

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, SEPTEMBER 27, 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:

Lisa Irving, Kennebunk
Evan Coleman, Clear Energy, LLC
Huch Scott, Kennebunk
Peter Ashley, Cape Neddick
Lauren Bree [sic], Kennebunk
David Wayne, Kennebunk

ALSO PRESENT (continued)

Bill Harmon, Kennebunk

Chauncey Copeland, Kennebunk

Tony Grant, Kennebunk

Nancy Grant, Kennebunk

Bill Pasquill, Kennebunk

Beverly Freudenreich, Kennebunk

Kevin Flynn, Kennebunk

Bill Grabin, Kennebunk

Donna Teague, Kennebunk

Matthew Rancourt, Business Manager

Kathleen DeMarre, Transcriptionist

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.

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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 6:00 p.m.

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

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

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Public Comment Period

Verbatim Transcript

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PRESIDENT KILBOURN: Are there any public comments tonight?

MR. FLYNN: I just want to --

PRESIDENT KILBOURN: If you could, just identify yourself.

MR. FLYNN: Kevin Flynn, and I'd just like to encourage you guys to pursue solar energy. I, obviously, haven't seen any bids, and you're going to be looking at them, but I think that's a great idea and from what I understand, costs can be very competitive with other, even conventional energy sources, but certainly other renewable energy sources, so I really encourage you guys to pursue that. That's it.

PRESIDENT KILBOURN: Thank you. I think we can squeeze in a couple more seats.

GENERAL MANAGER SHEA: Sure.

(Whereupon, an interruption occurred.)

PRESIDENT KILBOURN: So, let's continue on if there are public comments. Mr. Ashley?

MR. ASHLEY: Okay. Three seconds after that, so let's keep an eye on the clock. Letters to the editor of September 23rd: Kennebunk can be part of the energy solution. How many of the trustees, can I see a show of hands; how many have read this? We've got one, two, three.

TRUSTEE CLUFF: What are you referring to?

MR. ASHLEY: Three out of --

GENERAL MANAGER SHEA: His letter to the editor.

MR. ASHLEY: Anyway, in here, I mention a number that's quite a bit higher than the one I mentioned to Todd Shea six months ago. The one I mentioned to Todd was the one that Dan, I think, has in front of him, the 3.3 million Kilowatt hours. It's in the licensing, the water quality analysis for the river. That's basically using a simple formula, which Dan will be talking

about, and it's the one that basically everybody looks at when they're first talking about something running in the river to make electricity or saw some wood.

First of all, you have to find out where the information is and, fortunately, the USGS, as you've seen this before, has something like 51 years of information that we use in these equations. And then we find out that the site where they measure it is upstream of the area, the drainage area, or you call it -- the rain comes down and it runs down our river, our river being the Kennebunk's river. So that's about 7.87 additional square miles. And I did this back in 1981, when we were talking about the Twine Mill in order to figure out what the flow rate should be of that, prior to Allis-Chalmers doing their basic equations, that they continued on and went through the computer stage.

So, it's very simple. You just add that to the drainage area, the 99 square miles of the river, and you've got the gauging station figures, and you add that average of our end of the river to the USGS and you come up with a stream of numbers that is called the mean of monthly discharge.

Now, that's just purely a mathematical thing. It hasn't got anything to do with who's on the river, paddling up or down, or has a dam here or there. It doesn't take into consideration that there are other dams on the river. Old Falls being the one that really impacts this part of the river.

So, when they turn their turbines on, you're getting X amount of water that comes through their turbines. And by now, Kennebunk Light & Power should know pretty precisely what that flow rate is, so if there was communication between the two, and they turned on the dam and you knew it was six and a half hours later, you'd have to turn on Dane Perkins if it wasn't at the crest of the flashboards. Those are interesting things to improve production. To my knowledge, never a connection between the two except when Lawrence Kenny (ph) had it. He used to pull in down here and tell us what was going on and it produced a lot of power.

The next thing is, to my knowledge, there was never a study made of the river itself in the Kennebunk ballpark so to speak. This is a kind of a graph you'll see when you first analyze the river to find out where the flows are, how much, what the head is, what the pond level is, and what the tail water level is. And this brief thing that's in a book, a 1930s book, says that the comparison of run-of-the-river, which is what you have here, and pond control. Old Falls is pond controlled, but it's also run-of-the-river, depending on the height of the water.

Now, to get to that big number I had, all I did was take all of the information that I've gathered over the years, since the 1980s when we worked on the dams, and I added them all up and I thought of the improvements that could be made at each machine and the increase of efficiency of each -- of the machineries, and the maintenance and the operability, the way it's operated by the dam man and the Governors. So when you get to the Governors, you get his best practices on the web for running Governors. There is no pond control here, so we lose 10 to 20 percent. Add a dam man to that and it could be as high as 25 percent.

Then you say, okay, how can we run the whole thing better? I presented at one talk in front of the trustees, suggestions, that management could initiate an educational policy throughout the District. All the guys in the District should be aware of what's going on and how to fine tune it, how to run it, et cetera. You could get expert educators to come in. FERC will

help you find a good one at a reasonable price. SCORE is another place where you could find someone to just come in and talk to you and not have any cost.

So those are the things that the District itself can do and when everybody's educated, they have intelligent conversations. And they gather the data, and I talked about microfilm before, they have a place, an office for the dam man upstairs or whatever, and duplicates, triplicates of all the information so you don't have it washed down river, and then you begin to have a unified system to take care of it. Once it's in place, it works like a Swiss watch. I mentioned a Swiss watch a long time ago.

Now, on top of the golden pot of gold, we find out that the FERC license that was first obtained by the District was -- and Dan, I believe, has a copy of that, as well -- it's before the Rogers system was taken out, because of the cost flow at the time for the District, the certificate for that one was 4.8 million kilowatt hours a year. Okay, now we're getting a lot more than the Wright-Pierce 1.4.

Now, Wright-Pierce 1.4, I never really studied it because I only got to Page 3 before I was just absolutely upset with all of the mistakes I found on his report, so I just basically didn't bother about checking up, defusing their figures, but Albert Kolff has and he has done a fantastic job, and he's been trying to get you to believe that the figures in Wright-Pierce are not the kind of figures you should be using to make a decision. The figures you should be using to make a decision is the possibility against the cost of getting to the possibility and the inflation rate, et cetera. All those other things that Matt over here knows about and I know nothing about.

So then you say, you're going to borrow some money to do all of that. Where can you find some money? And here it is, from Washington. They are going to have very low interest bonds or whatever you call them. Matt knows what the language is. And they're going to say, we're going to expand the flow of hydroelectric power in the United States by 150 percent before 2025, and most of it is going to be like 2035. So they're going to offer education -- every avenue of opportunity for you folks to take advantage of what their vision is and the direction that the company is going in -- actually, the world, and they are going to be able to help you out.

It's a gold mine. It's a pot of gold from the government's end. It's a pot of gold sitting in your backyard waiting to be done. How are you going to do it? Believe me, I do not know. I've talked about distribution stations and everything, things burning up here or there, or all of that. It, to me, is a very big job and that's when I spoke about Commander Edward Ellsberg's book *Under the Red Sea Sun* and how they found one crucible and put together one part to fix one machine after the Germans had blown the whole place, and they had a whole base for repairing navy ships rebuilt in a very short order. So, by very careful organization and doing an inventory of everything you've got, you can find out what's going to fail first, fix that, and then what can be done to improve it in a short stage balanced by the federal government's opportunity for increased production and ecology good material.

Now, Voith, I've had --

PRESIDENT KILBOURN: Could I just ask you to pause for just a moment. Are there others who --

MR. ASHLEY: Five words more, Jay.

PRESIDENT KILBOURN: Okay. We'll be right with you. Let me finish -- you'll get to finish. We have at least one other person, so in respect, if you could --

MR. ASHLEY: Okay.

PRESIDENT KILBOURN: -- Wrap it up, please.

