

BELMONT WARRANT COMMITTEE FY08 MEETING MINUTES
FINAL

JANUARY 2, 2008, 7:30 P.M.

CHENERY MIDDLE SCHOOL COMMUNITY ROOM

Present: Chair Curtis; Members Allison, Bruschi, Callanan, Epstein, Heigham, Jones, Lynch, McLaughlin, Paolillo, White, and Widmer; Town Administrator Younger, Town Treasurer Carman; BOS Chair Firenze, School Committee Chair Bowe, Town Accountant Hagg Absent: Members Hofmann and Oates and Assistant Town Administrator Conti

The meeting was called to order at 7:33 pm by Chair Curtis.

Belmont Municipal Light Department [BMLD], Advisory Board [MLAB] & Manager - Substation Presentation Chair Curtis began the meeting by turning the floor over to Tim Richardson, Manager, BMLD. Mr. Richardson introduced the members from the Light Department and Advisory Board who were present in the audience, specifically Ashley Brown, Chair of MLAB. He then began the power point presentation: 115kV Transmission Supply Alternative. (All WC members had a handout copy of the presentation; it is also available on BMLD's website.)

Summary of Mr. Richardson's presentation: The Town of Belmont needs more electricity capacity. It presently has three distribution substations and they are almost 40 years old and have reached their maximum service life. "The existing demand load is greater than Belmont's substations' capacity; BMLD is at a firm limit," Richardson said. This issue can be addressed by either turning the control over to NStar and risk payment escalation to NStar and system dependency on NStar, or have BMLD maintain control by switching to a 115kV Transmission system. This approach would require a new substation. The 115kV Transmission alternative is more cost effective (eliminates TSA payments of \$850K/year), and resolves BMLD's existing substation capacity deficiency issues. This proposal is currently estimated as costing \$18.5M to be bonded - which does not include any Land Acquisition costs. BMLD has a site in mind for the new substation at Hittinger Street. Richardson explained that this is an ideal spot as it is close to existing power sources, including Alewife. The proposed service date for the new station is June, 2010. Richardson concluded that he is looking forward to discussing this proposal, and hopes to resolve the issues quickly. "This is the project to pursue," he said.

Summary of the ensuing discussion and questions:

From Chair Curtis: Who owns the land? It is town owned land, replied Richardson. Member Allison questioned the completeness and format of the financial information contained in the presentation. The fiscal impact needs be laid out year by year, and each cash flow discounted to the present at the Town's capital cost, which Floyd Carman could provide. She noted that virtually all organizations, both businesses and non-profits, use this discounted cash flow (DCF) approach in evaluating capital projects. It is impossible to make an evaluation without yearly outlays, and without other relevant data that is inherent in a typical format for a capital project proposal, she continued. Richardson suggested that the WC look closely at the cost savings/benefits in this proposal. "TSA rates will go way up. Do we pay more money to NStar and lose control, or invest in our own services, have more energy, and save money to pay off the debt?" MLAB Chair Ashley Brown added that it is important to get into the queue for money authorization and that the BMLD needs NStar to sign on to this. NStar will hopefully decide by March, allowing time to get bond authorization for April's TM, and order equipment (\$400K substation transformer). BOS Chair Firenze agreed with Member Allison that more detailed financial analysis is needed, and reiterated that the town's capacity issue needs to be dealt with. Member Bruschi put forth that the cost of the alternative needs to be known early on, and that the town has an existing queue for bond requests (in addition to this \$18M) that it has been looking at for a long time, including the roads and the Wellington School. Chair Curtis stated that the WC will put together what issues it needs addressed (financial and otherwise), have the concerns on paper for the BMLD, and meet again to discuss - possibly in March.

Discussion on Role of Town and Light Department

Chair Curtis turned this portion of the meeting over to Member Walter McLaughlin.

Member McLaughlin: The question put forth here pertains to the relationship of the town and the Municipal Light Company. Belmont has benefited from owning the light company, but what kind of return should the town get from its ownership? The light department is worth \$25-30M, and the town could collect (under Chapter 164) an 8% return on this investment, which means about \$2M a year could go back to the town. This additional \$2M could cut down on the overrides to benefit the tax-payer.

The second issue pertains to the need to cut down our energy use to assuage global warming. McLaughlin recommends the town use a progressive fee rate - if you use more energy, it will cost you more money. Higher cost may lead to less demand. "Belmont is in a unique position: we have a controlled environment and by using progressive rates, we have the tools to cut down the energy used in this town."

MLAB Chair Brown offered that this can be obtained using a "block rate" - once you go above a threshold, you pay a higher price - it is conserve or pay more. BOS Chair Firenze said that he believes that the BOS supports the concept of block pricing but he also feels that the overall issue of the role of the relationship between the Town and the BMLD requires more study. "If paid in electric rates and not tax dollars, then businesses are getting a rate at the expense of tax payers. If paid in taxes, it is a deduction for businesses", he continued. Chair Curtis asked Chair Brown how this would impact the various constituencies of town and light department - e.g., what would this do to a homeowner's bill, to commercial bills, etc.? Brown said that the town has its street lights, its large and small businesses, the town doesn't pay a rate of return, and it is subsidized by other customers. The town, he continued, is an investor, it is run by the BOS - a political entity - and as such, the cost of buying energy is at risk of rising dramatically. Member Widmer said he disagreed with Brown's characterization. Belmont's light department has been enormously successful, he added. Widmer also said that Member McLaughlin's proposal amounts to only a small amount of money gained.

Chair Curtis thanked Member McLaughlin for his proposal, and stated that he was not sure where to go from here.

Subcommittee Schedules for Meetings with Their Departments - FY09

SC Chair Bowe informed the WC that Dr. Holland will present the School budget to the SC on Tuesday, January 15, 2008. It was then suggested that Dr. Holland present the budget to the WC at their meeting on January 16. Member Bruschi informed Chair Curtis that the subcommittee reports are being prepared to be presented at the Saturday morning meetings. Bruschi added that said reports will be presented to the WC following the Saturday morning meetings.

Further Scheduling of Spring WC Meetings

The WC will plan to meet each Wednesday until the end of April, 2008.

Minutes of 11/28/07 [and 11/14/07] The review of Minutes is postponed until next week: 1/9/08.

Member Heigham moved to adjourn the meeting at 9:16 pm.

Submitted by Lisa Gibalerio
WC Recording Secretary