

KENNEBUNK LIGHT & POWER DISTRICT
COUNTY OF YORK
STATE OF MAINE

- - -

BOARD OF TRUSTEES PUBLIC HEARING
MEETING MINUTES

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KENNEBUNK LIGHT & POWER DISTRICT
4 FACTORY PASTURE LANE
KENNEBUNK, ME 04043
THURSDAY MARCH, 08, 2018
6:00 p.m.

- - -

BOARD MEMBERS:

PRESIDENT: JONATHAN KILBOURN - (PRESENT)
VICE-PRESIDENT: - DAVID CLUFF - (NOT PRESENT)
GENERAL MANAGER/TREASURER: TODD SHEA - (PRESENT)
CLERK: ROBERT EMMONS - (NOT PRESENT)
TRUSTEE: DAN BARTILUCCI - (PRESENT)
TRUSTEE: BRADLEY "SCOTT" DUCHARME - (NOT PRESENT)

ALSO PRESENT:

Beverly Freudenreich, Kennebunk
Chauncey Copeland, Kennebunk
Donna Teague, Kennebunk
Matthew Rancourt, Business Manager

(Other members of the public may have been present but not identified.)

APPEARANCES:

THE FINANCIAL ENGINEERING COMPANY
BY: MICHAEL D. HUBBARD
235 Rockland Street
Rockport, ME 04856
(Via Telephone)

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 Regular Meeting Agenda, occurred.

Whereupon, Item III, Public Hearing on Proposed Minimum Charge Rate Increase, occurred. Mr. Hubbard was present via telephone.

Whereupon, General Manager Shea cited customer rights in regard to the Public Hearing as follows:

1. Have an attendance list – name and who they represent
2. Start the meeting by:

Customer Rights. At the commencement of the hearing, the utility must inform those present:

(i) of customers' right to request information relating to the present and proposed rates;

(ii) of customers' right to an open and fair hearing, and to further hearings before the Commission;

(iii) of the availability of assistance from the Public Advocate; and

(iv) that the rate filing may be investigated by the Commission in accordance with 35-A M.R.S.A. § 3502.

At the public hearing, the utility must answer questions, provide supporting materials for inspection, and accept statements. The Public Advocate may participate in the hearing.

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Public Comment Period

Verbatim Transcription

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MR. COPELAND: Chauncey Copeland and I just actually had some observations and some questions. And I assume -- is it Mike Hubbard that's on the phone?

PRESIDENT KILBOURN: Mike, can you hear Chauncey?

MR. HUBBARD: Just barely but I can hear, yeah.

PRESIDENT KILBOURN: Chauncey, would you mind coming forward? Yeah, that's fine.

MR. COPELAND: Actually, this has to do with the letter to the PUC dated February 2nd, and in that you state that the District's last major increase was implemented on October 16, 2017. Now, my last monthly KLP bill indicates that there are a number of billing increases effective February 1, 2018. Such things as electricity supply, which I assume is NextEra, Regional Network Services, LNS.

Now, if I use your stated average customer of -- usage of 667 kilowatt hours per -- per month, these increases, even with that slight reduction in the Energy Conservation Assessment, equates to an increase of, already, \$3.73 per month. So, I -- I was just kind of reacting to your memo. So, we've already had one increase and, yet, you didn't seem to necessarily reflect that into your letter to the PUC.

PRESIDENT KILBOURN: Would you like some comment on that or --

MR. COPELAND: Sure.

MR. HUBBARD: Sure. What this is, is the rates that we're working on right now, that I'm specific in the letter, was for the delivery rate and that was what it was directed to.

MR. COPELAND: Okay. I just found it a little misleading, though.

GENERAL MANAGER SHEA: If I may, Chauncey? The rates that --

MR. COPELAND: Sure.

GENERAL MANAGER SHEA: -- The rates that we're discussing this evening are regulated by the PUC.

MR. COPELAND: Okay.

GENERAL MANAGER SHEA: The energy rate, the energy efficiency rate, the LNS and RNS are not regulated by the PUC.

