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, NOVEMBER 28, 2017
6:00 p.m.

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BOARD MEMBERS:

PRESIDENT: JONATHAN KILBOURN - (PRESENT)

VICE-PRESIDENT: - DAVID CLUFF - (PRESENT)

GENERAL MANAGER/TREASURER: TODD SHEA - (PRESENT)

CLERK: ROBERT EMMONS - (PRESENT)

TRUSTEE: DAN BARTILUCCI - (PRESENT)

TRUSTEE: BRADLEY "SCOTT" DUCHARME - (NOT PRESENT)

ALSO PRESENT:

Albert Kolff, Kennebunk

Peter Ashley, Cape Neddick

Donna Teague, Kennebunk

Matthew Rancourt, Business Manager

(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 October 24, 2017 Meeting Minutes, occurred. President Kilbourn moved to approve the minutes of October 24, 2017. The motion was seconded by Vice-President Cluff. Whereupon, with no further discussion, unanimous ayes were heard and the minutes of October 24, 2017 were approved.

Whereupon, Item IV, Board Review October 2017 Financials, occurred. Business Manager Rancourt took the floor and advised the Board that the separation of Corning from delivery and all other categories has occurred pursuant to their request and is reflected in this month's reports. The delivery sales for October of 2017 is being reported as 8.6 million kilowatt hours in total. With the removal of Corning's portion of Energy, RNS, and transmission sales are 6.9 million kilowatt hours.

Trustee Bartilucci then asked about the inclusion of the bond within the financials. Business Manager Rancourt stated that within the graph portion of the report, the principal and interest of the bonds have been backed out of the Days of Cash. Trustee Bartilucci would like to see the bond information reflected in numbers not in graph format. Business Manager Rancourt will oblige Trustee Bartilucci's request moving forward. Business Manager Rancourt also stated that $350,000 has gone toward principal and interest payments year-to-date. He also advised that cash-on-hand now stands at 30 days and with the omission of the bonds from the calculation, cash-on-hand would rise one or two days. Trustee Bartilucci discussed the impact of the bond payments on cash-on-hand. Business Manager Rancourt stated that three principal payments are made per year. This year the payments of the bonds will total $228,000. The payment of the 1983 bond is approximately $36,000, with the remaining amount being put toward the 2007 bond. Trustee Bartilucci is trying to see the actual days of cash without the fluctuations that come from the payment of the bonds. After further discussion, Business Manager Rancourt stated that he can show days of cash both with and without the impact of the bond payments.

Whereupon, Item V, Board's First Review and Commentary on 2018 District Budget, occurred. Business Manager Rancourt took the floor and explained the methodology used to come up with the 2018 budget. He explained that management is proposing an increase of 1.5 percent in sales for 2018 as for the past two years the increases have been approximately 1.67 percent. The estimated sales would be approximately 111 million kilowatt hours for 2018. Business Manager Rancourt stated that in 2015, the sales were one-half of a percent, but that in the last two years the sales have been 1.67 percent and 1.76 percent respectively. Business Manager Rancourt added that management is proposing to keep the rates for energy, RNS, transmission and delivery the same as in 2017.

Business Manager Rancourt advised those present that management is proposing an increase to the minimum charge of $3.00. He included in the budget information a rate history schedule from 2007 to current. The minimum charge has been raised $0.51 since 2009 and that KLPD has the second lowest monthly charge amongst the other consumer owned and investor owned utilities within the state of Maine. Business Manager Rancourt explained further that the minimum charge would increase from $3.99 to $6.99. This would create an increase for each customer of $36.00 per year. A rate case would need to be performed and approval from the Public Utilities Commission would be required. Since a rate case would need to occur, Business

Manager Rancourt has only calculated nine months at the higher rate as the rate case would occur within the first quarter of 2018.

Business Manager Rancourt stated that the minimum charge is recorded as delivery for the District. He explained that delivery has two components: (1) the delivery fee that is affected by usage for the customer and (2) the minimum fee. The budgeted delivery is being anticipated to be $2.3 million. $500,000 has been anticipated for the budgeted minimum charge if the increase is approved by the Board and the PUC. This would bring the total to $2.8 million. Business Manager Rancourt then discussed the varying degrees of impact on the customer base if the minimum charge were to be increased.

Vice-President Cluff asked if the estimated increase in sales of 1.5 is based on past history of the District or has growth trends and building permits from the Town been factored into the estimation. He also asked if the potential of losing another large industrial customer has been factored into the estimation. Business Manager Rancourt stated that the 1.5 estimation of increased sales is based more upon the District's past history. In regard to Vice-President Cluff's second question, Business Manager Rancourt has not been given any information in regard to the potential loss of a large industrial customer. Vice-President Cluff stated that he informed management at the October, 2017 meeting of the potential loss. General Manager Shea added that he does not believe that the budget will reflect an impact in 2018. He added that the District is tracking new subdivisions and that at least 40 new homes are planned for the year of 2018. The Sewer District's new building and its impact along with conversations with Tesla in regard to new charging stations are also being tracked and their impact being weighed. The Kennebunk High School's impact is also another factor. Vice-President Cluff and General Manager Shea then discussed the rate increase that occurred due to the rate increase that Efficiency Maine put forward. It was also clarified that every meter within the District would see an increase of $3.00 per month on the minimum charge.