MR. ASHLEY: So you've got the quotes from Leffel, you've got the quote from Voith to come and analyze the machinery and this to -- you can find out exactly what needs to be done, how much is it going to cost closely, and you'll be able to optimize your plan for the future of rehabilitating what you have and not let everybody down.

You know, I have never seen a figure for the cost of installing those three dams. How much does concrete cost now? That's it. Thank you.

PRESIDENT KILBOURN: Thank you. Very much appreciated.

Yes?

MS. IRVING: Hi. My name is Lisa Irving and we just moved to 18 Pleasant Street, not on the river side, from Fairfield, Maine, so I'm very familiar with the rivers and my husband is Dr. Harry Irving, and if anybody ever refers to be as Mrs. Doctor, I would be very insulted, so my name is Lisa. Just to make that clear.

PRESIDENT KILBOURN: Well, welcome, Lisa.

MS. IRVING: Thank you.

GENERAL MANAGER SHEA: We didn't mean to insult you, Lauren.

MS. IRVING: Thank you. That's my personal feeling. but -- however, I -- so far my short time here, two months, I have very much enjoyed the river. I think it's a shame of the thought of removing the dam. I don't have all this math and all the stuff to back it up right now. I'm just saying what I feel personally. And I'm anxious to find out what your names are and how long you've been on this Board.

PRESIDENT KILBOURN: If you'd consult the website, I think you'll be able to see all the terms --

MS. IRVING: Oh, so you can't take the time to let me know your names and --

PRESIDENT KILBOURN: We can certainly go around the table and do that.

MS. IRVING: That would be great. It would take two minutes and I'd love to be introduced personally to the people who are representing us.

PRESIDENT KILBOURN: We can certainly do that.

MS. IRVING: I would love that. Thank you.

PRESIDENT KILBOURN: What I was trying to point out is --

MS. IRVING: Um-hmm.

PRESIDENT KILBOURN: -- that there is a good bit of additional information that you'll find quite readily available and I urge you to take a look at it.

MS. IRVING: I certainly will.

PRESIDENT KILBOURN: I'm Jonathan Kilbourn.

MS. IRVING: Nice to meet you, Jonathan.

PRESIDENT KILBOURN: I've been on the Board, I believe, for three years.

MS. IRVING: Three years.

BUSINESS MANAGER RANCOURT: Matt Rancourt, I'm the Business Manager. I'm not elected.

MS. IRVING: Okay.

VICE-PRESIDENT BERRY: Wayne Berry, four years.

MS. IRVING: Hi, Wayne.

CLERK EMMONS: Bob Emmons, a year and a half.

GENERAL MANAGER SHEA: Todd Shea. I'm the general manager. I've been here since February of 2015.

TRUSTEE CLUFF: David Cluff, eight years.

MS. IRVING: Okay.

TRUSTEE BARTILUCCI: Dan Bartilucci, two months.

MS. IRVING: Perfect. Thank you.

PRESIDENT KILBOURN: Thank you.

Are there any other comments or questions related to the public comment period?

(No verbal response.)

PRESIDENT KILBOURN: Great. Thank you very much for coming and for raising these comments. You're always welcome to do so and that worked out perfectly. We got almost to our preferred time.

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Public Comment Period and Verbatim transcript Concluded

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Whereupon, Item IV, Board Review and Approve 8/16/16 meeting minutes occurred. Trustee Bartilucci asked if the minutes were exact or if they are altered, edited. General Manager Shea responded by stating that a verbatim transcript is created for the public portion of meetings. Per General Manager Shea, the only requirement in State statute is to have the motion, who made it, and what the disposition of the vote was. The District exceeds those requirements. President Kilbourn added that since he's been on the Board recordings of all meetings have been kept.

Whereupon, with no further comments from the Board, Vice-President Berry moved for the August 16, 2016 meeting minutes to be accepted as written. Trustee Cluff seconded the motion.

Whereupon, with unanimous ayes heard, the motion passes and the August 16, 2016 meeting minutes were approved.

Whereupon, Item V, Board Review August Financials, occurred. Business Manager Rancourt took the floor. The summary was then reviewed. Revenues for energy, RNS, transmission, and delivery are lower this year over last due to an adjustment that occurred in the billing to North East Coating in August of 2015. Other revenues are higher this year due to timing of invoicing for pole rental. Administrative expenses are down over last year due to a \$4,200 legal expense last year and a \$5,900 decrease in vehicle expenses due to allocations occurring within the month and not at the end of the year as is what occurred in 2015.

Vice-President Berry asked about the legal fees, in which Business Manager Rancourt stated that the topics discussed were NextEra and the requirements that the District would have to fulfill in regard to borrowing funds in regard to the NextEra issue. General Manager Shea reminded those present that the District was reimbursed by NextEra for the legal fees associated with NextEra and the renegotiations of contracts.

Business Manager Rancourt continued by stating that the customer accounting collection fees are higher this year over last with \$1,200 in meter reading due to there being five pay periods in August of 2016 whereas August of 2015 had only four pay periods. Mailing costs increased due to the rate increase notice that was sent in August to the District's customers.

Distribution expenses are \$10,000 higher this year over last due to the additional pay period in 2016 versus 2015.

Maintenance expenses are down this year over last. Maintenance expenses are project based and 2015 had a few larger projects that did not recur in 2016.

Other expenses are lower this year over last as expenses for bad debt are not being accrued as the accrual is sufficient at this time.

Dam re-licensing expenses are lower this year over last due to timing issues.

In addition to the summary, the graphs page was reviewed, in which past suggestions and comments from the Board were integrated into the report. General Manager Shea added that the graphs will be produced going forward in color to assist in ease of reading.

President Kilbourn asked if Business Manager Rancourt could explain the cash situation. Business Manager Rancourt stated that 90 days cash-on-hand is a good standard. Vice-President Berry asked if the analysis was produced in regard to the line of credit and if the 90 day cash-on-hand is a recommendation from GASB. Business Manager Rancourt stated that it is a recommendation. Cash-on-hand and expenses were then briefly discussed.

Vice-President Berry then asked for clarification of RNS revenues stating that as the District is still catching up, it skews the analysis for losses as the money that is coming in is replacing money that the District already paid out. General Manager Shea stated that Business Manager Rancourt and himself are working toward isolating the different categories in an effort to reduce skewed figures. Excess and deficits were then reviewed.

Cash-on-hand was then discussed along with expenses and depreciation. General Manager Shea stated that the asset management program is moving forward. A proposal will be forthcoming from a North Carolina firm who has a branch in Southern Maine.

(Whereupon, additional individuals came in at 6:30 p.m.)

Trustee Cluff then requested clarification on delinquent accounts. Business Manager Rancourt stated that it is the District's practice to write off accounts at the end of each year that the District deems as uncollectible. Business Manager Rancourt continued by stating that there are two legacy items that have continued to be carried over year-over-year. General Manager Shea added that those two items will be recommended to be written off for fiscal year 2016. Land leases and legislature to lean properties were then briefly discussed. Deposits were then discussed along with the November to April disconnection rules set forth by the PUC. Vice-President Berry added that staff has done an excellent job, with Trustee Cluff agreeing.

General Manager Shea circled back and stated that he will provide a proposal to the Board at the October meeting to discuss adjustments of rates to get each category in balance as opposed to playing "catch up" as the District has been doing, which will improve the District's cash-on-hand.

President Kilbourn then discussed revenues related to cash-on-hand. He questioned Business Manager Rancourt as to whether a three-month cash buffer is needed, he feels it would be a good business practice with Business Manager Rancourt agreeing. Vice-President Berry asked if other municipal entities have cash-on-hand. General Manager Shea and Business Manager Rancourt are not certain, but will try to ascertain that information.

The current cash-on-hand of the District is 19 days, with President Kilbourn adding that the dollar amount is \$689,000. Trustee Cluff added that the target would be \$3,293,000.