MR. COPELAND: Okay.

GENERAL MANAGER SHEA: Those are what they call pass-through costs.

MR. COPELAND: Okay. Now, lastly, in Mike's memo he talks about the fact that the minimal monthly charges, that do not vary by customer class, do not accurately reflect the increased cost to provide service to larger customers. So, I was very curious as far as that, because if the residential customer base is approximately 6,000 people, who had their minimum monthly charge increase from \$3.99 to \$6.00 per month, I was curious to know what the financial basis was, that it was determined that the 874 commercial customer base should only have their monthly minimum increased from \$3.99 to \$13.50 and, conversely, your six industrial customer base would be increased from \$3.99 to, magically, \$50.00?

MR. HUBBARD: Yes. When we do a cost of service study, where we look at rates and so on, what we do is we go through a process where we classify costs; are they energy related, are they customer related, are they demand related? And then, we allocate those various classifications to each customer class. And so, typically throughout the industry what we do is we take those customer related expenses, allocate those to the various classes and divide by the number of customers to come up with -- with a rate that is -- that would recover those customer costs.

It's a long process. It takes a large amount of time to do it and we -- and to -- customer costs are -- typically are meter reading costs, the cost of the meter itself, the cost of the transformers, the carrying costs of those, the depreciation and so on. And for the industrial customers, they're going to have a larger transformer. They're going to have a larger service draw, and so are the general commercial, going to have a larger one than the residential.

So, we have taken some estimates and come up with these -- these rates that are somewhat commensurate with what we have done and I will be the first to admit that it is not a precise science, but these are the costs that we came up with. There is a rhyme and reason behind it, there's a rationale behind it, and we tried to follow that rationale as we went forward.

MR. COPELAND: Okay. So, you're comfortable with the fact that -- your statement that the, you know, it costs you more to get the stuff to you're larger customers is properly reflected in those increased minimum rates?

MR. HUBBARD: Yes.

MR. COPELAND: Okay. How did these minimum rates -- the new rates compare to other electrical providers?

MR. HUBBARD: We did -- that was on Attachment -- Attachment -- an attachment which we showed and, for the most part, I believe your -- the rates that we're coming up with are lower than the others with, maybe, the exception of Holden [sic].

MR. COPELAND: Is that a good thing to -- I mean, if the utility here use the finances, are we doing the right thing by keeping these rates fairly low as we compare to other providers?

MR. HUBBARD: It's a -- that's a very good question. It is a -- it's a balancing act. Do we -- the ratio that we came up with is what I can support at this time. Yes, they will go up in the future as costs do go up. At the same time, do we want to hit everybody with a large increase or do we phase it in over time? Not that we're expecting to phase it in over the next year or so, but, yeah, maybe in a couple, three or four years, we might have to, to adjust it again, but these are the ones that we can support at this time.

MR. COPELAND: Okay. And, also, on the minimum monthly charge, is it based on 25 kilowatt per hour or is it based on 50?

MR. HUBBARD: I believe it's -- what did we say that was, Todd? Let me -- hold on a second here.

GENERAL MANAGER SHEA: We're 25, Mike.

BUSINESS MANAGER RANCOURT: It's 25.

MR. HUBBARD: 25?

GENERAL MANAGER SHEA: Yup.

MR. HUBBARD: Okay.

MR. COPELAND: There was some notation on -- I think it was Attachment 4, which kind of references 50, and I wasn't sure whether you were talking the same thing or not.

MR. HUBBARD: Oh, okay. So, it should be 25. Hold on a second here.

PRESIDENT KILBOURN: While -- while he's looking, just one comment on the thrust of your question. It's sort of really what's this -- what's the business strategy on rates here? And to a greater extent that strategy was a result of our business manager and our general manager, with the Board, rather than by our rate consultant. So, if you have a question that's geared more to our strategy, that's really a management decision.

MR. COPELAND: Okay.

MR. HUBBARD: And I have 25. You're right.