Vice-President Cluff asked for status in regard to the previously requested review of all of the rates charged by the District to its customers that was to be part of the budget process. General Manager Shea stated that in regard to construction, the rates have been adjusted within the limits that have been put forth by the PUC. Pole rental fees are also being reviewed. The revised rules that have been received from the PUC will need to be reviewed further along with a comparison study of investor and consumer owned utilities. Vice-President Cluff would like to see a report on the rates within the District and a comparative study of the consumer and investor owned utilities as described by General Manager Shea. Vice-President Cluff would also like to see if a different minimum charge schedule for residential and commercial accounts could occur; with commercial accounts paying a higher rate than that of residential accounts. General Manager Shea added that as far as he is aware, the minimum charge has always been the same for residential and commercial accounts, and that its purpose is to cover the District's monthly expenses. Solar customers, their usage and impact, were then discussed. Central Maine Power's minimum charges for residential and industrial customers were then discussed by Vice-President Cluff and the other Board members.

Business Manager Rancourt was then asked by Trustee Bartilucci the breakdown of accounts within the District. Business Manager Rancourt stated that there are approximately 570 commercial accounts and 7 industrial customers within the District and that there are approximately 6,900 meters in total within the District.

Vice-President Cluff added that he sees two ways to increase cash-on-hand, either raising rates or reduce spending. He feels that as the District, over the past ten to eleven years has not been proactive, it has produced the current financial situation of KLPD. He added that recouping the loss may take many years, but it is important to continue to move toward that goal of having a more solid footing.

Solar accounts, minimum charges, production of power, delivery, RNS, energy, and transmission and other areas were further discussed by Trustee Bartilucci, President Kilbourn, management and the Board.

President Kilbourn asked for further clarification in regard to the minimum charge and the variances seen between the District and other utilities within the state. He asked for an understanding of the District's financial philosophy in regard to the minimum charge. Business Manager Rancourt stated that his perspective is that the minimum fee is a static amount that can be counted on by the District and is not based on usage. General Manager Shea discussed the basic costs associated with the minimum fee such as meter readings, billing costs, transformers, wasted energy, seasonality of the business, fixed costs, delivery charges, et cetera. President Kilbourn added that the increase is less than one-half of a penny per kilowatt hour on 111 million kilowatt hours. Further discussion of cash-on-hand, increased expenses and capital cost expenses were briefly discussed. Increasing the delivery and/or monthly rate was further discussed by Trustee Bartilucci, Business Manager Rancourt and President Kilbourn to cover capital improvements. Trustee Bartilucci asked if a higher rate could be requested so as to build a reserve of cash-on-hand. Business Manager Rancourt stated that that is an option. Trustee Bartilucci added that he understands that the rate increase will impact the ratepayers, but that the District needs to address various problems that are occurring.

Vice-President Cluff reiterated that he would like a rate schedule for the District's current charges by next month's meeting. He would also like a column added to compare CMP rates to KLPD's current rates. Vice-President Cluff is looking to see all the ancillary charges, such as meter charges, disconnect charges, et cetera.

Business Manager Rancourt then discussed the budgeted wages for 2018 which reflects the elimination of the tree crew and includes a three percent performance pool for employee raises. He added that health insurance includes a two percent increase that has occurred at the Maine Municipal Employee Health Trust, along with a reduction in expenses to the District of 5 percent that will be incurred by the employees. The current cost sharing between the District and the employees stands at 90/10. The District pays 90 percent of all types of coverage; single person, family, spouse and children. The employee pays 10 percent. The 2018 budget reflects a change to an 85/15 split. The District will pay 85 percent of all types of coverage; single person, family, spouse and children. The employee will contribute 15 percent.

Per Business Manager Rancourt, the reduction in staff has decreased the amount of disability. Retirement is increasing due to the three percent raise increase and the rate change that will increase from MainePERS in July of 2018.

General plant operations and distribution will be reduced by a reduction in expenses related to in-house tree trimming and an increase of $175,000 to contract the tree trimming services out. The budget also reflects an increase for equipment.

Customer accounting and collections reflect a budgeted increase of $5,000 due to the cost of outsourcing the billing and mailing of monthly billings.

Administration will decrease due to computer expenses that will not be realized in fiscal year 2018. A software update was needed in 2017 and will not be repeated in 2018.

Vice-President Cluff thanked management for their review of this area. He stated that the two percent increase from MMEHT is the smallest he has seen. General Manager Shea stated that it is the smallest he has seen since he has been in public administration for ten years. Along with the increase in employee contributions, Vice-President Cluff asked if management is looking at other health insurance agencies. General Manager Shea stated that the management team only looked at voluntary migration away from the POS(c). The long-term plan is to implement a health savings account, migrate all employees over to a POS 1500 or POS 2500, and proportioning the savings to the employees to help make the employee whole, but the premium cost will be reduced for the District. General Manager Shea plans for the 2019 budget cycle to migrate all employees away from a POS(c) and no longer offer that program and only offer a PPO 1500 or a PPO 2500. He expects to break out the cost between the premiums into a health savings account for employees. He added that the PPO 1500 and the PPO 2500 had a seven percent increase in 2017. He added that management is taking small steps to get to the ultimate goal of reducing the percentage of benefits and keeping the employee to have the same benefits along with trying to move the ratio as the ratio is heavily burdened by medical insurance.