President Kilbourn stated that it has been an extraordinary month for hydro production. In which it appears to be zero hydro production and that it is 100 percent related to the lack of

water. General Manager Shea stated that the District has not generated power due to the drought. The Town of Sanford, where the majority of the District's watershed is in, is 9.5 inches below normal as of August. General Manager Shea has received numerous calls from Trustees and the public alike. According to General Manager Shea, none of the employees can recall, other than in 2002, of it being this dry. Due to the drought, there have been problems regulating the pond levels. There is no additional flow coming down river. There has been no spilling over the board, so the District cannot generate. The fluctuations in the pond levels, according to General Manager Shea, were an attempt to try to equalize the three ponds and try to get Dane Perkins, the furthest dam upstream, to start spilling. The head gates would be closed at Dane Perkins and then reports from Kesslen Dam would occur in which the intake for the building was almost exposed. The head gate would have to be opened at Dane Perkins to try to balance out the three impoundments. There has not been enough water in the three ponds to equalize and to get any of the dams to spill.

General Manager Shea added that if when the flood gates are opened, even if opened half way, the water level will drop four or five boards in a morning. At this point, the status is run-of-the-river. There is nothing that the District can do, there's nothing to hold back, there is nothing to give. A significant amount of rainfall is needed to be able to start spilling in order to start generating.

General Manager Shea also stated that perhaps, within the week, the Kesslen impoundment may be dropped a bit to repair boards before inspections occur. He also noted that the District is not allowed to run the river dry to run electricity.

Vice-President Berry asked if the District is in compliance with the 26 cfs. With General Manager Shea stating that the District is in compliance. Compliance was then discussed further by Vice-President Berry. General Manager Shea added that he has been informed that Estes Lake is at winter levels. There are no major releases coming to the District. The dams are checked by Wayne Condon which includes Old Falls and there have been no releases occurring. Vice-President Berry added that the Mousam River is down 24 inches. Upper water sheds were then discussed by the Board.

Maintenance issues during this time of drought were then discussed. General Manager Shea advised the Board of various inspections that will occur and various repairs that have occurred.

Whereupon, Item VI, Update Board on Line of Credit, occurred. General Manager Shea took the floor and discussed cash-on-hand and line of credit. General Manager Shea would like to see a line of credit of \$750,000. Various banks have been conversed with. Assets and revenues were then discussed. Four banks are working on proposals to present to General Manager Shea. Business Manager Rancourt stated that the District is asking for an unsecured line of credit with no pledge of assets against the line of credit. After the proposals have been received, it will be routed to the Board for review and decision.

Whereupon, Item VII, Trustee Bartilucci's Discussion of KWH Generation at Hydro Sites, occurred.

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*Verbatim Transcript**At the Request of Trustee Bartilucci*

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TRUSTEE BARTILUCCI: Don't worry. I'm not going to hurt anybody. Can you guys see? I'm not a polished speaker. I'm not slick. I'm just a regular working guy and, you know, I've found that money is important to me and money doesn't grow on trees. I don't think dams do either. So, what I did is, I had -- with the help of Peter, and Peter is my -- my deputy tonight. If there's any questions I can't answer, Peter is going to answer them. We came up with this formula from the Hydropower Electric Handbook from the USDOE Idaho Office, 1982, and the formula is basically P equals H , times Q , times E , divided by 1181.

Now, P is kilowatt, power; and H is head, and that's the elevation between the top pond to the lower pond and the distance of the flow of water is in feet, that's head. And Q is the flow of the river, which I have, with this little thing that Peter showed you before, and it's a chart from the USGS. It's a gauging and it gives you the flows and it's listed in months and in years.

PRESIDENT KILBOURN: Do you want to pass that around?

TRUSTEE BARTILUCCI: Yeah, sure.

(Whereupon, Trustee Bartilucci complied.)

TRUSTEE BARTILUCCI: Now, another thing, something else to consider too, is in - I have an historical average, too, of the -- of what the dams generated from 2002 to 2015. And in 2006, we had 2.6 million kilowatt hours produced; and in 2005, we had 2.7 million kilowatt hours; and in 2004, 2.5 million kilowatt hours; 2003, 2.3 million kilowatt hours; and in 2015, we had not a million. Okay. Do you guys want to see this? This is another little thing we can look at. That's kind of (INAUDIBLE) --

VICE-PRESIDENT BERRY: This information is from --

GENERAL MANAGER SHEA: I provided that information.

VICE-PRESIDENT BERRY: It's in-house data?

GENERAL MANAGER SHEA: Yup.

VICE-PRESIDENT BERRY: Okay.

TRUSTEE BARTILUCCI: Okay.

MR. ASHLEY: (INAUDIBLE)

TRUSTEE BARTILUCCI: all right. So, what we have -- we -- efficiency, okay. Efficiency -- if you take a -- I believe that I'm right about this -- if you take a motor, an engine in

a car, and it's 325 horsepower, that horsepower is probably going to be about 300 because you'll lose efficiency in that engine and that's what happens with our generating equipment. If you had a turbine that spun at 300 RPMs and the generator had to go at 900 RPMs, there's a loss in efficiency. So, this formula builds in the loss of efficiency.

So, we looked at the heads and we figured Kesslen was fourteen feet and that's from top to bottom of falling water. Twine Mill was 18 and Dane Perkins was 12, a total of 44 feet. So now, what we did is, is we started plugging in numbers. 44 for the head into our formula, 164, which is what we took as a median for the flow, the queue, and the efficiency, we went to the lowest point at .87, the lowest, and we came out with 532 and that's kilowatts, power, Kilowatts, 532. And if you take a look at the nameplate output from the manufacturers at Kesslen, Twine Mill, and Dane Perkins, they said it was 600 kilowatts, so we're a little below what the manufacturers are saying.

Now, if you take a look at the hours of operation, we went eight months, it might be a little too high, but we went eight, and we multiplied by days, which is 30.4, and we multiplied by 24 hours in a day to come out with, what is that? 5837 hours. So, you take those hours, you multiply it by the kilowatts, which came out at 532, and we come out with 3 million 105 million -- 3.1 million Kilowatt hours per year. And this is a potential for eight months. This is not, you know, cast in stone. This is the potential. So, Peter showed me the DEP reports that said it was 3.2 million certified in 1982, so we're kind of close to that.

Now, if you take a look at the revenue, revenue at 8 cents per kilowatt hour times the 3.1 million is about \$253,000. And revenue at 10.5 cents a kilowatt hour, which will be 326 -- 326 million. Okay.

Now, the interesting thing is renewable energy credits and I researched it and I found out if the -- if the generating equipment is new or refurbished, we can take all the stuff and refurbish it, we could qualify for an energy credit. Now, you have to have fish passage, that's another stipulation, but if you qualify -- if you do all that, you qualify for, you know, either a three or a five cent kilowatt per hour energy credit. Now, I can't guarantee you you're going -- it's going to go for forty years. I'll be honest with you. It could go maybe 20, 15. There's -- nobody is really telling me this, so we don't know exactly how long we're going to get this, but that's an honest ballpark example --

UNIDENTIFIED FEMALE SPEAKER: (INAUDIBLE)

TRUSTEE BARTILUCCI: Now, if we went with this 10.5 cents per kilowatt hour, at 3 cents added in for the energy credit, we'd be up at \$419,000. And if we went to 5 cents per kilowatt hour, we'd be pretty close to a half a million dollars in revenue. So, my point is, is that I heard Wayne say something at the last meeting that was very good. He said, should we do -- do we have money to do a study? I say, let's not do a study. Let's get somebody from Leffel and from Voith and have them come in and analyze our equipment, tell us what we need, how much it's going to cost. I've got the numbers here. Peter provided that. Peter is pretty good. Voith's estimate of costs, and also Leffel's. And it's not that much. It's not -- we're not talking -- we're not talking a ton of money. You might have to pay airfare for the guy that flies from Ohio, you might have to put him up in a hotel, you have to pay him his -- his hourly wage, but that's basically it. So, if you would want to look at that, you can.

