meeting.

Whereupon, Ms. Agnes Gormley from the Office of the Public Advocate took the floor. She introduced herself and advised those present that the Office is available to assist the District's customers as the rate case goes forward. Materials and information are available along with any other assistance that the Office might be able to give. President Kilbourn thanked Ms. Gormley for attending.

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

Whereupon, with unanimous ayes heard, the meeting adjourned at 7:33 p.m.

Attest: _____
Bob Emmons, Clerk