

MINUTES of the Swan's Island Electric Cooperative Board;
December 3, 2015

Present; Sarah Lane, Eric Staples, Joe Staples, Ed Schwabe, Jason Matthews, Manager Jeffry Ellison

Phone in; Tom McAloon, Eric Chetwynd, Bob Pickup

Meeting began at 6:35 PM

November board meeting Minutes were approved.

Manager's Report:

NRA Collection Agency has returned two accounts for being over six years past due, without activity.

Cable Repair

130ft of replacement cable is ready on the mainland. The Acadia fuel barge and diver Cole MacEnroe are standing by. Waiting for EMERA to locate appropriate splicing kits.

A six thousand dollar savings is estimated for using Emera over Three C Electric.

Old Pole Sales

Only one purchaser to date. Seventy poles remain.

TDS Telecom has requested to lease pole space for the installation of fiber optics.

Ferry terminal lighting

The middle causeway light has burned out and is to be replaced by LED lighting.

Steve Green's training is on hold until the end of lobster season.

Tom reminded the board that Steve's training is not elective but an OSHA requirement.

Steve has missed one training session.

The board hopes to demonstrate for Emera the financial and functional benefits of maintaining a resident line worker.

Line Clearing

Jason and Josh Joyce to start clearing soon on the Clark point Road to the Frenchboro cable.

Current rates are \$180 per hour for two men and chipper.

It is estimated to spend 14 to 15 thousand by end of the year.

Transformer at Savage home (5 homes on one transformer)

Waiting for a larger work load before bringing Northern Line to the Island.

Treasurer Bob Pickup strongly encouraged the board to consider returning patronage capital to the membership in order to bring the anticipated TIER for 2015 closer to target levels.

NOTE by T. McAloon 1/8/16 – per board approval at regular meeting of 1/7/16 the Treasurer's report is inserted in the meeting minutes here:

Email message 11/20/15 from Bob Pickup to SIEC Board:

Fellow Board members, as I will be leaving for Thanksgiving holidays with family tomorrow, I am forwarding my Financial report for the December 3rd. Board meeting this afternoon. I will be available for questions via email or cell phone [561-809-2888](tel:561-809-2888). We will return December 3, 2015 and I will be calling in for the meeting. Please distribute call-in information to me. Thanks and a Happy Thanksgiving to you all.

For the month of October the Cooperative experienced a surplus of some \$14,700 on revenues of \$63,200. Our cash position was basically unchanged from the prior month showing an October 31, 2015 balance of just under \$96,000. This balance is some \$20,000 greater than our year ending balance at December 31, 2014.

Despite incurring some \$19,000 in cable fault investigation/repair expenses in the current month, the cooperative continued its' strong year-to-date fiscal year performance for 2015.

Between now and year end we will make one additional debt interest and principal payment of just over \$10,000. Additionally, we should conclude our cable repair project, if it has not already been completed by the time we meet on December 3rd. It is estimated that remaining expenses on the project should approach \$30,000. We will be addressing line clearing issues in the coming weeks with both our own crew and outside contractors.

Based on our auditors opinion that the expenses of the cable repair should be capitalized over a yet to be determined period of years, I estimate than we should end the year with a surplus of over \$105,000 and a cash balance in excess of \$70,000. This level of surplus would give us a TIER calculation of approximately 2.8 against a minimum goal of 1.25.

On November 19th Ed and I participated in a conference call with four members of the PUC to determine if statue section 35, sub-section 5 could be used as a basis of paying patronage capital to members from a current years cash. The short answer was yes, provided the Board had allocated sufficient funds for working capital needs and emergency requirements as well as any sinking fund requirements for future debt payments, provided those sinking funds were required by the respective loan agreements. It is my understanding that our loan contracts do not require sinking funds, as we have never provided for them in the past, but I would like Jeffrey to check this before the meeting on the 3rd.

I have examined the balance sheets from December 31, 2014 to October 31,2015 and noted that the largest single drop in available cash from one month to the next was \$12,000 in January 2015. Additionally, there were no two months where cash dropped, materially, in succession. There were only two months in 2015 when the cash balance was less that December 2014. My point is that ongoing working capital needs under our existing rate schedule do not exceed \$20,000 and an emergency fund of an additional \$35,000 should be adequate, although I encourage others with longer history on the Board to consider this point based on their experience.

Based on these factors, I believe the Cooperative can and should strongly consider a patronage capital distribution in December or January as soon as appropriate State required paperwork can be completed.

Bob Pickup Swans Island Electric Cooperative Treasurer.

Bob projects that the end-of-year TIER for 2015 will be higher than the desired target of 1.25 - 1.75.

Other board members argued that there were too many unknowns associated with the EMERA closing to consider distributing any capital in advance of the Purchase & Sale Agreement. Additionally the Co-Op was facing some unknowns relative to the Cable Repair and Winter weather to justify an allocation of Capital Credits back to the membership. Ed mentioned that we had not yet forecasted the total for the legal costs which were being expended on the EMERA acquisition [This

estimate, received Dec. 15th from Attorney Bill Ferdinand was \$20,000 for an uncomplicated closing and \$50,000 for a protracted closing with complications]. Ed reviewed the content of a phone conversation that he and Bob had had with the PUC regarding returning patronage capital. The PUC cautioned the SIEC that, while such a decision was the Board's to make, before considering a return of patronage capital, the Board should be completely satisfied that all commitments to line clearing, staff training, safety, and equipment upgrades were being met before taking such a step.

Alternative Energy Study

The Coop has completed a successful phase one feasibility study for wind power on Swans Island. Windpower could be generated and sold to the membership at 8-9 cents per Kwh.

Ed has researched potential solar needs of Swans Island, with an industry professional, at 2.4 million kilowatts per year.

Reported specifications of the size of a solar farm necessary to generate the power needs of the SIEC are 12 acres of solar panels at a cost of 4.5 million dollars needed for the average 4 hours of usable sun light per day at this latitude. Because there would be less power generated to sell back to the mainland than with the windpower project, solar power could be sold by the SIEC at about 10-12 cents per KWh.

While both projects could approach the present per Kwh price presently paid to EMERA for raw power, neither project would materially reduce the overall light bill for SIEC members since the cost of raw power amounts to only one-third of the light bill total and the administration and operating costs of the SIEC would remain the same or even increase – with the need to manage the wind or solar project.

Becoming a customer of Emera has a direct benefit to potential

renewable energy users on Swan's Island and Frenchboro. Emera can afford to offer net metering to its customers and cut SIEC light bills overall by nearly half.

Other Old Business: Tom McAloon inquired if the transformer on the Frenchboro dock had been recovered, and if the headlight on Steve's worktruck had been repaired. The manager replied in the negative, but promised to schedule the work, shortly.

Meeting adjourned; 8:25

For the Secretary:

Jason Matthews, Vice President & Secretary
Ed Schwabe, President