

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, OCTOBER 24, 2017
6:00 p.m.

- - -

BOARD MEMBERS:

PRESIDENT: JONATHAN KILBOURN - (PRESENT)

VICE-PRESIDENT: - DAVID CLUFF - (PRESENT)

GENERAL MANAGER/TREASURER: TODD SHEA - (PRESENT)

CLERK: ROBERT EMMONS - (NOT PRESENT)

TRUSTEE: DAN BARTILUCCI - (PRESENT)

TRUSTEE: BRADLEY "SCOTT" DUCHARME - (PRESENT)

ALSO PRESENT:

Beverly Freudenreich, Kennebunk

Peter Ashley, Cape Neddick

Donna Teague, Kennebunk

Matthew Rancourt, Business Manager

Kathleen DeMarre, Recording Secretary

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

TRANSCRIPT OF PROCEEDINGS

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

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

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

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

Whereupon, Item II, Approval of Regular Meeting Agenda, occurred.

Whereupon, Item III, Board Review and Approve September 26, 2017 Meeting Minutes, occurred. Vice-President Cluff made the motion to accept the September 26, 2017 Meeting Minutes as presented. The motion was seconded by Clerk Emmons.

Whereupon, With no further discussion warranted, unanimous ayes were heard and the September 26, 2017 Meeting Minutes were approved.

Whereupon, Item IV, Board Review September 2017 Financials, occurred. Business Manager Rancourt took the floor. He explained that most revenues were down this year over last due to lower sales of approximately 868,000 kilowatt hours less this year over last. In regard to expenses, general plant operations, maintenance and distribution, there was an increase by \$5,700 this year over last due to various expenditures. There was a savings this year over last in tree trimming labor expenses, but more time and effort was allocated to maintenance of poles and overhead conductors.

Customer accounting and collections are down this year over last due to a savings of \$1,800 for the folder/sorter annual maintenance agreement. Printing and mailing of bills have been outsourced, so the agreement is no longer needed.

Administration expenses are \$4,800 higher this year over last due to \$1,600 in legal fees and \$2,600 in engineering fees.

Vice-President Cluff then asked about the decrease in sales and if that is due to the mild weather conditions this year over last. Although the customer base has increased, Business Manager Rancourt feels that the lost sales revenues can be attributed to the weather and decreased demand associated with the warmer temperatures being experienced. Vice-President Cluff would like an eye kept on the issue.

President Kilbourn asked for clarification in regard to sales and kilowatt hours. He asked if the figure is the same as the distribution number. Business Manager Rancourt stated that the 9,051,000 kilowatt hours makes up delivery sales. Corning was at 1.6 million in September of 2017, which leaves 7.4 million that the District sold in energy and RNS. He reminded the Board that Corning still has delivery and transmission charges. He added that delivery revenue is collected on the entire 9,051,000. Energy revenue was collected only on the 7.4 million. Business Manager Rancourt will break delivery and energy revenue going forward for the Board.

Business Manager Rancourt went on to explain that cash is up this year over last and that past due accounts are down. Trustee Bartilucci discussed cash-on-hand; it was up to 33 days but has now decreased to 25 days. He asked if it would be possible to base the cash-on-hand without the inclusion of the biannual bond payments. Pursuant to Trustee Bartilucci's request, Business Manager Rancourt will normalize the figure by pulling out bond payments. This will permit the Board to see cash-on-hand over the entire year absent that criteria.

President Kilbourn is pleased with the financial statements. The appropriate detail has been depicted and his thanks to Business Manager Rancourt was expressed.

Whereupon, Item V, Request for Authorization to Sell Tree Truck and Chipper to Highest Bidder, as a Package, With Minimum Bid of \$50,000, occurred. General Manager Shea took the floor and explained his authorization request and the open bidding process.

Vice-President Cluff asked if the Board can authorize General Manager Shea to approve the bid or does it have to come back to the Board as this is an operational issue. General Manager Shea stated that that was fine if the Board so chooses.

General Manager Shea discussed the open bidding process further. The Board and General Manager Shea then discussed the equipment and attachments on the other trucks held by the District. Chipping services were then discussed. All bids will be reviewed by the Board at the November 28, 2017 meeting, unless the meeting date is changed.

Per General Manager Shea, the proceeds from the sale of the tree truck and chipper would be held in the District's reserve fund and used at a later date as the District and Board so determines. Trustee Ducharme would like to see the funds used on the Ross Road project.

