

# DENNIS WATER DISTRICT

*Board of Water Commissioners*

Minutes of Workshop Meeting held

November 15, 2010

A meeting, having been duly posted, was held this date at the District Main Office, 80 Old Bass River Road, S Dennis. The meeting was called to order by Paul F. Prue, Chairman at 2:02 PM. Also in attendance were Charles F. Crowell and Peter L. McDowell (2:05 PM) and the following District officials:

Sheryl A. McMahon, Clerk & Treasurer

David Larkowski, Superintendent

Also in attending the meeting in its entirety or in part were; David Talbott and Richard Roy of the District Finance Committee; Selectmen Paul McCormick, Chair, Heidi Schadt and Alan Tuttle; Alternative Energy Committee members Richard Halverson and Denise Atwood; from the public at large Joe Mahoney and Mark McDowell.

Chairman Prue took agenda item two out of sequence. Ms. McMahon requested a Reserve Fund Transfer of an amount not to exceed \$1,000 for the payment of unemployment benefits. She explained that a former employee has recently been awarded extended benefits at this time she is uncertain as to the extent of the liability because of potential pension offsets that may reduce the District's obligation. The District does not pay unemployment insurance premiums. Instead, unemployment benefits are on a pay-as-you-go basis. On a motion made by Charles F. Crowell, and duly seconded, the Board ***VOTED 2-0-0 (PLM absent): to authorize the transfer of up to \$1,000 form the Reserve Fund for the payment of unemployment benefits.***

Chairman Prue welcomed the audience to the workshop on the Wind Power Feasibility Study and to consider what the next steps are for possible project development.

Mr. McDowell joined the meeting at 2:05 PM.

Mr. Larkowski proceeded with the discussion by distributing a worksheet on various revenue streams projected for the installation of GE 1.6 MW wind turbine. One of the first projections was an estimate based on 3.4 megawatts (MW) of power generated. The District could receive 14.44 cents per kilowatt hour (kWh) as a discount on its estimated usage of 1.3 MW or \$187,200 in net metering credits to be applied towards the electrical costs. The remaining 2.1 MW of electricity could be sold to one or more third parties at an estimated rate of 12.96 cents per kWh. The Renewable Energy Credits (RECs) could be sold at approximately \$68,000 for a total annualized income stream of \$527,360 in the first year of operation.

In a second scenario, Mr. Larkowski explained that 1.3 MW of net metering credits would not off-set the entire electrical costs. He estimated that 1.44 MW of the power generated would have to be applied in order to off-set the District's electric bills. Combined with the sale of 1.74 MW of discounted net metering credits to a third party and the sale of the RECs the total income would be \$533,504.

In the third scenario, which was probably the easiest to manage and would likely generate the most income was having all of the estimated 3.4 MW of power paid as a “cash out” benefit from NSTAR to the District at 14.4 cents per kWh. The estimated income would be \$557,600.

In a recently developed scenario, if the District was able to receive the power for Stations 7, 8 and 10 (the stations closest to the wind turbine and power lines) directly from the wind turbine before it goes into the grid, otherwise known as “behind the meter”, the connection could save an estimated \$6,480 in direct electrical costs. This does not include the cost of installing the necessary wiring to receive power at the stations from the turbine. He is currently developing those costs estimates.

The Superintendent outlined the anticipated expenses for paying the debt service as well as on-going maintenance, long term capital replacement (sinking fund) and non-operating expenses at approximately \$755,083 in the first year. A discussion on the debt service ensued. Ms. McMahon reported that the loan repayment schedules used in the study as well as the pro forma were based on a 15-year term. Mr. McDowell noted that the useful life of the turbine is expected to be 20 years and that a 20-year borrowing term would lower the principal payment.

There was a brief discussion regarding the anticipated installation of a wind turbine at the Cape Cod Regional Transit Authority (RTA) on American Way in South Dennis. It is relatively small compared to what is being proposed by the District’s Feasibility Study. All the power generated at the RTA will be behind them meter. As previously stated, it may be possible for the District to put several accounts behind the meter. The net effect would be a reduction in the District’s total electricity consumption of approximately 138,000 kWh (based on FY 2009 usage) or a net savings of \$6,480 for this direct power connection.

Mr. Larkowski suggested that these scenarios are for the first year once the turbine is commissioned. As decisions are made in regards to proceeding with the project, up dates to the cash flows are anticipated. It is understood that the net savings to be applied towards reducing the District’s electricity bills would increase over time as the debt service declines.