And so, my point is, if we could get somebody like that to actually go in and analyze it and give us the numbers, I think we'd have a better idea. It would be an honest approach. It really would. I mean, if this is all wrong, okay, but let's give it a good college try. Let's see if -- if we have something here, if we can -- something we can use. And I'm not the type of guy that gives up. I mean, I worked hard all my life and I just don't give up and I think to give away money, which I think, at this point, is something that I don't want to do, so that's the reason for my presentation --

PRESIDENT KILBOURN: Um-hmm. Okay.

TRUSTEE BARTILUCCI: -- and any questions?

VICE-PRESIDENT BERRY: Yeah, I have a lot of questions, but --

TRUSTEE BARTILUCCI: Go ahead.

VICE-PRESIDENT BERRY: -- the biggest question I have is, have you guys worked up any worksheets on the expense side?

TRUSTEE BARTILUCCI: That's --

VICE-PRESIDENT BERRY: All you're showing us is the revenue side.

TRUSTEE BARTILUCCI: That's why we have to get Voith in and --

VICE-PRESIDENT BERRY: It wouldn't be just the generator analysis. It would be -- you talked about fish ladders to get the RECs.

TRUSTEE BARTILUCCI: We have to get fish ladders and --

VICE-PRESIDENT BERRY: So there would be --

TRUSTEE BARTILUCCI: We have expenses on that.

VICE-PRESIDENT BERRY: -- there would be expenses --

TRUSTEE BARTILUCCI: Yes, we do.

VICE-PRESIDENT BERRY: We have --

TRUSTEE BARTILUCCI: We do.

(Whereupon, multiple side conversations were occurring.)

TRUSTEE BARTILUCCI: And also, I did neglect to tell you this, that there's a USDA loan out there at one point and there are grants. USDA will give you a grant, too, if you qualify.

VICE-PRESIDENT BERRY: That would be on the expense side on the sheet now.

TRUSTEE BARTILUCCI: Oh.

VICE-PRESIDENT BERRY: I guess the biggest problem I have with this formula is the 87 percent efficiency. Given what two different firms have told us about the efficiency of the existing units, how do you think you're going to get to 87 percent? I'm looking at Peter, because he's the engineer.

TRUSTEE BARTILUCCI: Yes. Look at Peter.

MR. ASHLEY: When you invite Voith up here and Leffel, you will get about as concrete numbers as you're going to get.

VICE-PRESIDENT BERRY: For the repairs or --

MR. ASHLEY: -- because they both are manufacturers. They're world class manufacturers. Both of them made the -- not Voith, Voith inherited Chalmers, Chalmers designed and built the Twine Mill and they have all the files. They also -- Chalmers bought out S. Morgan Smith. S. Morgan Smith manufactured the vertical cap at Dane Perkins, so Voith inherited all that information. And the hydro dynamics lab at -- now, which is Voith, in York, Pennsylvania, is considered one, if not the top, hydro dynamics lab in the world. Now, Voith is not --

VICE-PRESIDENT BERRY: You're talking about a scientific analysis. I want to go back to the general numbers that we've been given, which is telling us that most of the generators are operating at 15 to 20 percent efficiency right now, could be improved and all of the numbers -- all of the reports we've seen is that we might get another 10 percent out of each one of those generators and that's a long stretch between 25 or 35 percent and the 87 percent that you're using as efficiency.

MR. ASHLEY: Okay. Can I add to that?

PRESIDENT KILBOURN: Yes.

MR. ASHLEY: You've got two parts in a hydroelectric machine. You've got two parts in your generator that supplies your house if the power goes out. You've got the prime mover, the gasoline power, the diesel power generator, and you've got the generator itself. So, when you're talking just now, you said increase the efficiency of the generator --

VICE-PRESIDENT BERRY: Um-hmm.

MR. ASHLEY: That's not the biggest problem.

VICE-PRESIDENT BERRY: well, the problem is the water.

MR. ASHLEY: The biggest problem --

VICE-PRESIDENT BERRY: The problem is the water.

MR. ASHLEY: -- is on the turbine.

VICE-PRESIDENT BERRY: Right.

MR. ASHLEY: So it's --

VICE-PRESIDENT BERRY: So you think you can increase the efficiency of the turbine that's attached to the generator?

MR. ASHLEY: It operates as a unit.

VICE-PRESIDENT BERRY: Um-hmm.

MR. ASHLEY: And Dane Perkins and Kesslen, there's a solid shaft between the two of them, there's no speed increaser like at the Twine Mill. Okay.

So, let's just talk about the Dane Perkins because they are two different types of machines. The Dane Perkins is a normal type of generator for hydroelectric. It's got a stator for the high voltage. It's got a rotor in there that varies the magnetic field to take the lead -- (INAUDIBLE) -- and to excite the stator. That's pretty much it. Okay. Then -- that's -- when it was produced new is at least 95 percent efficient. So there's very little that's going to affect the efficiency of that, and we're talking only efficiency. We're not talking performance. Okay?

When you go down the shaft, the bottom where the water is, it's giving you the power. Then you get into hydro dynamics and you've got the flow, you've got entrained water, materials, whatever. You've got the streamlining, the age. There's lots -- a whole basket full of factors. And I pointed out at one of the first meetings at the Town Hall with a slide, I believe, or it was a picture, showing that at Dane Perkins the rotation of the powerhouse itself was really optimized for a counterclockwise rotation. And when you realize, and I suddenly realized only a year and a half ago, that the engineer on the job was a British fellow, and I think what happened, and this is pure guess, that he was designing it for the best use for that site for counterclockwise rotation. Whether he did it on purpose or not, who knows, but it was done. So, Don LaPoint and I spent a lot of hours talking about some kind of a deflector in there that you wouldn't have to build a whole scroll case. Okay.

Now, the latest pictures I showed you from that website from Voith, and I showed you about the stream diver and the runner that would allow 98 percent fish travel downstream without being hurt and they've got another one that does close to a hundred. They also have a hub, a runner, that is water lubricated. One of the main reasons that we didn't run the Kaplan unit blade control with a Celsing unit and all of that, following the cam on the top of the gate shaft, was because it leaked oil. We couldn't figure out how to stop it.

So, one of the expensive assistance would be for Voith to put one of their runners on the bottom of that and get rid of all the oil in the bottom. And it would improve the efficiency at the same time, because I'm not aware of anybody fixing the water bearings in that since I put them in and they're, maybe, taking a chunk of metal off the tips of all of those blades and maybe there's leakage there.

I believe it was Mr. Clewes that mentioned that that was a possible problem at Kesslen, as well, that there's too much of a gap on the outside of the runner allowing excess water to flow through. So there, you have multiple inefficiencies that you have to multiply together to get the actual decrease in efficiency. So, I think the biggest investigation is on the turbine end of it.

Now, we all know, all those who have done reading, listening, and everything, that the insulation in the Westinghouse generator under Duffy's is old. The insulation is old. The materials they used, I even think that some of them were some kind of a tar compound, so maybe some of the black that was seen by Mr. Clewes is not only carbon or something, but probably part of the insulation.

And so, I told Todd about a month ago or so, if you run it again, don't run it above Gate 7. Run it at about Gate 7. Go around with an infrared thermographer, a thermography thing, and a thermometer, and find out what the temperature is of the air coming out, 'cause it's air cooled, and you'd begin by running it at two or three different gauge settings. You'll be able to get a correlation between what the gate setting is and how much it's affecting the generator, and I hope you don't run it full blast because it might fail really quick and you've got three years or something to actually have to shut it down. So that does --

VICE-PRESIDENT BERRY: So going back --

MR. ASHLEY: -- have a --

VICE-PRESIDENT BERRY: So going back quickly to --

MR. ASHLEY: -- generator factor.

VICE-PRESIDENT BERRY: I understand what you're saying, is that there's many sources of inefficiency, correct?

MR. ASHLEY: That's right.

VICE-PRESIDENT BERRY: What will Voith be looking at? You're saying to bring Voith in, and I'm just trying to quickly read through their proposal here, and I understood it -- I think they'll be looking at the turbine as well as the generator and --

MR. ASHLEY: With any person you call in, you have to spend weeks, maybe even months, deciding exactly the wording of the request to make sure that they and you are clear and the contract is clear as to what answer is needed, how they're going to do it so that you are prepared to receive them to do the work.