Vice-President Cluff asked if there has been a review of individual plans versus family plans. He asked if there are current employees that are on a family plan that don't need to be on a family plan and if those employees could be compensated for opting out of the plan. General Manager Shea stated that there has been no conversation in regard to that issue. He stated that there is an underlying feeling from the employees that keeps coming to management that they are taking the brunt of the changes. Management feels that they have explained very clearly to the employees that they have recently started being able to be involved in the process. He added that Business Manager Rancourt recently had meetings with the employees to explain the breakdown of how KLPD operates and how the District makes money. General Manager Shea feels that the employees now understand the importance of saving money and that the employees are aware that the change is coming. General Manager Shea stated that the lag has been due to timing issues, but he assured the Board that they will not have to wait another three years to feel the impact.

Vice-President Cluff added that he is not looking for the employee to take the hit every time, as he has been on the employee side of things. President Kilbourn added that the proposal of offering the employee an opting out option, could be presented to the employee as a benefit to the employee. If an incentive is offered to the employee to opt out, that will reflect additional money in the employees' pocket.

General Manager Shea added that there is not a union within the District, but he feels that there is a union mentality. He added that this is not meant as a disparaging comment, but that he believes this is the perception of the employees. He said that making these changes are incremental and are being taken personally. Vice-President Cluff discussed the opting out plan further. He discussed splitting the cost of the saved amount 50/50 with the employee. He stated that this will keep the District ahead and will give the employee a cash buyout for not participating in the plan. He feels that the employee would see a gain not a loss if they opted out of the plan. General Manager Shea agreed stating that when he worked for the Town, he received 50 percent of the premium. Vice-President Cluff added that the health savings account pool to help defer the cost will save the District money and will be beneficial to the employee. He added that it can be difficult for the employee to understand the concepts. General Manager Shea agreed adding that it is a benefit to everyone.

President Kilbourn added that in order to offer the opt-out program, General Manager Shea will need to bring it forward to the Board so that a policy can then be adopted. He feels that employees that could avail themselves of the benefit would embrace the program because it would be considered a benefit. General Manager Shea agreed. Vice-President Cluff added that the Board are the policy makers and President Kilbourn added that he is pleased that the employees have been engaged in the conversation.

Vice-President Cluff discussed the outsourcing of the printing and mailing of customer billing. He would like to see customer's who have more than one meter to be able to receive all the bills in one envelope. Business Manager Rancourt stated that bills are bundled. Management will review this issue. Vice-President Cluff would also like to see electronic billing. General Manager Shea stated that electronic billing is part of the integration and will be occurring soon and will produce a savings as customers transition into the program.

President Kilbourn asked for the value from the shift of 90/10 to 85/15. Business Manager Rancourt stated that it reflects a value of $12,356 per year. He asked for clarification on the three percent performance pool. He stated that inflation is running at approximately one percent and what is management's approach on the three percent pool. General Manager Shea stated that the cost of living in York County increased two percent in 2017. The performance pool will be based on performance assessments, job duties, and the impact on lower tiered employees of the 50 percent increase in health benefits. General Manager Shea stated that a flat two percent increase will be given to employees with some additional merit and need increases available to those who fit the criteria. Business Manager Rancourt added that with the size of the staff and omission of the two tree crew employees it has had an impact on other staff members and their job duties. He discussed further the reduction in staff, the shifting of cost sharing in the health insurance, and that management no longer does standard, across the Board raises; that raises are based on merit and not a static amount for all employees. The three percent performance increase will cost the District approximately $25,000 for fiscal year 2018.

President Kilbourn discussed tree trimming and asked on status of the contract procedures. General Manager Shea stated that all the proposals will be in prior to the December 12, 2017 meeting. Business Manager Rancourt was asked about the financial impact on the District due to the changes in the insurance split, performance raises, tree trimming reduction in staff, and a tree trimming contractor. Business Manager Rancourt feels that the program was costing approximately $183,000 and would fluctuate based on repairs to the tree trimming equipment. He stated that although there is an additional approximation of $11,000 a year for a tree trimming contract, it is comparable. General Manager Shea added that actual benefits won't be realized until production is seen, but in reviewing the production figures and actual miles pruned there will be a benefit realized to the District.

President Kilbourn added that there is an actual estimation of $311,000 net gain in 2017 to $546,000 net gain for fiscal year 2018. General Manager Shea added that capital improvement expenditures have not been included in the figures. Estimated costs have been received for the Ross Road job and other projects within the District. The budget, if approved, reflects the revenue and actual operating expenses, and from that $546,000, the Board will decide, pursuant to staff recommendation, what the most pressing and beneficial needs are to the District. Based on the gain of $546,000, Business Manager Rancourt added that approximately a net of $450,000 will be carried, and after depreciation, buying of inventory and principal payments have occurred, a decision will then be made as to how much will be left in the bank and how much will be used to fund the projects. Business Manager Rancourt in projecting to have one million dollars in the bank at the end of 2017, with 1.5 million projected for the end of 2018.

