

1 **DRAFT**

2 PUBLIC UTILITIES COMMISSION

3 WALLINGFORD ELECTRIC DIVISION

4 100 JOHN STREET

5 WALLINGFORD, CT

6 TUESDAY, MAY 1, 2018

7 6:30 P.M.

8 **MINUTES**

9 **PRESENT:** Chair Robert Beaumont; Commissioner Joel Rinebold & Patrick Birney; Director
10 Richard Hendershot; Electric Division General Manager Tony Buccheri; Recording Secretary
11 Cynthia Kleist; Public: Steve Gale & Adelheid Koepfer.

12 Chair Beaumont called the Meeting to order at 6:30 p.m. and the Pledge of Allegiance was
13 recited.

14 **1. Pledge of Allegiance**

15 **2. CONSENT AGENDA**

- 16 a. Approval of Meeting Minutes of April 17, 2018
17 b. Approval of Electric Division Transfer – Account 921 – Administrative and General
18 Office Expense
19 c. Approval of Electric Division Transfer – Account 582 – Distribution Operations –
20 Station Expense
21 d. Approval of Electric Division Transfer – Account 370 – Distribution Plant – Meters

22 Mr. Hendershot said Item #A, Meeting Minutes of April 17, 2018 would be removed from the
23 Consent Agenda for corrections which would be addressed in Item #3 on the agenda.

24 **Mr. Birney made a motion to approve the Consent Agenda Items B – D. Mr. Rinebold**
25 **seconded the motion which passed unanimously.**

26 **Vote: 3 ayes**

27 **3. Amendments to the April 17, 2018 Meeting Minutes.**

28 Mr. Hendershot noted the Commissioners received Secretary Kathy White's memo dated April
29 17, 2018. He asked for a motion to approve the amended Minutes.

1 **Mr. Birney made a motion to approve the amendments made by Secretary Kathy**
2 **White to the April 17, 2018 PUC Minutes. Mr. Rinebold seconded the motion.**

3 **Vote: 3 ayes.**

4 **4. Discussion and Action: Approval of Electric Division Transfer – Account 365 –**
5 **Distribution Plant – Overhead Expenses**

6 Mr. Hendershot explained the Division is requesting an additional \$57,400 or 14.3% in Account
7 365 – Distribution Plant – Overhead Conductors. He explained when the budget was prepared it
8 was believed there would be carry forward funds available in this account but this turned out
9 not to be the case. Mr. Hendershot said there are funds in another Capital account to move into
10 this account.

11 Mr. Birney asked if this 14.3% was for the total budget. Mr. Hendershot clarified that Account
12 365 will be increased by 14.3%.

13 **Mr. Birney made a motion to approve the Electric Division Transfer for reasons**
14 **outlined in Mr. Hendershot's April 15, 2018 memo. Mr. Rinebold seconded the**
15 **motion.**

16 **Vote: 3 ayes**

17 **5. Discussion and Action: Approval of Electric Division Transfer – Account 364 –**
18 **Distribution Plant – Poles, Towers, Fixtures**

19 Mr. Hendershot explained that the Division is seeking an additional \$69,700 or 14.3% in
20 Account 364 -Distribution Plant – Poles, Towers, Fixtures. He explained the original budget for
21 this account relied on capital carry-forward funds to purchase much of the current year's
22 inventory. He said the majority of the carry-forward funds that the Division expected to be
23 available were instead utilized in this account before the end of the last Fiscal Year. Mr.
24 Hendershot said as a result, additional funds are needed to cover expected activity for the
25 balance of the fiscal year.

26 Mr. Hendershot noted that funds are available for this transfer from Account 366 – Distribution
27 Plant – Underground Conduit, in the amount of \$39,700 and from Account 367 – Distribution
28 Plant – Underground Conductors, in the amount of \$30,000 where activity has been less than
29 budgeted as work shifted to other areas of utility plant construction.

30 Chair Beaumont asked if part of the reason for this was because of the storms. Mr. Hendershot
31 said storm expenses would likely come out of operating .