For instance, at Twine Mill you can open it up and look at the -- the runner. I hope, when they come to look at that, you'll already have it open and I think Mark said there's something like 70 bolts on it. There's another one underneath the Leffel in that scroll case there, that has a lot of bolts on it. That should be off and ready for the investigator when he comes. So you're going to run up the bill if you don't do that. So the bottom line is, like I said five minutes ago, you've got to look at both the turbines on all three and the generator on -- the Westinghouse at Kesslen.

VICE-PRESIDENT BERRY: So you think it's reasonable to get the 87 percent efficiency, if -- that's where I'm going. It's just a big jump from --

MR. ASHLEY: Well --

VICE-PRESIDENT BERRY: -- where we are now.

MR. ASHLEY: -- normally, in a new machine, you're talking 93, 95 percent total efficiency of the generator and the turbine.

VICE-PRESIDENT BERRY: Provided that the superstructure is all there.

MR. ASHLEY: This is new, new. Brand new.

VICE-PRESIDENT BERRY: We don't have new. We don't have anything that's new, so I'm just saying, to me, it's a stretch to go from the efficiency that we're running at now to the 87 percent that you're using in your calculations.

PRESIDENT KILBOURN: Are those the same efficiency measures that -- are we talking apples to apples here, this point 87 --

MR. ASHLEY: Jay, I do not know, 'cause I don't know how they base their efficiency using this decimal.

PRESIDENT KILBOURN: Okay.

GENERAL MANAGER SHEA: You really should read the rest of the report, Peter. You're doing yourself a great disservice to not read the rest of that 2011 report. You said you gave up after three pages. You missed a lot, because this isn't the first time the Board --

MR. ASHLEY: (INAUDIBLE)

GENERAL MANAGER SHEA: This isn't the first time the Board -- I have to say this. It's not the first time the Board discusses this --

CLERK EMMONS: Right.

GENERAL MANAGER SHEA: -- and there's a reason that the decision was made not to spend more money on finding out how much more efficient we could get, because it didn't make sense, the way it was operating. I put together the last five years of data for the sites and that can be picked apart if you'd like, but that's what we're dealing with. In order to even break even, we have to increase generation at all three facilities by 50 percent. I have yet to have anybody tell me that we can increase the efficiency at those sites by 50 percent.

The State of Maine had a -- commissioned a report that estimated 1.2 million dollars to replace the generator at Kesslen with no knowledge of the logistical problems of doing that. We can't pull the runner at Kesslen. We can't do it. We don't have the head room. We have absolutely no clearance to be able to pull anything out. So, unfortunately --

MR. ASHLEY: I want to stop you there.

GENERAL MANAGER SHEA: Okay, Peter.

MR. ASHLEY: You just said 1.2 million dollars to replace the generator at Kesslen --

GENERAL MANAGER SHEA: And turbine. Generator and turbine. According to the State of Maine not knowing what the site conditions are.

MR. ASHLEY: Okay. Now, the purpose of inviting Voith and Leffel here for a very short visit is to give you figures, and ideas, and so forth, that -- I have no idea what they're going to say, but I know, because they are major manufacturers in the world, that they're going to give you some ideas and some clear information. That's all I'm --

GENERAL MANAGER SHEA: I have to --

MR. ASHLEY: -- doing --

GENERAL MANAGER SHEA: I have to lean on the Board, Peter, to ask them to concur with me that this isn't the first time these conversations have happened and this is why there were no other funds expended on trying to increase our efficiency is all I'm trying to say, Peter, and I hope the Board would agree with me with that. This isn't the first time these numbers have been introduced to the Board. This isn't the first time the Board has taken these numbers into consideration.

There was a reason for the decisions that were made along the way, where the four alternatives came from, and it's not -- this isn't all brand new is what I'm trying to say. And to increase the generation by 50 percent at those three facilities it's -- it's -- the theories are wonderful. We could run Twine Mill for four hours and drain that impoundment below the point where we can't run anymore. So we can't run 24 hours at that facility. We can't run at 24 hours at most of our facilities.

The averages don't work out to what you're -- if -- if -- if average rainfall were actually average, and we were experiencing the same amount of rain every single week, every single month, every single year, that's wonderful. But once we get over a certain point, you know as well I do, Peter, we can't use that water, so a lot of that water ends up spilling by and we can't generate out of any of those three impoundments because if we get too much water, we can do nothing with it. If we don't have enough water, we can't generate. So -- Aand a mean average is a great thing. It tells us on average this is how the water is broken down in this watershed; by month average water fall will be X amount; cubic feet per second will be X amount. As soon as you get more water in a week, you throw those numbers all off. As soon as you don't get any water in two or three months, those numbers are thrown way off.

So, the averages are wonderful things to have. It's the actuals, because once -- you know, Peter, once we get above a certain amount of water in that river, we can't make electricity with it no matter how hard we try.

MR. ASHLEY: All right. Now, first of all, let's go back to the Wright-Pierce, the 2011, that you took from my original statement, that I have never read the whole thing. I told you --

GENERAL MANAGER SHEA: You said you read three pages.

MR. ASHLEY: -- I told you, I got up to Page 2 or 3 --

GENERAL MANAGER SHEA: Um-hmm.

MR. ASHLEY: -- and saw too many mistakes and I had to put it down.

GENERAL MANAGER SHEA: Okay. You were looking --

MR. ASHLEY: -- I picked it up again. I picked it up seven or eight times.

GENERAL MANAGER SHEA: Yup.

MR. ASHLEY: I read the whole thing. I listened to you very carefully when you made the talk about -- in the Town Hall. It's recorded -- about the situation.

GENERAL MANAGER SHEA: Yup.

MR. ASHLEY: And I said, my gosh, someone really knows what's going on. Now, I have neglected to say anything about how I personally felt for like a year-and-a-half, because I didn't want to color any information coming down the road. When I saw the Wright-Pierce, the picture looking down in the pit at Dane Perkins and what it looked like, I felt sick. I put the thing together with Don and the rest of the crew. I felt sick looking down there.

We spent months down here in the old plant fixing up that unit before we put it in place. It took me a week-and-a-half to polish out the grooves down in the water bearing before we put it back together again. I designed the new bearings for it, had them made in Saco, and they came up and put them on. Everything was beautiful.

Now, who has adjusted those in those years since then? I haven't heard about anybody adjusting anything. About the most you do is you top off the oil in the thrust bearing, thank heavens, but you don't have the receptacle that I put in to catch the seepage out of that thrust bearing, so all that oil goes down in the pit. You look down there, you'd say, who in the heck has pigs down there?

So, I told you about the one thing that I thought we could fix really easy -- fix really easy, and that was the Governor pressure gauge and I told you how it fatigues off, and there should be a gauge snubber under there, and I said it's an easy fix. If it breaks, you're -- how is the quantity of oil in that reservoir? It's like 30 gallons, 50 gallons of hydraulic oil? It would only take about 30 or 40 seconds for all of that to come out of the gauge if it busted. All over the place in that powerhouse.

So, what did I do? I went and I found out whether there was a gauge and I got the price down to \$15 from 100 and something. And I'm finally -- I've got it down to \$15; a lobster roll, for the guy to come and do it.

TRUSTEE BARTILUCCI: I thought we were getting the gauge for free?

MR. ASHLEY: Well, who's going to pay for the lobster roll?

TRUSTEE BARTILUCCI: Oh, okay.

PRESIDENT KILBOURN: I appreciate the good humor here and --

MR. ASHLEY: Okay.

PRESIDENT KILBOURN: -- if I could just interrupt for a moment. Peter, if I may?

MR. ASHLEY: Yup. Dan has got something to give you.

PRESIDENT KILBOURN: Well, if I could just interrupt for a minute.

MR. ASHLEY: Yes.

PRESIDENT KILBOURN: Thank you. It seems like we're -- first of all, we didn't, clearly, allocate enough time to have a conversation that goes beyond an introduction of --

TRUSTEE BARTILUCCI: It's a very good conversation, Jay.