Trustee Bartilucci asked if a bid has been put out for the sale of the tree trimming truck. General Manager Shea stated that the bid is ready but that he is waiting to have a tree trimming contract in place prior to releasing the bid on the sale of the truck.

Vice-President Cluff asked if a capital plan is being looked at for 2018. General Manager Shea hopes to have it brought forward to the Board after this evening's strategic planning meeting. He stated that capital planning will be underway by the beginning of 2018.

Vice-President Cluff asked for an update on the District's wide evaluation of its system; its needs, conditions, power stations, lines, et cetera. General Manager Shea advised the Board that SGC Engineering has been working on the Arc study so that the District will know where the critical break points are within the District. Reconstruction was then briefly discussed by General Manager Shea. Bonding issues and ideas were then discussed.

Trustee Bartilucci asked for the dates of upcoming meetings. After a brief discussion, General Manager Shea will give to the Board, at the next meeting, a proposed schedule for 2018 meeting dates.

President Kilbourn asked for clarification in regard to the dam re-licensing line item within the budget. He asked what expenses might be incurred, not relative to dam operation and maintenance, but relative to the ongoing FERC process. General Manager Shea stated that the term "dam re-licensing" has been abandoned, and it is being budgeted within the legal line item. Per Business Manager Rancourt, the budgeted amount for legal expenses has been set for $24,000. He advised those present that approximately $18,000 has been incurred in legal expenses for 2017.

President Kilbourn ended with thanking General Manager Shea and Business Manager Rancourt for their efforts put forth in creating the 2018 budget. Further answers will be given to the Board at the December 12, 2017 meeting pursuant to the questions and comments given at this evening's meeting. Rates, future contracts, the strategic planning process, along with other areas were touched upon and reviewed by the Board and management.

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

A. Outage update and customer comments:

i. During the outage in October, one customer was without power until 8:00 p.m., less than 24 hours after the event began, due to the need to wait for the customer's electrician to get three-phase power back into the building.

ii. During that same event, three individual events occurred in Wells Branch in which dead trees fell in areas that the District is not responsible for trimming.

iii. General Manager Shea has been notified by several individuals who are re-energizing the effort to get all Kennebunk residents onto KLPD. General Manager Shea has had individual meetings and a group meeting will occur in which advice will be given as to how the group can proceed legislatively. A discussion then occurred between the Board members in regard to this issue and it was decided that this topic should be brought forward by General Manager Shea as an agenda item for an upcoming meeting.

iv. General Manager Shea noted that KLPD crew did assist in restoring power to customers of CMP within Kennebunk and CMP did reimburse KLPD for their services.

v. President Kilbourn and the Board decided that a meeting should occur between members of SEEK and the Board within the first quarter of 2018.

B. Drawdown update: Has not occurred due to the weather and will be executed at a later date.

C. FERC filings to date regarding Mousam River Project: All information is being forward to the Board and if questions or concerns should arise, General Manager Shea has asked the Board to notify him.

D. Notice of FERC scoping meeting to be held December 11, 2017.

i. Two meetings will occur on December 11, 2017 at the Kennebunk Town Hall Auditorium at 1:00 p.m. and 7:00 p.m. There will be no input from KLPD. Per General Manager Shea, the meetings are in an effort for FERC to hear from interested parties, members of the public and organization in regard to what the perceptions are of what needs to be done and why. The information will lead to the determination of what types of studies are needed to be done for American First Hydro. Vice-President Cluff would like to ensure that the meetings are video recorded and made available. The Board agreed and General Manager Shea will discuss this further with the District's videographer.

ii. Site visits are scheduled for December 12, 2017 to the grounds at the three facilities. The visits will not include the facilities themselves due to issues of liability.

iii. When a final agenda is received, General Manager Shea will post it on the KLPD website.

President Kilbourn asked that General Manager Shea add an item to the General Manager's report to include an item for follow up of prior meeting issues presented by the Board. General Manager Shea added that to date 340 people have signed up for e-mail notification of power outages. The number has doubled in one month.

Whereupon, Item VII, Trustee Request for Discussion Regarding Hydro Site Oil Changes, occurred. General Manager Shea has spoken to Ron Ruel (ph) and when Mr. Ruel returns from vacation, General Manager Shea will meet with him and discuss the scope of work.

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

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Public Comment Period

Verbatim Transcription

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UNIDENTIFIED MALE SPEAKER: I just had a question about the e-mail alerts. Do those specify what the cause is, what the expected back on time is when there's an outage? If you could, just go into that a little bit.

GENERAL MANAGER SHEA: The e-mail alerts are, right now, more general. They'll give you where it is.

UNIDENTIFIED MALE SPEAKER: Okay.

GENERAL MANAGER SHEA: So, we'll send out an e-mail alert: Power out on Ross Road. If it's a major issue, crew will call back to the office and we'll update that and say: It could be three to four hours before power is restored. And then, when power has been restored, we send a follow-up e-mail that says power has been restored in the affected areas.