MR. COPELAND: Okay. So my last question, I guess, is kind of a local question. Is having to do with that minimum monthly charge, how is that actually kind of derived? You know, if I look at the monthly bill from KLPD, and there's something called Residential KLP delivery, now, does that include that 25 kilowatt hours or is 25 kilowatt hours put on top of that?

GENERAL MANAGER SHEA: That includes. The first 25 kilowatt hours are not free but they are included in that minimum charge. So, if you used absolutely -- if you disconnect -- or if you shut the breaker off in your house --

MR. COPELAND: Yup.

GENERAL MANAGER SHEA: -- your minimum charge would be what you're seeing on the -- on the rate increase. You would get no additional charges.

MR. COPELAND: Okay. You may not -- that's now how I see my bill.

GENERAL MANAGER SHEA: Okay. Do you --

MR. COPELAND: So --

GENERAL MANAGER SHEA: Do you shut yours off?

MR. COPELAND: (INAUDIBLE).

GENERAL MANAGER SHEA: Okay. If you want to come in, I'll be more than happy to go over that with you, Chauncey.

MR. COPELAND: Okay. Thank you. Thank you all for your time.

PRESIDENT KILBOURN: Thanks for your questions. All right. The floor is open for any further comments from the public about the rate adjustment proposed in the public statement. This is really the only business we have before us tonight, so don't be bashful if you have a question or a concern.

MS. FREUDENREICH: I will, because I don't know where it's at, what is the expense to have the consultant -- (INAUDIBLE) -- on the District's behalf, what is the expense you've incurred in order to just try to ask for something?

GENERAL MANAGER SHEA: It depends on the intensity. This rate case, we're in the ballpark of a few thousand dollars.

MS. FREUDENREICH: Can you --

GENERAL MANAGER SHEA: Two. 2,000.

BUSINESS MANAGER RANCOURT: Plus the mailing.

GENERAL MANAGER SHEA: Plus the mailing.

MS. FREUDENREICH: Plus the mailing. And the mailings?

GENERAL MANAGER SHEA: And the mailings. And the reason we held this meeting tonight is that the avoided -- the cost to postpone would have been about a \$23,000 [sic] impact to the District.

PRESIDENT KILBOURN: And just for the record, of course, we're accepting any written comments or questions. Todd, I believe, has made that clear to those who have called. So, if you go home and you wished you had asked something, please feel free, we'll be reviewing all of the written questions and statements, as well.

MS. TEAGUE: And what's the deadline on that?

GENERAL MANAGER SHEA: Mike, when do you have to submit -- when do the minutes have to be into the PUC, Mike?

MR. HUBBARD: By ten days from now.

GENERAL MANAGER SHEA: Ten days from now. So, I would say, by Tuesday. To give us time to compile --

MS. TEAGUE: Next Tuesday?

GENERAL MANAGER SHEA: Next Tuesday, yup.

MS. TEAGUE: And then what?

BUSINESS MANAGER RANCOURT: But then, you also have another -- another avenue through the PUC website.

MS. TEAGUE: Oh.

BUSINESS MANAGER RANCOURT: You can post comments directly onto their -- and our -- our case number is -- it's 2017-000333 -- am I close, Mike?

GENERAL MANAGER SHEA: It's right on there.

MR. HUBBARD: It's 2017-00333.

BUSINESS MANAGER RANCOURT: Okay. There you go.

MS. TEAGUE: It's on the front here.

MS. FREUDENREICH: It's on the front.

BUSINESS MANAGER RANCOURT: Yup.

GENERAL MANAGER SHEA: And you can go -- that's right at the Public Utility Commission's website.

MS. TEAGUE: Oh, okay.

PRESIDENT KILBOURN: Is there any other -- any other comments from the public?

MS. TEAGUE: I have a question. A little off topic, but, of course, I'm the dam lady, so --

PRESIDENT KILBOURN: Well, if it's way off topic, we may not address it tonight.

MS. TEAGUE: No, no. It's --

PRESIDENT KILBOURN: We're not having an actual meeting.

MS. TEAGUE: It has to do with the bills, though. And it's just antidotal on my part. When the dams run, do the ratepayers -- do I see a decrease in my monthly charges or not?

