

SIEC Meeting with Emera Maine

Friday, May 08, 2015

10:53 AM

Attendance: Jeff Jones, Emera Maine; Jason Barrett, Eaton Peabody; Tim Schneider, Maine Public Advocate; Ed Schwabe, Swan's Island Electric Cooperative; Jeffrey Ellison, Swan's Island Electric Cooperative; Suzanne MacDonald, Island Institute; Brooks Winner, Island Institute.

Goals/Outcomes

- Be clear on next steps
 - Concrete info for SIEC membership

Timeline

- May 28: SIEC Quarterly Update Mtg.
 - Identify member questions
- June: Info session/open house?
- July 23: SIEC Annual Mtg.
 - Straw vote
- September: Emera Board Mtg.
- July 23 through September: Due diligence
- October: Joint filing to PUC
- October through December: PUC Review

Questions

- What does service look like on other islands?
 - Cranberry Isles?
- Outage information for other islands?
- Is there a policy
- If there is a live line down, what does Emera do?
 - Might need to cut service to the island
 - Might have volunteer fire department guard the line

Introductions and Goals for the Meeting

- Tim Schneider, Maine Public Advocate
- Jeffrey Ellison, General Manager, SIEC
 - Started with rate increase procedure
 - PUC stipulation required SIEC to investigate merger with Emera
 - Interested in figuring out what the steps are for pursuing merger
- Jason Barrett, Eaton Peabody (Counsel for SIEC)
 - Interested in establishing timeline, targets for moving discussion forward
 - Annual meeting in July - Largest meeting of SIEC membership - key opportunity for education
- Ed Schwabe, President, SIEC
 - Board meeting on 5/7/15 - Strong interest from the board in exploring merger with Emera
 - Looking to take information back to the membership to discuss advantages, disadvantages
 - Board will be asking membership to vote
- Jeff Jones, Manager of Transmission Services, Emera Maine
 - Emera perspective - Open to what they need to do

- Stockholders would need to be covered
- Can answer any questions, address any differences, open to public needs
- Looking to see whether this works
- Will be looking for support from Public Advocate and PUC
- Stockholders will be looking to recover costs of merging with SIEC
- Mitch Tannenbaum, Maine Public Utilities Commission
 - Goal: Share what PUC process would look like

Background from SIEC

- Classified by Rural Utilities Service as a high energy cost community - Energy cost 2.5x national average
 - Eligible for loans & grants from RUS
- In business since 1949
 - Operated generators until 1973 when transmission cable was installed
- Completed wind feasibility study in 2012
 - Secured option for turbine site
 - Put wind project on the shell
- Has been renewed interest in solar power recently - one of the options covered in Tom McAloon's report
- Job is to search out ways to reduce cost of energy for residents of Swan's Island and Frenchboro
- Extremely small coop - limited capacity
- Membership has been upset by recent rate increases - may need another one in a few years
- Approaching "breaking point" of membership tolerance of high rates
- Many people on the island who just can't afford to keep paying high rates
- Not a new discussion, but service from Emera has worked elsewhere (e.g. Cranberry Isles)
 - Cranberry Isles serves as a reasonable comparison
- SIEC serves Swan's Island and Frenchboro - Board seat held for representative from Frenchboro (Long Island)
 - Frenchboro pays slightly higher rate
- Island Institute happy to help with engaging members on Frenchboro
- Stipulation is a helpful place to start to understand where SIEC is at and identified needs going forward
- Membership is mindful that with SIEC, they have local control, local service

Tim

- Important as part of rate increase to figure out which path to choose

Discussion

Rates

- Cost of service is higher on an island, but Emera is not allowed to offer two different rates in one service area
- Swan's Island customers would have the benefit of same rate as the mainland
- Customers would have access to competitive supply as well as standard offer
- Emera would install two-way meters, have had these installed on the mainland for a long time
- Emera does offer time of use rates, heating rates, etc.
- Standard offer rate through December was a good move

- How long would it take to finalize a merge?
 - Emera answer - 12-24 months
 - Mitch: This seems a bit long
- Could aim to wrap up by end of calendar year 2015
- Might not take very long if OPA supports it
- Possible complication could be if group of members challenge to merger
- If the SIEC membership votes to move forward, would a group of members have recourse through the PUC?
 - Could intervene in PUC case to argue against transaction
 - PUC would be required to give customer(s) due process
 - Turns a 2-month process into a 4-month process, if that happens
- One question that will need to be answered: Is the coop dissolved as part of this process?
 - Would need to discuss this with RUS

Service structure

- Jeff - Would not have anyone on the island, would be hard to make an exception to standard operating procedure
 - Would be a hard sell to stockholders to make an exception

Timeline

- Step 1: Emera and Swan's Island would come up with an agreement about how the transaction would look
 - Would need to discuss w/ RUS about how debt would be handled
 - Step 2: Emera and SIEC would make joint filing to PUC
 - Assuming no opposition, would take a couple months for PUC process
1. SIEC membership votes
 2. Coop & Emera agree on how transaction would work
 - a. SIEC & Emera agree on how service works
 3. PUC reviews agreement & decides

SIEC

- Agreement w/ RUS about what to do with debt
- Review SIEC bylaws
- Answer membership questions

Emera

- What changes, upgrades etc. would need to happen
- What does service look like?
- What are the costs to Emera of the transaction?
 - What are the legal fees - Shouldn't all fall on SIEC membership

Process for moving forward

- SIEC internal review
- Emera internal review
 - Emera review of electrical system (lines, transmission cable, etc.)
 - Engineering estimates
- SIEC & Emera discussion w/ OPA
- Membership votes, Emera board votes
- PUC approval

- Could call special meeting of SIEC membership if necessary for vote
- Could have membership vote to approve SIEC entering formal discussion with Emera
 - First vote would start in June

For May 28 meeting

- Ask: What questions will membership need to have answered in order to make decision at July annual meeting
 - OPA can help answer those questions
- Will be sending out newsletter
- Can collect questions, put answers on the website
- Could host informational meeting in June with answers to questions
- Info session/

May need generators to ensure reliability

- Similar situation in remote areas on the mainland
- Hard for Emera to make exceptions for island

OPA can join the July 23 meeting

- Have someone on staff to prepare consumer education materials that could help with data collection
- Could join for May 28 meeting

Conclusions

- Timeline looks good as spelled out, might be aspirational
- May want to avoid committing to that timeline publicly
- Helpful to have Emera representative come out to the island?
 - May be helpful at some point
- Asset assessment - SIEC has made significant investments in its infrastructure over the past few years
 - \$800,000+ work plan for substation rebuild, line clearance, new polls
- SIEC will provide sample bills from customers for Emera to plug into rate models