MR. KOLFF: Are they text messages or e-mails?

GENERAL MANAGER SHEA: E-mails. We don't have text message availability yet. I've looked into a few different programs that other public safety -- like police departments -- are using, but I haven't gotten full blown commercial use prices on those yet. So, that's -- we'll migrate to that as the next phase.

MS. TEAGUE: Two questions on the scoping meeting. When you say the one o'clock is for agencies, what kind of agencies?

GENERAL MANAGER SHEA: Well, that was my understanding in speaking to Michael Watts (ph). I think he meant Inland Fisheries and Wildlife.

MS. TEAGUE: Okay.

GENERAL MANAGER SHEA: I can't say for sure, but that's what the tone of the conversation I had with him, is that he anticipated the Inland Fisheries, Marine Resources, those people, to come during the day and then members of the general public and other -- I don't know if -- they may consider Keep the Mousam --

MR. KOLFF: Intervenors.

GENERAL MANAGER SHEA: Well, that hasn't been determined yet.

MR. KOLFF: We've filed.

GENERAL MANAGER SHEA: You've filed, but you haven't been --

MR. KOLFF: Or the Town has filed.

GENERAL MANAGER SHEA: Correct. But none of the -- not even KLPD -- no one has been -- you can file, but FERC has to approve you as an intervenor, as a party.

MR. KOLFF: We've been approved.

GENERAL MANAGER SHEA: You've gotten a --

MR. KOLFF: An e-mail from FERC.

GENERAL MANAGER SHEA: That says they've --

MR. KOLFF: Accepted it.

GENERAL MANAGER SHEA: Accepted you as intervenors?

MR. KOLFF: Yes.

GENERAL MANAGER SHEA: Okay. I haven't seen one of those yet.

PRESIDENT KILBOURN: So, we haven't gotten one?

GENERAL MANAGER SHEA: No. Because my understanding was that until there's an application filed, nobody is given intervenor status. It's just a preemptive, we want to be intervenors. They -- I got an e-mail that said they received our filing, but I didn't get a decision, and that was my -- I don't know if -- I could have misinterpreted it, but that was my understanding, is that currently it's Notice of Intent, pre-application document. When an actual application has been filed, then they will declare intervenors from there, but I could be wrong. That's what I thought I heard from Michael. So, I haven't gotten anything that says they've been accepted as an intervenor yet.

PRESIDENT KILBOURN: Okay. Other questions or comments?

MS. TEAGUE: Yes. The second question on the scoping thing: Are the scoping documents that you handed out on line?

GENERAL MANAGER SHEA: They are. They are on our website.

MS. TEAGUE: Okay.

GENERAL MANAGER SHEA: They've been e-mailed.

MS. TEAGUE: And where do I go to for that?

GENERAL MANAGER SHEA: KLPD.org --

MS. TEAGUE: Yes.

GENERAL MANAGER SHEA: -- hydro power, 2017 documents --

MS. TEAGUE: Oh, okay.

GENERAL MANAGER SHEA: -- and they're on there.

MS. TEAGUE: So, it's not under -- because I think before it was, you hit the Trustees button and there was the agenda and then the documents.

GENERAL MANAGER SHEA: Yes. No. Now it's --

MS. TEAGUE: Okay.

GENERAL MANAGER SHEA: -- for any -- all things hydro related, you go to Alternative Energy and we've broken it out that way.

MS. TEAGUE: Okay. That explains why I couldn't find it. Okay. Thank you.

GENERAL MANAGER SHEA: You're welcome.

MR. ASHLEY: I suggest that you include several copies of the procedure manual for each plant (INAUDIBLE), so that people coming along later will know how to do it and they won't get (INAUDIBLE). So, you need to at least do that in the archives so that people know what's going on.

PRESIDENT KILBOURN: Good suggestion. Other comments?

MR. KOLFF: Yes. Just a little bit. I had a request for a copy of the solar contract. Back in July of 2008, my recollection of the RFP of solar developers indicated that the proposal had to be fully transparent because KLPD was a municipally owned utility. I haven't gotten a copy yet.

GENERAL MANAGER SHEA: You've gotten a full copy with the redaction of the price.

MR. KOLFF: Right. I need the prices to --

GENERAL MANAGER SHEA: We will --

MR. KOLFF: -- further --

GENERAL MANAGER SHEA: -- press their attorneys -- there is also a clause in there that says that they have the ability to suppress -- I'm not sure if it's industry sensitive material or what -- there was another clause in there that I will go to the attorney -- our attorney and tell their attorney we're calling their bluff on the redaction.

PRESIDENT KILBOURN: If I could?

GENERAL MANAGER SHEA: Yes.

PRESIDENT KILBOURN: I would like to have a very brief discussion right here about this. It's been stuck in my cross since day one of when we negotiated the agreement. I was really clear, in this meeting and outside, that the contract needed to be a public document, even suggested that we had language in the contract that said, and specifically, this document is not confidential. So, I'm kind of frustrated by it. I think -- I agree with you, I think that the price should be public. I see no reason why it isn't public. In fact, there was just an article in the paper last week or the week before that summarized almost every solar operation in the state and gave the NextEra price at the largest solar array.