Vice-President Cluff asked if the line crew is trained and certified for chipping and tree trimming. Lineman Travis Chapman is a former arborist for the District and holds the appropriate licenses. The entire line crew is trained annually on tree cutting.

Clerk Emmons wonders if keeping the asset for a year might be beneficial. General Manager Shea stated that letting the asset go would free up space in the garage, but keeping the asset permits the District to fall back on it if needed. It was noted that the 2005 truck has 52,000 miles and 8,000 hours. The 2010 chipper has 2,200 hours. Clerk Emmons is not only concerned about weather events but other events that could occur in which it would be beneficial to have the asset and that, perhaps, waiting a year to see what events arise should be considered.

Vice-President Cluff then discussed the use of tree trimming crews, private property and the responsibilities of owners. Clerk Emmons asked how often the truck was used in the past few weeks. General Manager Shea stated that the vehicle was used last week. With Vice-President Cluff stating that it was being used on private roads. Trustee Ducharme suggested to hold off until a tree trimming contract is in place. General Manager Shea added that he is hopeful to have a contract in place by the end of November.

Further discussion occurred between the Board members in regard to the issue. Vice-President Cluff then made a motion to authorize the general manager to put out an RFP for a bid for the tree truck and chipper, with the stipulation that the truck and chipper cannot be taken until there is a contract in place with KLPD from an outside firm for tree trimming, storm removal, et cetera, as was discussed in the September meeting. Vice-President Cluff added to the motion that the General Manager can make the decision without the need for the Board's approval. The motion was seconded by President Kilbourn.

Whereupon, with no further discussion, President Kilbourn asked for a vote. Ayes were heard from President Kilbourn, Vice-President Cluff, Trustee Ducharme and Trustee Bartilucci. Clerk Emmons was opposed to the motion. With a 4-1 vote, the motion passes.

Whereupon, Item VI, Board Input and Requests Pertaining to 2018 Operating Budget, occurred. General Manager Shea took the floor and he stated that the preliminary numbers for

fiscal year 2018 are under way. He advised the Board that the inclusion of proposal for projects that have been in the works along with projects that are due and necessary will be part of the budget discussion and that rates will also be part of the budget discussion, to cover those expenses. General Manager Shea noted that any rate increase over one percent will be required to go before the PUC for a rate case, so calculations will be based upon the assumption that increases will not go into effect until the beginning of the second quarter of 2018. General Manager Shea would like any comments and/or thoughts that the Board may have in regard to the budget be forwarded to him by October 31, 2017. Staff has been and will continue to be part of the budget discussion.

Future projects were then discussed as follows:

The Ross Road project would be to reconduct Ross Road to pick up Arundel and portions of Shoppers Village and transfer that load to West Kennebunk. Replacement of lines would be required. Air brakes would be installed on Summer Street and at the Ross Road corner.

The Mill Street project would be to transfer the load of Wells Branch and the area in Wells that is part of the District to West Kennebunk. The poles are already in position. Air brakes, wire, and labor would constitute that project.

Both projects will be considered for the 2018 budget. Trustee Ducharme would like to see the proceeds from the sale of the chipper applied to the Ross Road project.

The budget is to be presented to the Board November 14, 2017.

Trustee Bartilucci is concerned about the cash-on-hand, with President Kilbourn agreeing. President Kilbourn would like to see General Manager Shea and Business Manager Rancourt consider reliability, redundancy, unanticipated expenditures and consideration of an accrual for dam expenditures. He discussed smart meters, the contract ending with NextEra Energy in 2020 and capital items.

Vice-President Cluff agrees with Trustee Bartilucci in regard to cash-on-hand and all the remarks from President Kilbourn. He would like to know about the status of the contract and where the rate is currently in the marketplace.

General Manager Shea discussed dates-certain, rates, future prices, lock-ins and drop dead dates. Commercial customers were then discussed along with partnerships and third parties. President Kilbourn discussed time of use, rates, storage and generation. The Board continued to discuss in depth the contract, prices, rates, storage, investments and timing. Solar was also discussed along with commercial accounts.

