

**APPROVED**

**FINANCE COMMITTEE/BOARD OF SELECTMEN BUDGET ADVISORY COMMITTEE**

**Tuesday June 5, 2018 – 2:00 PM – Richmond Town Hall, 1529 State Road**

**PRESENT:** Mr. Robert Gniadek, Chair; Mr. John Mason, Ms. Pat Callahan, Ms. Eileen Martin; Mr. Neal Pilson, Selectman; Mr. Roger Manzolini, Selectman; Mr. Mark Pruhenski, Town Administrator; Mr. Paul A. Lisi, Jr., Town Treasurer/Collector;

**ABSENT:** Mr. Steve Patterson

**GUEST:** Mr. Andreas Schmid, Representative of Select Solar Company.

**Call to Order:** Mr. Gniadek called the meeting to order at 2:02 PM.

**Minutes of April 4, 2018** – Copies were distributed by Mr. Pruhenski prior to the meeting via email. Minutes were approved as read by unanimous vote.

**Review/Recommendations for the Special Town Meeting Warrant of June 21, 2018** – Copies of the warrant were distributed to the group. In the absence of Mr. Andreas Schmid from Select Solar, discussion began with Article 3:

Mr. Paul Lisi advised the group that Article 3 dealt with changes to the OPEB Trust Fund that have been made by the Commonwealth and, to go forward, the Town will have to adopt the new language. In response to a question about how the money will be handled, Mr. Lisi explained that the new OPEB Trust Fund will first be established, then work will begin on creating an Investment Advisory Committee. A discussion ensued about which investments would be allowed under the Proven Investor Rule guidelines.

Mr. Lisi advised that once the Investment Advisory Committee has been formed, representatives of Bartholomew and Company and PARS, two standard investment firms that are routinely used by municipalities, will be called in.

There were no further questions about Article 3 and, at that point, Mr. Pruhenski welcomed and introduced Mr. Andreas Schmid from Solect Solar, who joined the meeting. Before continuing to the articles, Mr. Pruhenski called for any questions about the Power Purchase Agreement that the group may have for Mr. Schmid or any other questions about the company, etc.

One member asked whether going forward Solect Solar was going to be keeping all the S-recs. She wondered if he had a forecast as to how much he expects that to be. Her purpose for the question was to clarify what the difference would be financially to buy rather than lease the program. The response was that 45% of the system is paid for by tax benefits which the Town cannot get. Mr. Schmid went on at length to explain precisely how the system will benefit the Town and how it works for his company. The intent would be to build the project this summer

and have it ready to submit to the SMART program. The SMART program is a 20-year program as opposed to the S-Rec Program, which is a 10-year program. The payment per kilowatt hour generated by Solect Solar is lower under the SMART program but covers a longer period. The payback is that for the full 20 years they would own the project and sell the Town the power from it. Their return on investment in this system is under 10% unlevered after taxes.

Mr. Gniadek asked about the interconnection fee. Mr. Schmid responded that the interconnection has been done and there was no fee. Mr. Mason asked whether anyone had checked with an engineer to determine if the roof will support the array and he was assured that that had been taken care of. He asked at what point the roof was expected to be replaced. Mr. Schmid replied that there had been a roofing inspection done this year and the roofer had been interviewed personally to determine that he had no reservations about the safety of the system. Solect Solar also had Mr. Schmid personally inspect the roof, parts of which are a 15-year-old membrane and a 30-year asphalt shingle structure. This is a 20-year agreement and the portions of the roof being covered by the solar array will last longer than expected because they are covered and are not as susceptible to UV radiation, snow, wind and ice. Areas of the roof where issues might occur will be accessible for repair or replacement. In summary, it was noted that there is very little risk to the Town of the roof under the array failing during the life of the contract.