I would like to see us have a motion, get it passed, that, unless we have a letter from their attorney that challenges our right to do this, within two weeks that we just release the full contract un-redacted, because it's -- to me, it's just not right.

GENERAL MANAGER SHEA: I don't have a problem with that, Jay, but it's not on the agenda and we have a policy of not adding --

PRESIDENT KILBOURN: Well, maybe you want to --

GENERAL MANAGER SHEA: -- I will do it --

PRESIDENT KILBOURN: -- (INAUDIBLE) the December 12th agenda.

GENERAL MANAGER SHEA: I will e-mail him tomorrow and say: On December 12th, the Board is voting to force your hand in the price. I'll take that under my own --

PRESIDENT KILBOURN: And they're going to be here on the 12th?

GENERAL MANAGER SHEA: Yup.

PRESIDENT KILBOURN: So, I think, maybe, just give them a --

GENERAL MANAGER SHEA: Heads up.

PRESIDENT KILBOURN: -- very serious warning.

GENERAL MANAGER SHEA: Yup.

PRESIDENT KILBOURN: I don't know how all of you feel, and we'll discuss it at that time.

GENERAL MANAGER SHEA: No. I don't need -- I don't need Board --

PRESIDENT KILBOURN: Thanks for reminding me that it's not on the agenda, but I'm incensed about it.

GENERAL MANAGER SHEA: I don't need Board direction to do that.

MR. KOLFF: So, are -- they are going to be here on the 12th?

GENERAL MANAGER SHEA: That is my understanding.

MR. KOLFF: Okay.

GENERAL MANAGER SHEA: The 12th of December.

VICE-PRESIDENT CLUFF: Why are they going to be here on the 12th?

GENERAL MANAGER SHEA: For an update on the project.

MR. KOLFF: Okay.

PRESIDENT KILBOURN: Okay. Further comments?

MR. KOLFF: One other question: You've had, regarding the rates for industrial users, are they the same as residential or is their higher usage adjusted to a lower rate?

GENERAL MANAGER SHEA: The same.

MR. KOLFF: (INAUDIBLE) it's related to the question: Do we know, really, why we lost Corning?

GENERAL MANAGER SHEA: We didn't lose them. We lost their energy.

MR. KOLFF: I know.

GENERAL MANAGER SHEA: We still get their delivery.

MR. KOLFF: No. But why did we lose their energy?

GENERAL MANAGER SHEA: Because our contract supplier doesn't offer spot market pricing that they were looking for, so they couldn't -- we couldn't offer them the product that they wanted.

MR. KOLFF: Are you saying that we can't give them a different rate --

GENERAL MANAGER SHEA: We can't --

MR. KOLFF: -- because of their usage?

GENERAL MANAGER SHEA: We cannot, not to the contract we're in.

VICE-PRESIDENT CLUFF: We did give them a lower power price.

GENERAL MANAGER SHEA: They had a -- yeah. They had a lower power price until December of '15 --

MR. KOLFF: Okay.

GENERAL MANAGER SHEA: -- and so they had --

MR. KOLFF: My question --

GENERAL MANAGER SHEA: Go ahead.

MR. KOLFF: My question is basically: Should we, could we, look at industrial users getting a different rate than the residential users related to the volume of electricity?

GENERAL MANAGER SHEA: We had that. We had an industrial rate for Corning that was set prior --

MR. KOLFF: What about all the industrial --

GENERAL MANAGER SHEA: Well, this was set -- this was set before I was here.

VICE-PRESIDENT CLUFF: Right.

GENERAL MANAGER SHEA: And so, it was set at a -- at a voltage number that only met Corning's needs. We can do that, and as part of the -- as I said, we're doing RFQs, we're in mid contract right now, so we can't -- we can't renegotiate that mid contract.

UNIDENTIFIED MALE SPEAKER: (INAUDIBLE)

GENERAL MANAGER SHEA: We could try to, probably to little effect, but through the next contract period, anything beyond 2020, that is a conversation that I've had with several individuals, is that, that breakpoint needs to be lower to benefit more of our industrial customers.

MR. KOLFF: Okay.

GENERAL MANAGER SHEA: It was set at such a high amperage that nobody else but Corning could qualify for it. But that is --

PRESIDENT KILBOURN: And if I could just add to that, and maybe everybody understands this, but just to make sure. So, if we were to decide to offer -- today, if we wanted to offer Corning, or any big user, a discount, the only place that we could recover that discount would be from the other ratepayers. So, it would -- that would be an issue.

The way that this was negotiated originally in the contract that we're currently in, was that there was a call out for that industrial power at a different rate and we were able to purchase at a lower rate and sell it at a lower rate. But, if we were just to sit down and negotiate with Corning today a lower rate, it would come out of someone else's pocket in this district, and it doesn't hurt us when a big user finds an alternative way to buy power outside of the District. It would be nice, and I know we're moving in this direction, I would like to see us move in this direction, to have more flexibility about how we do our rates so everybody can save. But, right now, when Corning goes out, as they did, and buys all their power or their energy from outside, they have a separate contract. It's a free market. They go out and get it. They still pay us for distribution and wheeling that power through. So, in terms of our operating costs, it is all the same.

