

Minutes of January 7, 2016 SIEC Meeting, 6:30 PM, Swan's Island Library

Present were: Manager Jeffrey Ellison, Board Members Jason Matthews, Tom McAloon, and Eric Chetwynd. Calling in were Ed Schwabe and Bob Pickup. SIEC member and former board member, John Trask also was in attendance. The meeting began at 6:35 PM. Note: Motions are marked with an asterisk and shown in italics.

1. Approval of December Minutes

* Motion *to approve the minutes* was made by Jason, seconded by Ed and approved as amended to include Treasurer's written financial report.

2. Manager's Report (Jeffrey, verbal report)

a. Disconnection Report:

25 notices sent out
 19 payments received (14 paid in full, 5 in process)
 6 payment plans (2 paid, 4 awaiting call backs)

b. Update on Cable Repair Plan: Jeffrey has been placing repeated follow-up calls to Emera. Emera reports it is awaiting 2 repair kits due in two to three weeks. The divers and boat are ready as is the length of cable for the repair. A question was raised as to whether this would become the main line or back-up. The decision was to at least use it as the main line temporarily to make sure that the repair is working properly.

c. Progress on Emera Due Diligence Request List: Jeffrey has submitted everything that Emera has requested to date, including the due diligence questionnaire. There has been some delay on Emera's part because Jeff Jones, who has been their point person on due diligence, is retiring. Tim Moran will be taking his place but he has been involved in other projects up to now.

d. PUC Customer Advocate Update: The information requested has been mailed in to PUC, currently experiencing a backlog. There will be no further charges on the customer's account. The renter is now paying and came up with the \$1,200 required for SIEC to initiate service.

e. PUC Stipulations: We will owe PUC a report on the rate increase stipulations by April 1, 2016. Here is some progress.

- **Right of Way Clearing:** Jeff went around with Jason to survey the situation. Spent \$10,000 on clearing by the end of the year. There is still a bit to do owing to weather, but Jeff was paid in full in 2015. The area covered was around Duck Road. Jeff is looking to complete the \$10K worth with bits of road here and there that need attention.
- **Meter Installations:** Twenty five meters have been purchased at a cost of \$25 each. However, we're holding off on installation since if Emera does take over, they will be installing remotely monitored meters for all members. We don't want to duplicate effort.
- **Exploring Alternative Energy Options:** Ed asked about the status of the Alternative Energy (Solar) Group deliberations. Eric explained that there had been none since the meeting held in October, but that he had arranged for a meeting with Candi on Wednesday, January 6th. At that meeting Candi posed several questions for which the group needed answers, namely: (1) What would be the avoided cost rate for solar for SIEC as a utility selling solar energy. (2) Does Emera or another distributor have to buy

our energy and can we sell it for 33 cents per KWH more or less? (3) Is Emera required to take on SIEC? (4) In the model based analysis of a solar array on Swan's Island prepared for Ed by energy consultant Steve Strong, did he assume an RFP investment model and sale of RECs? There was a substantive discussion of these and other issues and a re-statement of the board's openness to consider any alternative proposal that will challenge what we are doing. Eric suggested that he write another report for the Solar Group addressing these and other issues. It will point out that while solar energy can be generated for 7-12 cents per KWH, it would still have to be sold to SIEC members for at least 36 to 38 cents per KWH to support the costs of the co-op, and that does not even include new personnel that would be needed to manage the solar farm.

3. Financial Close-out Report (Bob Pickup): **The Treasurer's report is attached.** Bob reported that the SIEC had a good year and that the staff has done a very good job. Because of the TIER being so much higher than required, Bob again recommended consideration of capital repatriation, as this money came from our members via the rate increase and should be returned to them. There was discussion of this and also increasing the bad debt reserve. As to repatriation, it was agreed that we should wait until later in the year, e.g., next 60 to 90 days, when we know what expenses might be incurred in conjunction with the Emera takeover negotiations and PUC stipulations. Bob noted that the profit for 11 months in \$2015 was \$122,000 and there was \$122,000 in the bank. However, he noted that about \$75,000 of this was carryover from 2014.

*The discussion of bad debt reserve led to a motion *to increase the reserve by \$50,000 before the December 2015 Financial Statement is finalized.* Bob made that motion. It was seconded by Ed and passed unanimously by the board after discussion. Discussion points included:

- ✓ Rather than redistribution of surplus, we should work it into the emerging Emera agreement earmarked for line clearing.
- ✓ Use anything we don't need for critical expense for payment of our personnel for severance and carryover needs. This was suggested by Bill Ferninand when discussing the use of Steve Green after the Emera takeover.
- ✓ Most of our \$338,000 in bad debt is too old to collect. Still, we could collect \$107,000 of our bad debt if we don't go with Emera, based on current debt payment plans being honored. Therefore, by increasing our bad debt reserves by \$50,000, we are not writing off receivables.

4. Old & New Business

a. Setting a date for Winter Community Quarterly Meeting: It was agreed that the best date would be Thursday, February 18th at the library. The discussion would mostly focus on the transition prospects and progress. Eric said that he thought the updates on Emera negotiations being included in the SIEC monthly newsletter were sufficient to inform members of progress. He suggested that the notion of his writing a separate news item for members on the negotiations would be redundant. All agreed. The idea was just to be as transparent and informative as possible, and the newsletter reporting is sufficient, especially if that also is available through the SIEC website.

b. Work Truck Repair and correction of 5 homes on one transformer

- **Truck Repair:** The truck head light has been repaired.
- **Five on One Transformer Issue:** There was a member complaint that there are five houses on one transformer and it may be causing some appliance problems. Emera's Tim Moran was shown this situation on a recent visit and said 5 homes on a transformer is a reasonable load and it could even be more. He said it is more likely due to local (in the home) issues such as wiring or appliance condition. This was explained to the member.

c. Staff and Salary Changes. Staff salary changes were sent around by Jeffrey to the board and no changes were suggested. The changes were supported by our Treasurer. Therefore a *motion was made *to approve these changes* (Eric) and seconded (Tom) and passed unanimously.

There was no executive session. The meeting ended at 7:55!

Attachment: Treasurer's Financial Report for December 2015

FOR THE SECRETARY

Eric Chetwynd, Acting Recording Secretary

Ed Schwabe, President

December, 2015 Financial Report:

The November 2015 financial statements reflect operating income for the month of over \$26,000. This brings year to date earnings, through eleven months to \$122,000. Were the year to end at this point our TIER ratio would be approximately 3.4 versus a desired range of 1.25 to 1.50.

However, we have already paid a quarterly interest payment of \$15,000 and made a \$10,000 payment for line clearing expenses to an island company in December. From this we can expect a breakeven to a modest operating loss in December's results. We should consider increasing our reserve for bad debts as even with improved collection results in 2015, it appears that present reserves will not be sufficient for the anticipated losses in our current receivable balances. At this time current total receivables are \$338,000 and reserves are \$148,000.

At year end we also need to accrue any cable repair expenses that have been made but for which we have yet to be invoiced.

2015 was a very successful year for the Cooperative. We will end with a strong TIER ratio, there were many operating successes and we will have a large cash balance.

Bob Pickup

Treasurer, Swans Island Electric Cooperative