PRESIDENT KILBOURN: It's a very good conversation, so I just want to point that out. Second, it seems to me that we've got a couple of levels of things going on here. We've got some concerns about day-to-day maintenance and are there things we could do that would be cost effective to maintain equipment to do better. Although, without the water, we're not going to be able to do anything for the moment. Except, maybe, a little maintenance.

TRUSTEE BARTILUCCI: Yes.

PRESIDENT KILBOURN: We've got -- we've got a set of reports and a good bit of study that's been done over the last five years, which has indicated to the Board and is the basis for the decisions that have been made so far, all in good faith, I believe, that no matter how much more money we spent on these several studies, having consultants come in, that we were looking at a very modest return on improvement, a ten percent estimated improvement. So if --

TRUSTEE BARTILUCCI: Why don't we just go to hoarse's mouth, though.

PRESIDENT KILBOURN: So if that, you know, it usually, to decide whether we're going to spend money, we've -- we've had some reason to spend it. We have some good indication that there will be some return coming from it. And I'm not arguing that we shouldn't spend it. I think I'm trying to get to the question that I think Wayne was driving at, and I may understand this wrong, but I think the question was, get us into the ballpark. Is there -- is there a real possibility that with some expenditures we could get this equipment so that it could get us to a point where we could even pay the expenses to do the study or beyond; to pay the expenses that would be required to get the ten percent.

I mean, we've had some preliminary worked done on that, and it was so far off what this looks like that, I think in good faith everybody made the decision. Why would we throw good money after bad? But if there's an opportunity to throw some good money after good, I'm sure there's --

MR. ASHLEY: Jay?

TRUSTEE BARTILUCCI: (Inaudible.) Go ahead.

MR. ASHLEY: Jay, when you point over at that, remember that's --

PRESIDENT KILBOURN: I understand completely.

MR. ASHLEY: -- has the possibility if everything works a hundred percent.

TRUSTEE BARTILUCCI: Potential.

PRESIDENT KILBOURN: No, I understand.

MR. ASHLEY: Nothing works at a hundred percent.

PRESIDENT KILBOURN: Of course. I got it. But we're trying to get to the practical right now.

MR. ASHLEY: Okay.

PRESIDENT KILBOURN: And not to the minutia, which I appreciate is very important, but to the practical framework; is there a reason -- is there a reason to spend more money?

MR. ASHLEY: Okay. Can I answer that?

PRESIDENT KILBOURN: Yes, please.

MR. ASHLEY: Okay. I've said it several times. We don't need to go into that. These people are the experts in the world. They are not only experts in the world, but they have the plans for these, the machines that you -- that the District owns, okay. If anybody in this world knows what can be done with them, I guarantee you, they do.

When you go to a cardiologist and you go to the best one, are you getting a hundred percent or are you getting 99.9? If you need a new heart, you hope the heck that he goes for a hundred.

We've got a goal. We know where the ballpark ends. We know where the home run starts. We can say, okay, we're dribbling out to the shortstop at the moment. Now, what can we do to get it by the shortstop, you know? Let's carefully evaluate and aim somewhere between the shortstop and the second fielder.

PRESIDENT KILBOURN: So, based on your own personal experience, and the formulas, it sounds like you think that the work that we've had done so far is so far off the mark that we might --

MR. ASHLEY: I never said that.

PRESIDENT KILBOURN: -- actually --

MR. ASHLEY: I never said that.

PRESIDENT KILBOURN: Okay.

MR. ASHLEY: I'm just trying to --

PRESIDENT KILBOURN: Well, I'm trying to get a sense of the credibility of what we've already done, because --

MR. ASHLEY: Well, if you go to Route 95 and --

PRESIDENT KILBOURN: -- if it's good work, and it's got the best work ever, but it's good work, and it gets us in the ballpark, and the ballpark is so off of the business model that it works, then tell me why we should -- I'm not arguing with you. I'm just asking why we should spend more money.

MR. ASHLEY: You --

PRESIDENT KILBOURN: Is there some hope? Where's the hope? Other than the formula, which we all know is the formula --

TRUSTEE BARTILUCCI: First of all, I think we took the historical average -- okay. historical. We took --

PRESIDENT KILBOURN: I try to stay away from that.

TRUSTEE BARTILUCCI: 1.8 --

PRESIDENT KILBOURN: Yeah.

TRUSTEE BARTILUCCI: Okay. And you're saying 1.4.

PRESIDENT KILBOURN: I'm not saying anything. I'm asking.

TRUSTEE BARTILUCCI: That's what you're saying in the Wright-Pierce.

PRESIDENT KILBOURN: They're saying it.

TRUSTEE BARTILUCCI: Okay. All right. Well, I wonder where they got the number from?

PRESIDENT KILBOURN: Just to be clear.

TRUSTEE BARTILUCCI: I wonder where they got that number, you know? I mean, a professional, I think, would have said let me see the historical averages. Not -- not come up with 1.4, so I question that.

PRESIDENT KILBOURN: Okay. I think that question was answered.

TRUSTEE BARTILUCCI: Well, I'm going to keep --

PRESIDENT KILBOURN: And they had all the data, but go ahead.

TRUSTEE BARTILUCCI: Let me --

PRESIDENT KILBOURN: I don't think there was any conspiracy.

TRUSTEE BARTILUCCI: Okay.

PRESIDENT KILBOURN: Okay. But there was sort of an implied sense that there was something --

TRUSTEE BARTILUCCI: Ten-and-a-half cents versus .08158, as far as kilowatt hour, that's also questionable because that's -- that's the rate of kilowatt hour not delivered to our -- Kennebunk. You have to add another two-and-a-half cents to that for delivery. So now, you're up to ten-and-a-half cents. So, if you take the 1.8 million times the ten-and-a-half cents, now, you've got a whole different model.

In fact, the model has -- you have to start asking yourself, hey, if I turn these dams -- if I blow up these dams, I'm going to be losing, maybe, seven, eight million dollars in 40 years or in 46 years. Okay.

PRESIDENT KILBOURN. No. I get your point.

TRUSTEE BARTILUCCI: So that's -- that's my point and I think it's Peter's point, too. All right. I think --

PRESIDENT KILBOURN: The question that I -- the question that was on the agenda was to introduce the formula.

VICE-PRESIDENT BERRY: We've done that.

PRESIDENT KILBOURN: And that's been done. I think, however, if there is -- if there's another item here that needs to be discussed by this Board, it would be -- it would be good to have that discussion and it seems it would be fair enough to provide the information, such as these items that you just brought forward, so that the Board can be properly prepared to actually dig into these questions.

TRUSTEE BARTILUCCI: Sure.

(Whereupon, inaudible side conversations occurring.)

PRESIDENT KILBOURN: But the two questions seems to be suggesting that we talk about it, and I encourage you to say it for yourself, because we'll get it on the agenda, is, one, are there some physical improvements that we can make that would be worthwhile making to the efficiency and performance of our power production? Both in the short and the long term. And the other is, something to do with confirming the financial analysis I think, right?

TRUSTEE BARTILUCCI: That's 1.8 and --

PRESIDENT KILBOURN: Yeah. The two --

TRUSTEE BARTILUCCI: Yeah.

PRESIDENT KILBOURN: -- and I understand. I think I know where all those numbers came from --

TRUSTEE BARTILUCCI: Yeah.

PRESIDENT KILBOURN: -- but we don't -- we don't have time here tonight to go through every one of those details, but we could make time to go through them again --

TRUSTEE BARTILUCCI: Sure.

PRESIDENT KILBOURN: -- I think.

TRUSTEE BARTILUCCI: Let's do that.

PRESIDENT KILBOURN: And if there's concern about it, we should. Absolutely.

TRUSTEE BARTILUCCI: Okay.