GENERAL MANAGER SHEA: We negotiated for like six months, and tried -- I tried everything I could within the confines of what I was given and we just couldn't come to terms. We tried -- I tried everything I could.

MR. KOLFF: They just don't want to lose anything.

GENERAL MANAGER SHEA: Nope. Absolutely. And neither do I.

PRESIDENT KILBOURN: Right.

MR. KOLFF: Okay.

MS. TEAGUE: I appreciate the explanation again, but there's always something I don't understand. You know, when you say that, like Corning leaving doesn't really hurt the District --

PRESIDENT KILBOURN: Right.

MS. TEAGUE: But, doesn't it hurt the ability to negotiate the next purchase price, because you're not buying as much energy --

PRESIDENT KILBOURN: It could.

MS. TEAGUE: -- off the grid?

GENERAL MANAGER SHEA: In that situation, no. Because it was already carved out of the contract in the original -- so we get our power from NextEra.

MS. TEAGUE: Okay.

GENERAL MANAGER SHEA: That was already a reduction. We were able to negotiate a minimum --

PRESIDENT KILBOURN: She's asking about going forward.

GENERAL MANAGER SHEA: Going forward --

PRESIDENT KILBOURN: Yeah.

GENERAL MANAGER SHEA: -- it would behoove us to speak to Corning, Northeast Coating, several large businesses to say, okay, here's our residential base and our small commercial. Here are our industrial customers we're trying to assist to stay here. That will be part of the next negotiation. Absolutely.

MS. TEAGUE: So, I am understanding?

GENERAL MANAGER SHEA: You certainly are.

MS. TEAGUE: Okay.

GENERAL MANAGER SHEA: You certainly are.

PRESIDENT KILBOURN: And while we're on it, I would just add that we need to have that part of our process for renegotiating -- going out to bid --

GENERAL MANAGER SHEA: Yup.

PRESIDENT KILBOURN: -- we need to ask our customers --

GENERAL MANAGER SHEA: Absolutely.

PRESIDENT KILBOURN: -- what do they want? Maybe they want to be able to have battery storage so they can reduce their cost. Maybe they want, you know, time of use rates. Maybe they want green power. Maybe they don't care, they want a fixed rate at the best price we can get. Period. We don't know. But, I think it's time to ask them.

GENERAL MANAGER SHEA: Yup.

TRUSTEE BARTILUCCI: What do you think Corning wants to pay; as little as possible?

GENERAL MANAGER SHEA: I really -- I can't -- I can't come up with a number to that, because of the way they are now purchasing their energy. We -- they were in a fixed contract with portions that were locked, extended. For eight years it worked very well for them. And then, there were two standard offers, the last two standard offers previous to the one that just came out, that were severely depressed. The cost of energy was really low. They want to be able to follow the market without being locked into a contract so they can weather those ups and downs.

Long term, it might not work in their best interest because if they had done it in the past, there were times when they were getting energy at a considerable discount to what was on the market around us. But, they want to be more closely indexed to the market so that they -- their business shows those cyclical changes. So, you know, they'd love to see a two cent fixed contract for 20 years, but they know that's not going to happen. So, they are now buying it in blocks and playing day ahead and futures as opposed to just buying energy and they've hired a company that is doing that for them.

TRUSTEE BARTILUCCI: Okay.

VICE-PRESIDENT CLUFF: But, Jay, don't you think we're in a much better position going into this next contract --

PRESIDENT KILBOURN: I do.

VICE-PRESIDENT CLUFF: -- compared to where we've been, because we're not going to be blending and --

GENERAL MANAGER SHEA: Um-hmm, exactly.

VICE-PRESIDENT CLUFF: -- doing all this catch up from years --

PRESIDENT KILBOURN: Right.

VICE-PRESIDENT CLUFF: -- I mean, we're going in with a clean slate?

PRESIDENT KILBOURN: I do. And I think there's some innovative things in the market that I don't fully understand and I'm sure none of us do, but when we figure them out in this process, we have -- we do have an opportunity to reduce these demand charges, I think, and to create some flexibility for our customers, for efficiency, and storage, and other things that could actually reduce costs for them and for us --

GENERAL MANAGER SHEA: I think one of the --

PRESIDENT KILBOURN: -- (INAUDIBLE) -- to understand it.

GENERAL MANAGER SHEA: One of the legacy beliefs that I was given in working with the varying board members that I've been with since I've been here and speaking to customers is, our customers aren't looking for a rate that's going to fluctuate monthly. So, we could try to get our customers a better deal, but spread over the long term it's too volatile to do that. The energy market is just a mess, you know?

PRESIDENT KILBOURN: But time of use isn't necessarily --

GENERAL MANAGER SHEA: Right.

PRESIDENT KILBOURN: -- you know, every day it changes. It could just be, if you use between midnight and four in the morning, it's this rate. If you use it at the peak time, it's this rate. And some people -- I mean, we -- maybe it's not practical, but I think you have the opportunity, especially if you're a commercial operation or a business that's planning around capital, to make an investment in storage and charge your batteries all night long when power is practically free --

GENERAL MANAGER SHEA: Yup.