Whereupon, Item VII, General Manager's Report:

A. Address Past Meeting Board Requests: Board members voting while not in attendance physically but present via Skyping was discussed. Counsel is reviewing the issue further. After further discussion, the Board decided to table this issue.

i. Customer Comments: None to report. A car pole accident occurred near the Starfield Observatory on October 23, 2017 at 5:30 p.m. with power being restored by 8:30 p.m. without incident.

ii. Solar Update: The interconnection study has been completed. It has been determined that the proposed array will integrate into KLPD's distribution system successfully with no detriment to equipment. NextEra Energy is moving forward with permitting and final design. Information will be provided to the Board by the next regular business meeting, with the expectation that representatives will be attending the meeting to answer questions. With a contract of two years to develop the project, President Kilbourn would like to see the group, get updates from them directly and hold them accountable for the due diligence that the contract requires.

iii. Substation Update: Was discussed in the budget conversation. General Manager Shea touched upon the load shedding program, redesign and potential reconstruction of the Water Street substation.

iv. Drawdown Reminder: Notifications via e-mail and U.S. mail have been sent and local media outlets have been notified. Weather is being watched as one to three inches are expected within the week. The start date of the drawdown is scheduled to begin on Thursday, October 24, 2017 if the weather cooperates.

With a brief discussion on changing the oil within the governor, Trustee Bartilucci then handed General Manager Shea a proposal for an oil cleaning machine which he received from Mr. Ashley.

v. FERC Filings to Date Regarding Mousam River Project: The link has been forwarded to the Board members. P5362, the impoundment inspection notification has been filed. P14855 and P14856 were then reported on by General Manager Shea. All information regarding P5362, P14855, and P14856 will be available on KLPD's website. E-subscription was then discussed by General Manager Shea. American First Hydro was then discussed. Trustee Ducharme would like to know if they are the licensed owners.

vi. Update Board on Kleinschmidt Report to Selectmen: The Board has been forwarded the link to see the Kleinschmidt presentation. General Manager Shea discussed the report, the video of the presentation, and the various aspects touched upon by the representative of the Kleinschmidt firm. Per General Manager Shea, Kleinschmidt generally concurred with the Wright-Pierce analysis and the GZA third-party review along with the analytical methods used. Trustee Bartilucci

vii. Review of 2017 Performance Goals and Progress to Date have been forwarded to the Board for their review. General Manager Shea reviewed the items as follows:

a. Schedule and facilitate Board strategic planning process, reviewing and modifying as necessary mission, bylaws, future goals and business strategies is in a mode of currently completing, is a work in progress, with the expectation of a first draft to be delivered to the Board by November of 2017.

b. Complete a ten-year asset management plan, including long-term capital maintenance replacement plan, capital budget with long-term financing, accurate asset life and depreciation schedules, secure upgrade to bond rating, Water Street substation, smart meters, pruning Mill Street lines, et cetera. Management and Staff are in the process of developing these items in the budget process, looking for high level ideas from Board members through the strategic planning process to occur later this evening, with an anticipated roll out of the plans by being developed for quarter one of 2018. Per General Manager Shea, this was approved in February of 2017, and to run from February to February.

c. Other areas include the upcoming retirement of a senior staff member, new power lines for Mill Street and Water Street, Mill Street circuit and the reconduction of Ross Road to facilitate load shedding from Water Street substation.

d. Assessment of employee benefit packages are currently being reviewed by management as part of the current budget discussion in an attempt to find a balance between equity for employees and fairness to the District.

e. Liaison and cooperation with The Town: Biweekly meetings are occurring with General Manager Shea and the Town Manager.

f. Website upgrade, reorganizing content has been completed. Online customer payments are being evaluated for liability issues. Video recording, podcasting and streaming are not yet complete. A more formalized weekly e-mail process will occur, e-mail alerts, communication to customers regarding news and outages are being worked on.

g. Insuring safe operations, safety of personnel and public are top priority and is continuously refined and highlighted. General Manager Shea added that the goals will be reviewed quarterly.

Trustee Bartilucci was asked by as ratepayer if ratepayers could receive self-addressed envelopes with their bills. Management reviewed this possibility and the cost of mailing would double, but General Manager Shea and Business Manager Rancourt will review it again.

Trustee Ducharme asked if employee's of the District sign a contract in regard to their benefits and is it something that the District can get out of. General Manager Shea advised Trustee Ducharme that the District is part of the Maine Municipal Employee Health Trust, self insured, so the District is not locked into staying with that program. President Kilbourn stated that he would like, as part of the budget presentation, a thorough explanation of employee benefits, what options are available, and what the strategy will be to reduce the costs. President Kilbourn feels that this is one of the key issues that the Board is interested in addressing. Vice-President Cluff added that it is an issue every year due to the expense.