Mr. McDowell provided a detail print out of FY 2010 of electric bills that had previously been provided by staff. The difference between FY 2009 and FY 2010 was 146,000 kWh.

There was a brief discussion on the difference in Mr. McDowell’s estimate of debt service was based on a twenty-year bond where Ms. McMahon’s has always been based on fifteen years.

Mr. Larkowski discussed the allocation of net metering credits in accordance with a Schedule Z that will have to be filed at the time the turbine is commissioned. In Falmouth, all of the power generated is behind the meter and NSTAR pays Falmouth with a check. At this time, it is his understanding that the bookkeeping detail involved in net metering credits for an entity with many accounts is quite cumbersome and probably expensive for NSTAR to deal with. However, there is some uncertainty as to whether NSTAR will continue with this “cash out” option for net metering credits. He estimated that the District will need about 50% of the power in the first year to develop the credits to cover the electric bills over the course of the year.

Discussion ensued regarding the need for Article 97 legislation which would authorize the District to build its own turbine as well as allowing the Town to build one for its own benefit or to even have the Cape & Vineyard Electric Cooperative (CVEC) to build one or more on the District’s property. The

vote to authorize the Water Commissioners to file for the special legislation could appear on a Special or Annual District Meeting. There should be no real charge to the District for filing. Mr. McDowell stated that a Special District Meeting should be held as soon as possible. He further noted that Article 97 legislation requires a 2/3 vote of both the House and Senate. There was an understanding that Brewster needs Article 97 legislation to construct its turbines and that the District may not need to create original legislation for the filing.

A discussion ensued regarding the process for gaining approval from Town of Dennis Old Kings Highway (OKH) Regional Historic Committee. Also discussed was the appeal by Aquacultural Research Corporation's (ARC) of the OKH Commission's reversal of the Dennis OKH Committee's original approval of their project. The probability of success in the appeal was discussed. Perhaps, there may be a request to exempt the Water District's area where the turbines are to be located out of the OKH. Mr. McDowell said that it was within the authority of the OKH Commission to provide an exemption. There was a question as to whether a local appeal to the OKH Commission by ARC would be filed in Orleans District Court or Barnstable District. District Finance Committee Chair David Talbott asked if and when the District were to submit an approval with OKH Committee could it be in conjunction with the Town for its turbine. Mr. Talbott supported having the turbines built the farthest away from residence as being beneficial. Chairman Prue asked Town of Dennis Board of Selectmen Chair Paul McCormick where the Town was in the process. Mr. McCormick said that the Board is taking its lead from the Water Commissioners and are poised to render decisions as quickly as possible when necessary. Mr. McDowell agreed that it made sense to move the two turbines simultaneously through the permitting processes. Selectman Schadt felt we should have a joint public meeting to inform the voters of the project as soon as the Board's were ready to move the project forward.

There was a discussion regarding the possibility of having CVEC under take the two-turbine project. CVEC's direct revenues to the District would be lease payments. The District and the Town could enter in to power purchase agreements for discounted electricity. CVEC has requested that the Water Commissioners agree to a Letter of Intent since the District's feasibility study has been completed. The Letter of Intent requires that the District give CVEC six months to develop their pro form and for the District not to engage in any further development of its own project. Chairman Prue ask if the Board could invite CVEC back to present what they could do for development of two wind turbines for the District and Town. He further suggested that we continue these discussion at the Commissioner's next regular monthly meeting on Thursday.

There was a brief discussion on the requirements for conducting a Special District Meeting.

There was a renewed discussion regarding written agreement issues with third-parties for the distribution of net metering credits if NSTAR does not agree to "cash out". Is it possible for the District to sell electricity under its current enabling authority? Are there any special obligations for selling this power under the state's procurement laws?

Mr. Talbott asked if it were feasible to build only one turbine and share the costs and power with the Town. Mr. Larkowski stated that it was not economically feasible to do so and still benefit the District and the Town.

Discussion on noise and health concerns ensued. Mr. Talbott's first concern was that the District "do no harm". Mr. Roy suggested that the location for the District would be different than the ARC

placement. It was noted that there are not many studies available on these issues and to what extent do the Board of Water Commissioners need to review them. As the project develops there may be specific issues that will need to be looked at. There are currently no funds authorized for the hiring a project manager at this point in the development of the project.

On a motion made by Peter McDowell, and duly seconded, the Board of Water Commissioners adjourned the meeting by unanimous vote at 3:44 PM.

Respectfully submitted,

Sheryl A McMahon  
Clerk