Mr. Gniadek then opened a discussion of the time of the heaviest production of power, June, July and August – the months when the school is closed and there is very little usage. He asked what the current rates are for net metering credits. Mr. Schmid replied that there is currently no net metering cap being filled on the public side for Eversource. The Town will get the roughly 10 cents per kilowatt hour credit or more to bring forward.

Mr. Gniadek noted that according to the agreement, Solect Solar is paying for the interconnection equipment – was there anything that the Town should know about that it has to provide. Is the generator on an automatic switch in the case of a power outage? Should power from EverSource, etc. go out, the solar system goes out and the only source of power is the generator, which goes on automatically. Conversely, when the power grid comes back on, the generator automatically shuts off and the solar array senses that the grid is back on line and it comes back on line as well.

Asked when Select Solar expected to begin work, Mr. Schmid said July and the completion date would most likely be in August – before school is in session.

Ms. Martin asked if there would be some kind of display in the school for the education of the students. Mr. Schmid agreed that kind of thing can be done, he mentioned that the Yankee Inn has just installed such a display and noted that there is a great web-based monitoring program available that shows what the system has produced to date, what it is producing at this moment, etc. Ms. Martin was advised that the School Committee has talked about that and is planning to install something of the kind. Select Solar can help the school set up something

once the system is up and running and they have gotten permission from the utility. At that time, there will be a hand-off meeting at which time everything about the system will be explained and all contact information will be provided.

Mr. Schmid went over the step-by-step process to get permission from the utility and from there to get the system approved for turn-over. Solect Solar anticipates having the system installed by August, requesting the meter swap and PTO from the utility and awaiting approval for the new incentive program from the State. Hopefully, by September, Solect Solar will be able to turn the system on, the incentives will be in place and the project will be up and running.

Mr. Mason asked what happens in 20 years? Mr. Schmid offered three options: Solect Solar can remove the system at no cost to the Town. The roof would likely need replacing at that time. Solect Solar would patch up any holes the installation may have caused, which would be solid and weather proof but not attractive. Since this installation is on a flat roof, there will be no holes and they will just remove the panels, the racking, etc.

Another option would be to extend the Power Purchase Agreement from year to year. If the roof is intact and does not need to be replaced and the system is producing enough power, the Town can extend from year to year.

A third option would be to take ownership of the system if the Town decides that the technology is still worthwhile and worth keeping. The inverters will have been replaced after year 15 or so, which would leave a 5-year warranty on the inverter. The panels last a very long time as there are no moving parts. In 20 years, this might be old technology and it is likely more efficient solar panels will be available, but any power they were producing would be free. The Agreement stipulates a Fair Market Value for purchase of the system. But in 20 years the Town will have the upper hand – it might well be worth it to Solect Solar to negotiate the price rather than having to remove the system and dispose of it at their cost. Mr. Schmid anticipates that most of the companies like Solect Solar will be happy to sell the system to the host customer for \$1.00 at the end of the Purchase Agreement period.

Mr. Mason asked whether Solect Solar has built into their projections a cost for the removal of the outdated solar panels at the end of the contract. Mr. Schmid agreed and estimated that the cost would likely be something in the range of \$26,800.

Mr. Manzolini asked about the ballasted panels – what type of wind speed are they designed to hold up against? Mr. Schmid noted that code requirements for this area are 90 miles per hour, which is what they are planning to build to. In response to a question as to who holds the insurance against destruction of the roof and solar panel system in the event of a tornado, Mr. Schmid said that the company's policy provides for them to rebuild the system – the Town's policy covers the rebuilding of the building. In response to a comment that, if such an event occurred late in the contract, Select Solar might choose not to rebuild the system. Mr. Schmid acknowledged that in the event of such a catastrophe, where at least the roof would need to be

replaced, what they might do is to nullify the contract until the roof is repaired, at which time they would offer a new contract for 20 years with the newest technology.