Whereupon, Item VIII, Public Comment Period (limited to 15 minutes total, occurred.)

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Public Comment Period

Verbatim Transcription

MS. TEAGUE: If you do the envelopes, I would recommend window envelopes. That way, you don't have to print them and take the labor and all of that stuff.

GENERAL MANAGER SHEA: Thank you.

MS. TEAGUE: The only other comment I was going to make, because it's so very confusing, is the FERC filings and all of that. The reason our name changed is because we began as an LLC, a for profit. We did get 501(c)(3) status, and the IRS required, I don't know why, a different name, so it just got switched.

GENERAL MANAGER SHEA: Okay.

MS. TEAGUE: So that's why and not just being (INAUDIBLE).

GENERAL MANAGER SHEA: I know there had to be a reason.

MS. TEAGUE: Yeah, yeah. It's really goofy in various ways, but...

GENERAL MANAGER SHEA: Hmm. Thank you.

TRUSTEE BARTILUCCI: Well, let's just say the Mousam. Will you go along with that?

MS. TEAGUE: I'll still respond.

(Various conversations occurring and were inaudible.)

MS. FREUDENREICH: My only request is the goals that you have.

GENERAL MANAGER SHEA: Yes.

MS. FREUDENREICH: Can they be put on line?

GENERAL MANAGER SHEA: Yes, absolutely.

MS. FREUDENREICH: And the comments that you have?

GENERAL MANAGER SHEA: Yes, ma'am.

MS. FREUDENREICH: And this is probably from being in business and being in management, not only look at your benefits, but look at your insurance providers --

GENERAL MANAGER SHEA: Um-hmm.

MS. FREUDENREICH: -- for other things -- for all things that you're insuring. Many times, just keeping it the same every year, isn't to your advantage.

GENERAL MANAGER SHEA: Well, also, being the type of entity that we are isn't an advantage either. There are very few that will insure electric utilities with hydro assets, so that's our problem.

PRESIDENT KILBOURN: Good comment. Thank you.

MS. FREUDENREICH: Competition always seems to make them sharpen their pencil.

PRESIDENT KILBOURN: It certainly does. Other comments from the public? Yes, Peter?

MR. ASHLEY: Back to the oil. There were three samples taken. For some reason, it was indicated that the sample from Dane Perkins was not of sufficient volume to do the testing. They did some of the testing, but all of the particle count that is usually attributed to something in suspension going to the governor system was not done. Has a new sample been sent in?

GENERAL MANAGER SHEA: That was mentioned at the last meeting.

MR. ASHLEY: Okay. I think, from my point of view, and you can tell me to go fly a kite, which I might do, the governor accumulator on that dam is brand new and the more it's activated, the more it will be subjected to the oil that's in there that we have known nothing about. And since the particle count on the other two dams is considerably high, I would suggest, even though you're doing the drawdowns and everything else, that you do a hydraulic gate [sic] (INAUDIBLE). I would leave the machine off until you get the results from the test so that you don't hurt that brand new accumulator and the seals that are inside that cause nitrogen to leak through there. So that's one request there.

Now, just so that all of the Trustees understand, when you're talking about lubrication at the dam, Kesslen and Dane Perkins are quite similar, the governors are very similar. I don't know if there's any differences or not. But that is a separate entity. It's like your hydraulic system in your car. It's separate from the oil in the engine. The oil in the engine that's been portrayed or talked about, is the one in the thrust bearings underneath the generator, holding the generator (INAUDIBLE) and they have a bearing in there and they are very susceptible to wear, and there should be close monitoring of that oil. Are you aware of when the last test was done for Kesslen and Dane Perkins' thrust bearings?

GENERAL MANAGER SHEA: I would have to check with Wayne.

MR. ASHLEY: Well, that indication, as far as you know, it has never been tested?

GENERAL MANAGER SHEA: Not that I'm aware of. I don't believe never, but I'd have to check. I don't know that off the top of my head.

MR. ASHLEY: Okay. Is there any way to go back through the minutes of the managers, et cetera, or the dam man's, to see when it was last tested?

TRUSTEE DUCHARME: (INAUDIBLE.)

MR. ASHLEY: It means a lot of digging in paperwork and so forth, but I'm just wondering whether it is possible that it could be done.

GENERAL MANAGER SHEA: I found all the records that I possibly could for the facilities that we have here and I haven't found any written notes or explanations like you're describing. I've gone through minutes back 'til 1978 and I haven't found any references in the minutes to those either. So, I know that minutes don't have them and in the areas that I've looked at in our records I haven't found any notes like that.