GENERAL MANAGER SHEA: You do not.

MS. TEAGUE: Have I ever?

GENERAL MANAGER SHEA: You have not, no. And I can explain that to you -- if you want to come in, I can explain -- Matt and I can explain to you what that is.

MS. TEAGUE: Okay.

GENERAL MANAGER SHEA: Absolutely.

MS. TEAGUE: I was just wondering --

PRESIDENT KILBOURN: To the extent we've benefited or to the extent it's a greater cost, to reflect it in our overall costs and it does get applied to ratepayers, but you don't see it fluctuate.

GENERAL MANAGER SHEA: Yes.

PRESIDENT KILBOURN: Is that correct?

GENERAL MANAGER SHEA: Yes. It's --

MS. TEAGUE: Okay. So fluctuations in the bills don't have to do with that?

GENERAL MANAGER SHEA: Right. It's an avoided cost in your delivery rate, because the delivery rate pays for our operations and the -- we don't generate more than we use in the District.

MS. TEAGUE: Okay. And the other --

MS. FREUDENREICH: Would the same be true for solar?

GENERAL MANAGER SHEA: No. Solar would be different.

PRESIDENT KILBOURN: Well, different in what respect?

GENERAL MANAGER SHEA: If you are talking about the -- the solar array that's being developed, that will be -- it will be a different formula that will be applied to bills. The cost of solar will be less than the cost purchased off the grid, at least currently, and so those rates would be blended through the year and adjustments would be made accordingly.

PRESIDENT KILBOURN: So you won't see it in your monthly statement, because the solar is producing or isn't producing, you won't see anything like this. Again --

MS. FREUDENREICH: It's different.

GENERAL MANAGER SHEA: Correct. No. It is different because there will be so much generated that it will make a marked difference on our invoices. So, either quarterly, biannually, or once a year, we will do a true-up to be able to allocate any savings or any avoided costs to the customers. So, that's not part of the delivery rate, because it will generate above and beyond what we use in the District.

UNIDENTIFIED MALE SPEAKER: Do you know what the cost per kilowatt hour will be per hour?

GENERAL MANAGER SHEA: 8.8 cents a kilowatt hour with no -- there is no LNS, RNS or regional fees attached to that. That's the total cost.

MS. FREUDENREICH: And when is that going -- where is that permit now?

GENERAL MANAGER SHEA: That -- they're going through the permitting process now. It's anticipated the end of 2018 or early 2019 that it will be up and running. It's before the Site

Plan Review Board, the Army Corps of Engineers and the Department of Environmental Protection right now. They're doing -- NextEra Energy is doing their permitting right now.

PRESIDENT KILBOURN: That contract is a public document if you wish to see it.

GENERAL MANAGER SHEA: Yup.

UNIDENTIFIED MALE SPEAKER: Currently, someone who puts a solar panel on their roof, it has excess electricity and it's rigged so it goes back into the system, how are you dealing with that, at this point?

BUSINESS MANAGER RANCOURT: Yeah, well, it's important to note that it -- it doesn't produce, say, an excess. So, every kilowatt hour that the panels produce are credited onto that customer's bill, if you will. So, we don't have -- we might have one or maybe two customers that during certain times of the year it produces more than they -- than they use, but the vast majority of customers, they use more than they produce and so, they -- they get a credit per kilowatt hour for what they basically put back onto the grid. And it's a, I would say, a similar process to when we talk about hydro production, because that production reduces the amount of kilowatt hours that we have to -- that we have to purchase, if you will, yeah.

PRESIDENT KILBOURN: And all of that production is used by the people on our grid.

BUSINESS MANAGER RANCOURT: Yup.

GENERAL MANAGER SHEA: We had one customer who donated it to the church.

PRESIDENT KILBOURN: Any further comments? It looks like we've got one here.

UNIDENTIFIED FEMALE SPEAKER: I just can't help myself. First of all, I wanted to say that I really appreciated the fact that we didn't lose power with this storm.