1 **Mr. Birney made a motion to approve the budget transfer based upon the reasons**
2 **stated in Mr. Sullivan’s April 25, 2018 memo and for the reasons stated on the**
3 **record. Mr. Rinebold seconded the motion.**

4 **Vote: 3 ayes**

5 **6. Discussion and Action: Revision to Hedging Policy.**

6 Mr. Hendershot referred to his April 24, 2018 memorandum and the Minutes of the Sept. 27,
7 2017 ERMOC meeting where this change was discussed and approved by the PUC. He said
8 these revisions were mostly housekeeping and simplification. Mr. Birney asked Mr. Hendershot
9 for an explanation. Mr. Hendershot said this was housekeeping proposed before Sept. 27, 2017.
10 He asked Mr. Birney to look at the strike and underlined pages 6-5 and 6-6. He said Section
11 5.1.1.c that was deleted was deemed to be unnecessarily complex in its discussion about the
12 likelihood of scenarios and the way it used the Value at Risk (VaR) term. He said the thought
13 was to strike that paragraph, and half a sentence in the old 5.1.1. d and add a new sentence.

14 Mr. Birney noted that much of this is highly technical and he said he needs to rely on Mr.
15 Hendershot and those that counsel him. He noted that the ERMOC thought it important enough
16 to discuss and modify. Mr. Birney said at some point the experts thought it critical to include
17 sub-section c into 5.1.1c. He asked what did this do and what is the effect, (the common
18 sense result), of this hyper technical provision. Mr. Hendershot said the original hedging policy
19 was largely prepared by former Director of Utilities George Adair with assistance from others.

20 He said as time went by and Mr. Adair, Energy New England and Energy Initiatives, Inc.
21 applied the Policy, it was found they weren’t using 5.1.1.c , i.e. creating the 99% confidence
22 calculation or projection 30 days out when looking at Value at Risk (VaR) about how much the
23 market would move and what was the likelihood of a 1% excursion scenario, and how
24 vulnerable the Division’s open position for a massive market excursion was. Mr. Hendershot said
25 the Division really wasn’t doing what was said here, it wasn’t proven to be practical.

26 He said the thought was to make this policy worded around the common sense approach. He
27 said when one looks at having open positions, one of the criteria used to decide whether or not
28 to buy is based on if the prices are higher than we would like or expect them to be, but the
29 (VaR) for not doing something is greater than the price the Division would pay if it was done
30 now. He said the thought was that waiting would make it be worse.

31 Chair Beaumont noted that everything having to do with (VaR) came from Energy New England.
32 He said this policy will allow the Division to have more flexibility and even if the price is higher
33 but less than the anticipated budgeted cost, the Division would be willing to do something in
34 terms of purchasing.

1 Mr. Birney asked for an example of implementing the strategy outlined in 5.1.1. Mr. Hendershot
2 said as time moves on and the calendar quarters advance, the hedging policy allows and
3 ultimately requires the Division be hedged to a certain level. He said open space could come up
4 and there could be a forecast or budget where energy would cost \$50 but as we move out
5 there the forward curve says \$55. He said the value of this open position got more expensive
6 by \$10 vs. the cost of service study, and \$5 vs. our last budget, so the VaR increased that much
7 more. He said if the thought becomes that the VaR calculated for the period indicates a delay in
8 purchasing would subject WED to unacceptable level of risk, the calculation at that time may
9 say that things are trending in the wrong direction and waiting it out could result in the price
10 being \$60 or \$65 instead of \$55.

11 Mr. Birney noted that 5.1.1.c defines VaR but the definition has been deleted. He said it looks
12 as if VaR is utilized in the new subsection c but not defined. Mr. Hendershot said Section 2 of
13 the hedging policy contained definitions. Mr. Birney asked how dynamic the conversations are,
14 i.e., are there tough questions by the Town and WED staff or is this a situation where outside
15 consultants dictate the changes. Mr. Hendershot said it was neither and somewhere in
16 between. He noted Craig Kieny, our Consultant, mostly runs the ERMOC meetings. Chair
17 Beaumont noted that if there was an in-house Power Procurement Manager, this person would
18 basically be doing what Mr. Kieny is doing. Mr. Birney asked who is pushing the changes. Mr.
19 Hendershot said this was begun by Mr. Adair and Mr. Kieny. He said they decided this needed
20 to be done but needs to be discussed at the ERMOC meeting.