We started, and I don't know where the records went prior to that, but when I came onboard, we started a new -- we had a -- Wright-Pierce did a new checklist for staff. We have all of those. I've had engineering, and hydro, and others look for the other records and I just don't -- unless there is some place we're not looking, we haven't been able to find them.

MR. ASHLEY: So, Mr. Lane's records are somewhere in that --

GENERAL MANAGER SHEA: Ether.

MR. ASHLEY: Yes. So --

PRESIDENT KILBOURN: If we could, just trying to move this along a little bit. It's an important detail. Some of it could be covered directly to Todd. I think the important thing to remember is that this is a policy board and if there's something that you would like to say, please say it.

MR. ASHLEY: The policy factor is quite evident when you're dealing with hundreds of thousands of dollars with the thrust bearing of a generator. It's nice to know that everybody else is on the same line, when you're talking money, to know that it's critical to have these things done.

GENERAL MANAGER SHEA: Um-hmm.

MR. ASHLEY: It's more important than flashboards, or wires down to the plant, or anything else.

So, the last item is the Twine Mill. I presume that almost none of you are aware of the problems we've had with the thrust bearing at the Twine Mill. Maybe Todd read something about it, but they hired me to take the unit out and send it to Pennsylvania to have a new thrust bearing design put on it at the same time the Berrywood Bridge [sic] was done, and they -- the oil in that thrust bearing, the new thrust bearing, is that big diameter thing that's downstream from the coupling going to the gear box and that's another critical item that's equivalent to the thrust bearing under the generator and that's where all the rust is going that feeds through that, through the gears, and so that's something that I would keep your eyes open for when you're looking through the paperwork to see if that's ever been checked and find out what the schedule is for checking the level of that and what the level is supposed to be.

And I don't know where you'll find the write-up of that, because I think that the manuals that you sent up to the hydraulic fellow, that was prior to that fix. I don't know whether Allis-Chalmers did the fix or Voith did it, but it was between the transition of Allis-Chalmers --

PRESIDENT KILBOURN: If I could jump in, just for a moment, Peter.

MR. ASHLEY: That's enough, Peter. That's enough.

PRESIDENT KILBOURN: Thank you, very much. That's real good. The important thing to also remember is that this Board has asked our management to properly maintain our equipment and if there is some extraordinary expense that would require some Board discussion about, to bring that back to us. I appreciate knowing a little bit of detail, but I think we do need to move on now and I think Todd has heard a lot of detail.

MR. ASHLEY: Thank you very much --

PRESIDENT KILBOURN: Thank you.

MR. ASHLEY: -- for letting me get this into the minutes, because somebody in the future, whether it's a purchaser, or an operator, or whatever, we don't know will -- might need that information.

PRESIDENT KILBOURN: Thank you. Exactly. And they also may need --

TRUSTEE BARTILUCCI: (INAUDIBLE) that they're all cleaned machines, do we have to vote on it or can we just --

GENERAL MANAGER SHEA: That's within --

TRUSTEE BARTILUCCI: 1200 bucks, we can just preface it? It might be worthwhile to spend some money --

MS. FREUDENREICH: I have one other question.

PRESIDENT KILBOURN: All right. We're -- we're --

MS. FREUDENREICH: Are the flashboards finally fixed?

GENERAL MANAGER SHEA: The flashboards at Kesslen are not fixed and it's because of other equipment issues that we've had. Those are anticipated to be done when we do the other drawdowns.

PRESIDENT KILBOURN: Thank you. All right. We'll move on.

Public Comment Period and Verbatim Transcript

Concluded at 7:18 p.m.

Whereupon, Item IX, Board Confirm Schedule of Remaining Meeting Dates for 2017, occurred. After a lengthy discussion it was determined that the schedule will be as follows:

November 14, 2017 - Business Meeting;

November 28, 2017 - Business Meeting - Budget;

December 12, 2017 - Business Meeting/Strategic Planning Meeting - Budget;

December 19, 2017 - tentative.

There being no additional business of the District discussed by the Board, President Kilbourn made a request for a motion to adjourn. The motion was moved by Vice-President Cluff and seconded by Trustee Bartilucci.

Whereupon, with unanimous ayes heard, the meeting adjourned at 7:25 p.m.

Attest: _____
Bob Emmons, Clerk