MR. ASHLEY: The first step is the most important one and the -- changing the gauge is just not a simple "just a gauge". This gentleman is part of a company that takes care of Governors. He's going to come down and he's going to look at the Governor, as well as the gauge, and he is going to say to you what is the minimum that can be done to that Governor to keep the horrific concept of what you envision for the control panel.

PRESIDENT KILBOURN: Sure.

MR. ASHLEY: You're going to be able to get an idea of not only the direction to go in, but probably the cost of each step. So, when you word the instructions for Voith or Leffel, if you choose to have them come, you want to be very careful to say, we would like to know what you think of the efficiency of each component you're discussing in your answer.

PRESIDENT KILBOURN: Okay. I get it. I think there's a clear -- there's a clear agenda item here, but -- it's to discuss your suggestion that we spend some more money on one of these two companies to do --

TRUSTEE BARTILUCCI: Or both of them.

PRESIDENT KILBOURN: Or both of them -- to do some additional work and I think it would be helpful if we're going to have a discussion about --

TRUSTEE BARTILUCCI: Not work, but just to do a survey.

PRESIDENT KILBOURN: To do a survey.

TRUSTEE BARTILUCCI: Okay.

VICE-PRESIDENT BERRY: Just an analysis of the condition --

PRESIDENT KILBOURN: Yeah.

TRUSTEE BARTILUCCI: Right.

VICE-PRESIDENT BERRY: -- of the plan.

PRESIDENT KILBOURN: To pay them to do an analysis and to do that, we need to have, I think, if you'd like to propose the agenda item, I think that's what you need to do between now and the next meeting, but I -- it sounds as though, you know, we need to have a -- the proposal would be to move forward with this work and it would be helpful to understand the

why. Specifically the why. What we hope to get out of it for goals, so that this board can have a good discussion about that and then, if we choose to ask our General Manager to send out an RFP with clear specifications, you'll have a sense what the reason is that this board wants to do it, what the goal is, and what the deliverables are. And, hopefully, we'll then know what the costs is and then we can sit down as a board and say, does it make sense to spend that money? So, I just say, let's get the right agenda item on with the background information and the request and give us all a chance to review that.

TRUSTEE BARTILUCCI: Okay.

PRESIDENT KILBOURN: Are you good with that?

TRUSTEE BARTILUCCI: Yes. I think he's on board.

PRESIDENT KILBOURN: Okay.

TRUSTEE BARTILUCCI: He's my assistant.

PRESIDENT KILBOURN: Great.

MR. GRANT: Can I comment here a minute?

PRESIDENT KILBOURN: Yes. we- - If you could keep it very short --

MR. GRANT: Yes.

PRESIDENT KILBOURN: Because we are in a general business meeting --

MR. GRANT: I will.

PRESIDENT KILBOURN: -- at this point.

MR. GRANT: Well, no matter what you do, whether it's new or rebuilt, there's a word called maintenance and I don't think maintenance has been done to these dams at all. I looked at one and it's a pigpen, to be honest with you, and it needs a lot of work. You should be able to eat off them floors and you can't even do that. So, no matter what you do, if you don't have maintenance, it's like buying a new car and not changing the oil for a hundred thousand miles, then you wonder why it isn't going to work. So, you should take that into consideration.

PRESIDENT KILBOURN: All right.

UNIDENTIFIED MALE SPEAKER: And if I could make a comment, if that's possible? It's very brief.

PRESIDENT KILBOURN: We're really not in a comment period. If you could keep it very brief.

UNIDENTIFIED MALE SPEAKER: Yeah.

PRESIDENT KILBOURN: Are there other people who would like to make comments, too, at this point?

(No verbal response.)

PRESIDENT KILBOURN: All right. Please.

UNIDENTIFIED MALE SPEAKER: I think, you know, Peter has a lot of ideas that work because I've worked with him on other projects and I know he's -- he's great at the details. I think, if you're going to make an RFQ for one of these companies, or both, to come and analyze these turbines, I think, you know, you guys there's all kinds of ideas about what they should look at, so I would suggest that Peter write those down and then you can look at them to put them all together. And, then, if you're going to get an RFQ, then you'll see what that costs and then you can decide, but, you know...

PRESIDENT KILBOURN: I think that's a great suggestion.

UNIDENTIFIED MALE SPEAKER: Okay.

PRESIDENT KILBOURN: We're not going to figure out those specs tonight --

UNIDENTIFIED MALE SPEAKER: Who knows what they're going to tell you.

PRESIDENT KILBOURN: -- that's clear.

UNIDENTIFIED MALE SPEAKER: Yeah, so...

PRESIDENT KILBOURN: Wayne, you -

VICE-PRESIDENT BERRY: No. I would like --

PRESIDENT KILBOURN: -- you asked a question.

VICE-PRESIDENT BERRY: I would like -- well, one, I didn't want the public to go out from this meeting thinking that we were going to be able to generate an extra \$400,000 more of revenue than what we're generating now. That's pretty much what the formula says.

TRUSTEE BARTILUCCI: It's the potential.

VICE-PRESIDENT BERRY: Correct.

TRUSTEE BARTILUCCI: And I said that.

VICE-PRESIDENT BERRY: But people don't always hear that. People hear the numbers and I don't want people going away from this meeting saying well, we're not doing our job, because we could come up with an extra \$400,000 of revenue. I think we need to put it in perspective with the overall expenses and complete revenues of this district.

Hydro generation is a very small percent. What do we have, one to one-and-a-half percent of our revenues?

GENERAL MANAGER SHEA: In the figures that Trustee Bartilucci has from 2002 through 2016, year-to-date we've generated 1.6 percent in that fourteen year period.

VICE-PRESIDENT BERRY: Later tonight --

TRUSTEE BARTILUCCI: We've generated --

VICE-PRESIDENT BERRY: Later tonight we're considering solar proposals, which are going to far exceed that.

GENERAL MANAGER SHEA: Um-hmm.

VICE-PRESIDENT BERRY: That's the other thing that I'd like the public to take away, is this hydro, we've spent a lot of time discussing outdated equipment and we need to spend an equal amount of time discussing other renewable energy generating sources that we can use to supplement what we have to buy.

TRUSTEE BARTILUCCI: I'd like to see both of them, though.

VICE-PRESIDENT BERRY: So, let's double our rates and we'll have plenty of money.

(Laughter.)

PRESIDENT KILBOURN: Well, we're going to evaluate it.

MR. ASHLEY: Jay, the one thing to say with Wayne is he's right on. Solar is needed and it's needed at home, it's needed everywhere. And what solar does is it creates a slight instability in the grid system and you need the hydro to balance that, so that in the evening you can use the hydro. In the daytime, the solar saves the hydro. You're talking about megawatts with power. You install the pump storage in order to save the grid, so to speak. So you're right on board.

VICE-PRESIDENT BERRY: If we had a place to store it.

MR. ASHLEY: You don't need to. What you need to do here is you have to make power that's efficient for you and the machines have been laying there too long. They've got to be fixed up to do -- to at least break even and then go beyond that.

VICE-PRESIDENT BERRY: I don't --

MR. ASHLEY: I'm not going to speak to --

VICE-PRESIDENT BERRY: I don't disagree. I think it's a -- it's something for another agenda item for another meeting.

MR. ASHLEY: Good. Okay.

VICE-PRESIDENT BERRY: Okay.

TRUSTEE BARTILUCCI: Okay. We'll talk about it next meeting?

PRESIDENT KILBOURN: Well, let's see if we have the materials that we need in that time. If we want to do it right, we can do it.

TRUSTEE BARTILUCCI: Okay.

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Verbatim Transcript Requested by Trustee Bartilucci's concluded.

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

1. Address Past Meeting Board Requests, occurred. General Manager Shea stated that he is still working on the line of credit. He hopes to have a report on the final cost to the District at the next meeting.

2. The Department of Labor and OSHA have not been invited into the facilities yet. General Manager Shea spoke about the switch gear and recommendations from Bill Clewes.

3. General Manager Shea stated that there will be approximately \$10,000 remaining in the 2016 general operating budget to review increasing efficiencies after the dam safety surveillance monitoring and the dive testing are complete.