21 Mr. Rinebold said he would be voting in favor of this. He commented that all of the changes
22 appear to be appropriate and somewhat of a simplification. He said all of the hedging is reactive
23 to historical spot prices, forward prices and none of this is forward looking. He said to the
24 extent that we can use our resources to change our load shapes and profiles to better fit in with
25 hedging potentially reduces our risks and costs. He encouraged doing things to make the
26 hedging policy better and noted there should be a predictable profile that could be shaped. He
27 said this would be good for the customer, would be cleaner and more reliable and lower risk.
28 He said the less we shape it internally, the more this will be used as a reactive policy. He said
29 we have to apply a policy for risk management.

30 Mr. Hendershot said the policy is reactive because the policy tells us how much WED has to be
31 hedged by but it also tells us to be proactive in not waiting too long. He said the forward curve
32 is always being looked at. Mr. Hendershot spoke about the pilot program for virtual demand
33 response that WED is working on with the Water Division. He said this is his objective to have
34 the Water Division respond to the same market intel that ENE provides to WED that we only
35 hand off to NUCOR regarding peak days. He said if this works well, WED will determine whether
36 or not to apply this to larger commercial customers. Mr. Hendershot said WED has started to
37 research the concept of electric vehicle charging and how this possible coming load will be
38 managed. He said the idea is to shape this load so if it comes this way, it will do WED no harm.

1 Mr. Hendershot said WED is working with a company in the demand response market/business.
2 He said this company has a portfolio and some responsibility that needs to be filled by June 1.
3 He said WED is working at possibly crafting a document to satisfy ISO-NE and WED could
4 execute this by the end of May in order to get financial consideration in capacity charges. He
5 said this would be six-figure money worth pursuing.

6 Mr. Rinebold said he is comfortable the correction is being made.

7 **Mr. Birney made a motion to adopt the proposed changes to the Hedging Policy**
8 **based on Mr. Hendershot's April 24, 2018 memo and reasons stated on the record.**
9 **Mr. Rinebold seconded the motion.**

10 **Vote: 3 ayes**

11 7. Discussion and possible action: reinstatement of Economic Development Rider – Elba.

12 In his April 26, 2018 memo, Mr. Buccheri explained that the customer, who was not in
13 attendance at the May 1, 2018 PUC meeting, was established in Dec. 2017 and a bill was sent
14 which came back undeliverable. He said the customer was made aware of this situation in time
15 to make the payment and not be in default. Mr. Buccheri said when the customer was
16 contacted, they explained they were not operational and provided WED with a new address to
17 send the bill. He said the following bills were sent to this new address in January, February and
18 March and defaulted.

19 Mr. Buccheri said the customer has since come in and made a payment. He said the customer is
20 requesting they be allowed to be re-instated in the Downtown Economic Development Rider. He
21 said he informed the customer this had to be brought before the PUC and informed them of the
22 PUC meeting date. He said the customer requested that he represent them on their behalf. Mr.
23 Buccheri said the customer chose not to attend the PUC meeting. He said the Division has gone
24 above and beyond to help this customer.

25 Mr. Birney asked about the two bills to 125 Duncaster Road never being returned as
26 undeliverable. Mr. Buccheri confirmed this was true. Mr. Rinebold said he was confused by the
27 addresses, the service was 43 N. Colony, but the first bill was sent to 42 N. Colony. Mr.
28 Buccheri said he believed this was a typo and the both addresses should be 43. N. Colony. Mr.
29 Buccheri said when the bills were returned, the customer requested the bills be sent to 125
30 Duncaster Road in Bloomfield and this was done. In answer to Mr. Rinebold's question, Mr.
31 Buccheri acknowledged that at the time of establishment of service, there wasn't any
32 information not to send the bill to 43 N. Colony.