GENERAL MANAGER SHEA: You didn't. Some of us did. The guys have been at it all day long.

UNIDENTIFIED FEMALE SPEAKER: Whatever that -- you know, to those of us who didn't, we're grateful. And I missed the start of this meeting, but I'm here because I got this notice and I'm just having trouble and you may have addressed this, but it says, while KLPD is implementing measures to better control costs, inflationary effects on many of our costs continue to restrain our system. Well, I wonder if you could address what measures you're taking to control costs and then, what are the inflationary measures?

GENERAL MANAGER SHEA: Prior to 2016, KLPD hadn't seen a delivery rate increase in about ten years and over those ten years, the costs of health insurance, all -- all of the attributable costs, materials, fuel, have gone up exponentially. And so, we are now -- we are trying to build a healthy capital reserve so we can begin doing capital projects that need to be done desperately. We were kind of running pretty thin and we are trying to get ourselves in a healthier position for that.

What we're doing to streamline costs more is we're also, in addition to our current customers, we're streamlining and refining the way we bill new customers who are building -- who are having new construction done, subdivisions that are being built. We're scrutinizing those costs more and more to make sure that those costs are going to cover the actual -- the revenues from those jobs will cover the expenses so that ideally no one customer group is subsidizing another; everything is covering its own.

So, we're just trying to more accurately match expenses to revenues. And so, we are, you know, throughout -- we're streamlining processes as best as we can to be able to -- there won't be cost elimination, but there will be cost -- there will be realizations of savings.

PRESIDENT KILBOURN: So, let me just, if I could, I think we have been through this a few times, but it's confusing even to board members, so it might be worth a quick summary of just an overview of our rates. I think, maybe, this will help.

So, our delivery rates, those are the rates that -- that -- for which there are costs we control. Those are all of the costs that go into the delivery rates; our staff, our maintenance of poles and lines, you know, our snowplowing, our heat in our building, everything that goes into running this district. And providing safe, reliable, affordable power, that's what's in that, essentially, two cents per kilowatt hour that we all pay. That is just basically taking about two million dollars and allocating it out to all of the kilowatt hours that are used. That's our delivery charge. That's the one that we can control costs, or escalate costs, or -- you know, it's the -- it's really the -- it's the key one.

Now, we also do our very best to manage the other costs that you see on your bill, which is a lot more than two cents a kilowatt hour, and those costs are the cost that we pay for the actual electricity that we're not generating at the dams or, in the future, on our solar, or on peoples' solars, so the cost of energy, the cost of delivery of that energy to us, and some other outside distribution costs. So, there are costs to maintain the regional grid, there are costs to deliver the power to us, and there's also what they call a demand charge. Those are all charges that really aren't, except for the cost of electricity itself, are not really within our control. We're told this is what your charge will be, this is where the regional grid manager oversees these costs.

However, we can have a small impact on demand charge and we can have a more significant impact on the cost of energy and I'll just say two quick things about that. So, on the cost of energy, we have a contract with NextEra. We've -- we basically procure all of our electricity through NextEra except what's generated at the dams or again, in the future, at our solar and they're actually the contractor building that one, as well. So, we negotiate that rate and if we're lucky, or smart, or have good consultants, maybe we procure the power at the right time in the market when we get a really good rate. If things turn against us, you know, it's a very -- it's a very speculative, complex market and sometimes it doesn't work out.

So, we've had a strategy to essentially hedge to buy portions of our power in advance, to not buy all of it, to take advantage when our management team sees an opportunity or when NextEra calls and says the window looks good, we've -- I think we've been both skilled and lucky lately and we've got a much more favorable contract with NextEra than we had five years ago. We've renegotiated that and asked them for some concessions. So, those are the ways we kind of can control even though the cost of energy is -- you know, it's a much bigger market issue. We don't control it all that well.

And then, on demand, as we go forward in this district, we can have potentially more control on demand. Demand is essentially when you're at peak consumption and the greater system has to turn on power plants to provide only during that peak period. So, these facilities are called demand facilities. They're very expensive to build and they sit around idle most of the time and they turn on just when we all use more power. And that cost is spread out. It's a very expensive portion.