4. General Manager Shea advised the Board that record maintenance is occurring. Forms and communications are being done online in PDF format. Documents will be placed into electronic archives in the future.

5. Goals will be discussed later on in the meeting.

6. In regard to the Water Street substation update, General Manager Shea received a Not to Exceed estimate from the engineering firm of \$150,000 for the design and commissioning of the Water Street substation. Mr. Dufoe is working on an RFP for the tie line to come down Mill Street to take some load off of Water Street and put it onto West Kennebunk. The ballpark figure is approximately \$150,000 for materials, and approximately \$150,000 to have someone come in and string the Hendrix line to actually activate the circuit. General Manager Shea plans to discuss this further during the upcoming budget deliberations and would like guidance from the Board as to whether they would like to proceed with an RFP for this project or to continue with the current engineering firm. As soon as further information is received, General Manager Shea will forward it on to the Board for their review.

7. Correspondence from the Governor's office has been put in the drop box for the Board's review. A letter was received from the Governor's office informing General Manager Shea of the Governor's efforts thus far regarding KLPD's hydros in which Governor LePage has submitted a letter to the Congressional Delegation recommending that they amend the Federal Power Act to exempt facilities the size of KLPD. There have been no decisions as of yet. General Manager Shea assumes that it will be an on-going battle in Congress. The Governor also sent a letter to US Fish and Wildlife Service asking them to reconsider their decision regarding fish passage; no response has been received from US Fish and Wildlife Service. A

copy of the excerpt that was received from the Governor's office has been forward to the Board for their review. General Manager Shea has not received any comments back from the Governor in regard to expanding the District. A discussion did occur between General Manager Shea and Patrick Woodcock in regard to an individual who may be interested in the District's hydro facilities. General Manager Shea has reached out to that individual. No correspondence has been received from Surge Hydro.

8. Update on Public Policy/PUC net metering deliberation, occurred. The legislation has vowed that they will take this issue up in the next session. There has been no decision at the PUC level, but it will be discussed amongst the PUC board.

9. There have been no major outages within the District to report.

10. Update on rate case/rates in effect October 1, occurred. General Manager Shea advised the Board that the rate case was approved by the PUC. The rates will be effective October 1, 2016.

11. General Manager Shea informed the Board that he will be attending the 2016 hydro licensing negotiations training course from October 5, 2016 through October 6, 2016.

12. PUC feedback in regard to the rate case was discussed. The initial filing stated that the public hearing would be held at the District's office. It was corrected to reflect that the meeting would be held at Kennebunk Town Hall. The Office of the Public Advocate did not receive the corrected copy and went to the District's office first. They were redirected to the town hall. The Public Advocate considered appealing the public hearing, but that did not happen and it was approved.

President Kilbourn then briefly discussed the asset management program, and stated that the program is on track. General Manager Shea agreed.

Whereupon, Item IX, Inform Board of scheduling of DSSM annual report inspections, occurred. The inspections may occur prior to the October meeting. It is expected that the cost will be approximately \$14,000 for the reports to be filed with FERC and for the underwater dive inspections to be done. DSSM reports are considered critical energy infrastructure information (CEII) and are not released to the public because of the contents of those documents. General Manager Shea will keep the Board up to date on any developments. Vice-President Berry asked if any preparatory work was needed prior to the inspections. General Manager Shea stated that the agencies will need to be informed that a drawdown will occur and approval from those entities will need to be received in order to move forward.

Whereupon, Item X, 2016 District progress report on goals set first quarter, occurred. The final draft of March 6, 2016 was reviewed. General Manager Shea reviewed the goals as follows:

1. Operate faithfully and in compliance with all regulations and laws. General Manager Shea believes he is in compliance.

2. Complete the remaining task from the KLPD 2015 goals:

A. Reduce frequency of pay periods: General Manager Shea and Business Manager Rancourt continue to work on this goal. There will be no change in employee's pay or the taxes. He is concerned about the employee's reaction and the stigma around going from a weekly pay period to bi-weekly. A plan is in place, but General Manager Shea is not prepared to speak about it at this time. Payroll firms have been contacted in regard to outsourcing payroll. Asyst has rolled out a payroll module that is being reviewed.

B. Performance reviews have been completed. Employees were happy with what they heard with few exceptions.

C. To complete the hydro decision making process was discussed. General Manager Shea stated that the decision has been made as was directed by the Board.

D. The FERC Notice of Intent has been prepared. It was presented to the Board at the August of 2016 meeting. The decision has been made to hold off until March of 2017 to file the Notice of Intent.

E. The 2016 tariffs were discussed. General Manager Shea stated that the rate case has been completed. The tariffs will be up and running. General Manager Shea and Business Manager Rancourt are looking to charge customers for returned checks. Pole attachment costs are also being reviewed.

General Manager Shea and Mr. Monks will be having a meeting with a representative from GWI in regard to WiFi fiber optics in the Kennebunk area.

The accounting system continues to be updated. Inventory has begun to be implemented. Segregation of duties within the system has occurred. Electronic meter reading technology through Asyst is now being used. Employees have all been given e-mail address.

3. The 2017 annual budget was discussed. General Manager Shea hopes to have a preliminary conversation along with preliminary numbers to the Board for the October 25, 2016 meeting.

4. Employee benefit plan was discussed. General Manager Shea is not prepared to speak about the plan at tonight's meeting, but will present his plan at the October 25, 2016 meeting and during budget deliberations.

5. The policy manual has not been completed. General Manager Shea advised the Board that a policy manual is kept by Ms. DeMarre. General Manager Shea will speak with Ms. DeMarre to compile the information and forward it to the Board for their review.

6. General Manager Shea discussed public policy, stating that he feels he is doing a good job keeping the Board current on any developments.

7. Fiberoptics were then discussed, in which General Manager Shea reiterated that a meeting will occur with a representative from GWI.

8. The renewables portfolio was briefly discussed. General Manager Shea stated that the District does meet the state's requirements through the energy that is purchased through NextEra.

9. The review and updates of by-laws and charter has not occurred. The succession plan is occurring due to two retirements that will be forthcoming. General Manager Shea would like to have a conversation in regard to the possibility of a workshop meeting to focus on strategic planning and by-laws conversations. President Kilbourn would like to see that occur and hopes it can occur prior to the budgeting process.

General Manager Shea took the time to commended the Board for their efforts.

General Manager Shea was asked when he would like to be awarded his incentive goal by Vice-President Berry. General Manager Shea stated that he would prefer it to be within this calendar year.

General Manager Shea stated that he would meet any outstanding goals in the next fiscal year.

(Whereupon, the general public left the meeting at 7:49 p.m.)

Vice-President Berry then made a motion to move into Executive Session pursuant to 1 MRSA 405.6 (E), to discuss solar bids. It was seconded by Trustee Cluff.

Whereupon, with unanimous ayes heard, the Board moved into Executive Session at 7:50 p.m. pursuant to 1 MRSA 405.6 (E) to discuss confidential solar bids

Executive Session

Whereupon, the Board came out of Executive Session at 8:15 p.m.

Whereupon, Item XII, Tentative Board select short list bidders for solar proposal, occurred. Vice-President Berry motioned to direct the General Manager to receive final and best offers from Clear Energy, NextEra Energy and groSolar. The second round of responses are to be received by close of business Monday, October 17, 2016. Trustee Cluff seconded the motion.

Whereupon, with unanimous ayes heard, the motion carries.

Whereupon, Item XIII, Executive Session pursuant to 1 MRSA 405.6 (C) to discuss personnel matter. Vice-President Berry made a motion to move into Executive Session. Trustee Cluff seconded the motion.

Whereupon, with unanimous ayes heard, the Board moved into Executive Session, at 8:18 p.m., pursuant to 1 MRSA 405.6 (C) to discuss a personnel matter.

Executive Session

Whereupon, the Board came out of Executive Session at 8:45 p.m.

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

Whereupon, with unanimous ayes heard, the meeting adjourned at 8:50 p.m.

Attest: _____
Bob Emmons, Clerk