33 Mr. Buccheri said the customer received the delinquent memo and called but stated he didn't
34 receive the bills. Mr. Rinebold said there is nothing to believe the bill didn't go to the correct
35 address. He said the policy explicitly states that if there is a default in payment, the customer is

1 taken off the rider. Chair Beaumont said this rider is a nice thing to be able to do. He said this
2 rider has been a help to a good number of customers, many of whom have worked their way
3 through it and are doing well. Mr. Rinebold said if there was any reason we were in error, he
4 would be in favor of a do over. Mr. Rinebold said he didn't see an error on the Divisions' part,
5 he sees disregard. He noted this isn't free money, but is a rate being subsidized by every other
6 person in the rate base. People are willing to pay a little more so that this individual can get a
7 lower rate. The policy states that if there is a default, the customer doesn't receive the
8 discount per the Economic Development Rider. He said he doesn't see a mistake on the part
9 of the WED.

10 Chair Beaumont said he is not aware of anyone who has defaulted this early in the program. He
11 said if he was in this customer's shoes, he would want to get off on the right start. Mr. Birney
12 stated he wanted the record to reflect the Commission spent over 15 minutes discussing this
13 item on the agenda.

14 **NO ACTION TAKEN.**

15 **PUBLIC QUESTION & ANSWER PERIOD – 7:05 p.m.**

16 Mr. Gale asked about the last time WED purchased energy for the hedging policy. Mr.
17 Hendershot said energy was purchased in autumn, late third or early fourth quarter. He said a
18 little room was left to create more room when the policy opened up which it has now, in the
19 hope of creating more interest with potential counterparties.

20 Mr. Gale asked when WED goes out do they go with other people or just as WED. Mr.
21 Hendershot said WED has to go out on their own and has to execute its own agreement with
22 the seller. He noted that when WED was in CMEEC, CMEEC was buying for CMEEC. He said
23 there is no banding together for individual systems.

24 Mr. Gale asked that looking forward, does the hedging policy allow pre-payment to get a better
25 rate or a discount. Mr. Hendershot said he has never seen this done and said he wouldn't feel
26 comfortable advising that WED tie up millions in capital ahead of time, not knowing if the
27 counterparty will be there two, three or four years from now.

28 Mr. Rinebold said he was looking at more of proactively changing our load shape to reduce our
29 risk and save money.

30 Ms. Koepfer noted she has an electric vehicle and didn't notice any changes in her bill. She
31 asked if Wallingford Electric expected electric vehicles over the next five or 10 years. She
32 suggested mining the vehicles. Mr. Hendershot said he didn't know about the mining. He said
33 he has been involved years ago in discussions with businesses looking to purchase buildings for
34 data servers but if something is here now, WED doesn't know about it. Mr. Hendershot said he
35 has no market research about the penetration of any type of full or hybrid plug-in vehicles.

1 Ms. Koepfer asked about updates on the solar at the landfill noting it was on the PUC agenda
2 the last meeting. Mr. Buccheri said this item was on the Town Council's April 10th agenda and
3 the tax treatment was approved. Mr. Hendershot said the studies are continuing. He noted WED
4 has a total of four studies, one of them being the impact of this installation on the high voltage
5 transmission system. He noted Mr. Buccheri is in weekly contact with Lend Lease 's Project
6 Manager on the status of things. He said WED has started work on calculating the capacity
7 charge for providing the connection between the generator and the high-voltage grid. Mr.
8 Hendershot said the solar at the landfill is scheduled to be on-line the end of 2019.

9 **END OF PUBLIC Q & A at 7:15 p.m.**

10 **PUC**

11 **8. Discussion and Possible Action: Commission Meeting of May 15, 2018**

12 **The Commission agreed to cancel the Regular May 15, 2018 PUC meeting and**
13 **reschedule a Special Meeting on May 24, 2018.**

14 **NO VOTE WAS TAKEN.**

15 **9. Correspondence**

16 Mr. Hendershot distributed a copy to the Commissioners of a memo he had sent to Mayor
17 Dickinson which noted that all the accounting is finished and all the payments received for
18 WED's efforts in the U.S. Virgin Islands. He noted WED was paid \$114,000 more than expenses.
19 He said this was after all the people were paid and everything fixed was broken. He pointed out
20 airfares and hotel charges were also paid. Mr. Hendershot noted the Mayor said the Town didn't
21 want to make money on this so he sent the Mayor correspondence asking what would the
22 administration like WED to do about this. He noted these were FEMA funds.