So, to the extent that we can manage that through energy efficiency with our customers, through balancing our demand within the district, and there are some things we can do with that with our customers, or battery storage in the future, if we have an energy storage facility here that would reduce our peak demand, those charges, which get assessed to us, could be reduced.

So, those are the ways that overall we -- you know, our rates work and -- I don't know if that's helpful, but...

UNIDENTIFIED FEMALE SPEAKER: That is helpful. Thank you.

MS. FREUDENREICH: Can I ask when the NextEra contract is up?

GENERAL MANAGER SHEA: 2020. December 31st of 2020.

MS. TEAGUE: 2020?

GENERAL MANAGER SHEA: Yes.

MS. TEAGUE: And was that a five-year contract or how long...

GENERAL MANAGER SHEA: That was a four-year contract extension when we did it.

MS. TEAGUE: Four years?

GENERAL MANAGER SHEA: Yes.

PRESIDENT KILBOURN: Was there originally a ten-year deal made, five? I'm not sure.

GENERAL MANAGER SHEA: It was an eight or a ten-year deal prior to.

PRESIDENT KILBOURN: That is on our radar for this year.

MS. TEAGUE: So there's, like, a little less than three years left and so, already, do you look at -- yes? Okay.

GENERAL MANAGER SHEA: Yeah, we're already looking for other vendors that are out there to provide full requirement service contracts, other vendors, and other ways to go about it and the plan is for a request for qualifications to see who can serve our load and then try to find the right fix for KLPD and at the right price for our customers.

MS. TEAGUE: Okay.

PRESIDENT KILBOURN: Some of the issues that I just raised that might allow us to control costs more in the future may -- may be -- those needs may be part of what we use in a criteria to select a supplier because those that can either help us with those issues in a consulting manner or actually in a practical manner with infrastructure would be more favorable perhaps.

So, this is new territory for us and I think for those of you who have been paying attention to the energy industry in general know that it's -- it's really in a state flux. I would say that it's in the biggest transformative moment that it's been in for many, many years. So many things are changing. The things that we use energy for, the sources of energy, the potential for that distributed energy in our community and -- many other factors are changing. So, we're trying to stay abreast of them.

GENERAL MANAGER SHEA: And, just as a point of order, this is -- the public hearing is for the current rate case. I'd like to let Mike go if there's no other further questions regarding the current minimum rate.

PRESIDENT KILBOURN: Yes. And we will be talking about all of these things in our regular board meetings and they'll be on the agenda and I encourage you to come.

GENERAL MANAGER SHEA: So, any other questions for the consultant?

(No verbal response.)

GENERAL MANAGER SHEA: Going once. Can I send Mike?

PRESIDENT KILBOURN: Thank you, Mike.

MR. HUBBARD: Okay. I appreciate you letting me participate telephonically instead of driving down there today.

GENERAL MANAGER SHEA: You're welcome and I'd like you to get back to plowing now, Mike. Good luck and we'll talk to you soon.

MR. HUBBARD: Okay. I appreciate it.

GENERAL MANAGER SHEA: Thanks, Mike.

PRESIDENT KILBOURN: I think, in the interest of having -- of keeping -- our discussion tonight we were focused on the issue at hand, we don't have all of our board members here unfortunately, and some of these issues are quite important, but we will be talking about them.

GENERAL MANAGER SHEA: My door is always open.

PRESIDENT KILBOURN: Yeah. I'd like to bring this hearing to a close unless somebody has a late breaking question or comment?

(No verbal response.)

PRESIDENT KILBOURN: Thank you very much for attending. I appreciate it.

GENERAL MANAGER SHEA: I want to thank you for the comments. I'm glad you didn't lose power today because our guys were, from 1:30 this morning until just about 4:30 this afternoon, chasing down trees and heavy -- the snow was wet and nasty.

Whereupon, the meeting adjourned at 6:28 p.m.

Attest: _____
Bob Emmons, Clerk