PRESIDENT KILBOURN: -- and run your restaurant on that during the day. I mean, that -- I don't know the answer, but I think we've got to open our minds and not just do what we've done before --

GENERAL MANAGER SHEA: Absolutely --

PRESIDENT KILBOURN: -- until we're sure of what's right.

GENERAL MANAGER SHEA: Absolutely. We're trying to change.

PRESIDENT KILBOURN: Yeah, we are.

GENERAL MANAGER SHEA: The time has come.

PRESIDENT KILBOURN: The time has come. The industry is changing.

MR. KOLFF: I have one other question.

PRESIDENT KILBOURN: Yes.

MR. KOLFF: It's a little difficult, but it's related to FERC and this whole dam -- (INAUDIBLE) --

(Whereupon, multiple conversations occurring.)

MR. KOLFF: Okay. You've got a budget that you are slating for FERC in 2018 of 24,000.

GENERAL MANAGER SHEA: Um-hmm.

MR. KOLFF: And the real hard question is: If America First Hydro backs out of the license application, are you considering the costs of surrender? According to the Wright-Pierce study that says it's going to be about three million bucks --

GENERAL MANAGER SHEA: There's a lot of assumption there.

MR. KOLFF: I know. But we have five years --

GENERAL MANAGER SHEA: Um-hmm.

MR. KOLFF: -- to look forward to this and I long to discuss this. I don't know if you can bank or put money aside in anticipation of a kick, I don't know. If I were in your shoes, God help us.

GENERAL MANAGER SHEA: I'm going to --

MS. TEAGUE: We did ask. I remember you said you were thinking about a million bucks.

PRESIDENT KILBOURN: Um-hmm. We did have a conversation about that here and I think the answer right now is, it's not in the budget.

MR. KOLFF: I know that.

PRESIDENT KILBOURN: Right.

VICE-PRESIDENT CLUFF: But wasn't it also that the PUC didn't allow us to bill our customers today for something we were going to do tomorrow?

GENERAL MANAGER SHEA: It -- not energy related is the issue, and so, right now we're building our cash position but not so much as to temper the entire blow.

MR. KOLFF: No, no. I understand that.

GENERAL MANAGER SHEA: But, we are working to, you know, by the end of this year, we'll be at a million and next year, half way, three-fifths of the way to two million. So, understanding that we'll have an extended period of time potentially after that, should the worst -- should America First fall out, there's potential for that process to drag on a little long, and there are also concessions that are taken, as I learn more, by FERC, to not completely bankrupt or bootstrap an organization like KLPD.

So, there are grant monies that may or may not be available from the federal funds moving forward, so we're watching that, but we're not banking it all at once.

MR. KOLFF: I'll just say that there has got to be some thought process of how we avoid -- you know, the Edward's Dam was forced to come up with six million dollars and we turned it over to the state.

GENERAL MANAGER SHEA: Um-hmm.

MR. KOLFF: And then the state kicked in four million dollars and the Natural Resource Council of Maine kicked in two million dollars.

GENERAL MANAGER SHEA: We're reviewing several options.

MR. KOLFF: Okay.

PRESIDENT KILBOURN: Yeah, it's a really good question and, perhaps, as we go forward, we should -- I mean, we should definitely keep it on the radar.

GENERAL MANAGER SHEA: Yeah.

PRESIDENT KILBOURN: We've talked about it a couple of times. I think --

GENERAL MANAGER SHEA: I think about it every day.

PRESIDENT KILBOURN: -- personally, I think we're on the right track with -- I think we're on the right track with continuing to increase our cash buffer, and on a long term path to get us back toward 90 days doesn't solve this problem, but it gives us something to work with, and we do have bonding capacity still, but I think it would be useful if you guys could come back to us in the next few months with a clear understanding from our rate consultant, or wherever you might get this information, the PUC, as to what are our options? What are our legal options that -- could we just increase our delivery on the expectation that we need a buffer? Could we have a surcharge that's a perspective capital -- you know, emergency capital dam related expenditure that's not a forever fee, but it goes for three years? What are our options?

GENERAL MANAGER SHEA: Um-hmm.

PRESIDENT KILBOURN: I think, at least, we'd have some more information and then we could move on.

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Public Comment Period and Verbatim Transcript

Concluded at 7:45 p.m.

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Whereupon, Item IX, Next Business Meeting, December 12, 2017, was discussed. It will occur at the District's office and will begin at 6:00 p.m.

Whereupon, Item X, Board Recommendation for Agenda Items for Next Meeting, occurred. President Kilbourn would like to see a review and progress of the quarterly goals to be added as an agenda item. Trustee Bartilucci would like to see a solar presentation added to the agenda. President Kilbourn would like to know as soon as possible from General Manager Shea if the solar group is coming and if not, that the Board be informed of that. Trustee Bartilucci would like to know the tentative date for the January meeting.

(Thereupon, members of the public left the meeting.)

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 approximately 7:50 p.m.

Attest: ______________________________

Bob Emmons, Clerk