23 Mr. Rinebold complimented Mr. Hendershot on putting this information out to the public. Mr.
24 Hendershot noted APPA is already starting the conversation to organize a coast-to-coast,
25 nationwide public power effort to electrify 15,000 homes on the Navajo reservation next spring.
26 He said he hopes WED will have an opportunity to assist and said this is planned from January
27 through May 2019.

28 Mr. Birney asked specifically what Mr. Hendershot meant about everything being fixed in terms
29 of the U.S. Virgin Islands effort. Mr. Hendershot explained that when the truck came back,
30 every tool bin had been broken into and the tools taken. He believed this happened at the dock.
31 Mr. Birney asked the cost. Mr. Hendershot said the cost ran into the thousands of dollars. He
32 noted the tires on the truck were also ruined. Mr. Hendershot said WED was reimbursed for
33 everything, i.e., meals, tolls, fuels, consumables, everything and we still have \$114,000 we
34 didn't need.

1 Mr. Hendershot distributed a press release from ISO-NE stating that an adequate power supply
2 is expected to be available this summer.

3 Mr. Hendershot noted that beginning on Wednesday when water bills are printed, they will have
4 the 95 cents per quarter safe drinking primacy fee which is a Dept. of Public Health fee. Mr.
5 Hendershot discussed recent emails between him and Mr. Birney regarding possibly changing
6 tone of this department and this Commission, i.e., pointing out our successes and calling
7 attention to ourselves in ways we haven't done before.

8 Mr. Hendershot said for the past 14 years, he has interpreted the culture of Wallingford to be
9 modest and humble. He said he didn't mind changing this, but asked that staff not be required
10 to both announce our successes and at the same time keep a low, humble profile, i.e. keep a
11 foot on either side of the line. He said he researched service reliability numbers and how they
12 compare. He noted back in December, information was generated where WED favorably
13 compared itself to Eversource and U.I. rate wise. He said these were not broadcasted, only
14 discussed among the Commission. Mr. Hendershot said WED does a better job and we just
15 don't announce it. Mr. Birney asked who Mr. Hendershot reports to. Mr. Hendershot said his
16 contract is with the PUC. Mr. Birney noted that if Mr. Hendershot is not comfortable with
17 spreading good news and just having WED only being in the paper when were are talking about
18 rate increases and \$47 million projects, give him the press releases and he will call the Register
19 and the Record-Journal.

20 Chair Beaumont said the APPA stresses the idea of continual marketing. Chair Beaumont said he
21 has zero problems with doing this and with periodic press releases going out to the papers and
22 putting information up on the website. He said this was an excellent idea. Mr. Rinebold said we
23 can still be humble and still get the word out in a subtle way. He said all three Divisions do a
24 great job and noted he hears a lot from people who are envious of the Wallingford Electric
25 Division. He said someone told him he came to Wallingford for the electric. Mr. Birney said he
26 didn't agree with Mr. Rinebold and we don't need to be humble.

27 10. Committee Reports

28 Mr. Hendershot noted that with water service for irrigations purposes with Fieldstone Farms, a
29 5/8 inch meter will satisfy their needs and their hookup fee will be \$1,150, not the \$4,000 or
30 \$8,000 that was being put out at the time. He said this might have to do with it not being as
31 big of an area.

32 **ADJOURNMENT**

33 Mr. Birney made a motion to adjourn the Meeting at 7:35 p.m. Mr. Rinebold seconded the
34 motion which passed unanimously.

35

1 Respectfully submitted,

2

3 Cynthia A. Kleist

4 Recording Secretary

5

Respectfully submitted,

Joel Rinebold

Secretary