Mr. Schmid was asked if there was a minimum power-generation provision in the Agreement. There is a PPA Agreement that states that an estimated amount of power at 85% of the building's requirement will be produced. If they underproduce by 15%, the Town is reimbursed for the additional cost of power from other sources. It was noted, however, that the risk of their underproducing by 15% is very unlikely. In the final analysis, power estimates are based on anticipated weather patterns.

Ms. Mason asked about provisions for snow removal – Mr. Schmid responded that there is no need for provisions for snow removal in the Northeast as we get a great deal of rain as well as snow. In the occasional situation, where there are several feet of snow on the roof, there is minimal power generation in the winter in any case, so the snow is just allowed to melt off. There is provision for the weight of three feet of heavy wet snow on the roof plus the weight of the panels in the development of the system. The independent structural engineers are responsible for determining the safety of the roof under those conditions, which is outlined in written documentation. Their liability coverage would address any loss to the Town. As a result, the inspections and calculations that the engineers do are extremely rigorous.

Mr. Pilson asked whether the Agreement, which was originally drafted six months ago, had been reviewed and revised as agreed. He was assured that it had been done. The next step is construction, which will go forward as soon as the Town approves the Agreement at the Special Town Meeting on June 21<sup>st</sup>. The next step would be to obtain the permits and start construction once they are in hand.

Mr. Gnaidek asked for an explanation of how the net revenue credits coming from EverSource would be applied to our bill from them. Are those credits usable against billing from a second source of electricity. The answer was yes, they are. EverSource does all the billing and they pay the third-party supplier. The question was further clarified to ask whether EverSource is lobbying to have the net credit law revoked because of the burden on them to pay the third-party providers. Mr. Schmid went over the situation as it stands today since deregulation when companies such as National Grid, EverSource and Mass. Western Electric are only allowed to produce 4% of their power. They are necessarily securing the remainder of the power from other sources anyway and reselling it to their customers. They are not allowed to mark up the cost of that power, they make their revenue on the delivery side, which includes several areas of expenses. He went on to explain a possible extra source of savings on the Town's annual power costs through the offset of demand charges.

The projection of savings was originally predicated on the old numbers. Mr. Schmid did a quick calculation using the new numbers to reach an average annual savings of between \$7,200 to \$12,000. Mr. Mason then asked whether the Town is required to add further insurance or if

the insurance currently in effect would cover everything necessary. Mr. Lisi assured him that the Town's existing insurance covers everything needed.

The next question was about personal property taxes. Mr. Pruhenski reported on a conversation he had with a representative from the Regional Resource Group on this question. He read the response he received: "The solar assets are owned by a third party, but Richmond will be receiving a direct benefit which means that this project will likely be exempt under FDL Chapter 59 – 25. Since the Town is using all the energy generated in the school it falls under the definition of "Beneficial Use" and there will be no personal property tax assessed. There was a discussion of the wording in the contract that does not specify that, if the Town were to decide in the future to charge Solect Solar a personal property tax, Solect Solar would not be permitted to raise the per kilowatt hour rate. Mr. Schmid responded that, since the company's lawyers are comfortable with the agreement as written and, given Massachusetts general law, an installation of this type, which constitutes beneficial use, is not ever going to be at risk of having personal property taxes assigned.

Further on the subject of insurance it was noted that a requirement for the host to have Workmen's Compensation insurance was part of the agreement but is silent on the part of the vendor, particularly in terms of removal. He suggested wording that would define that clearly. Mr. Schmid thought that an unusual recommendation given that there are three ways the Town could decide to go in twenty years. One of the options is for the system to be removed, with the assumption that it will be Solect Solar that will be doing the removal and that they will carry the required insurance. Mr. Lisi added that the Town of Richmond will ask that it be named an additional insured on that policy.

The next issue was the inclusion in the contract of the Town's right to conduct CORI checks on workers installing the system on school grounds. His question was why the burden of obtaining the CORI check was on the Town for an employee of a sub-contractor. Mr. Lisi explained that the State mandates that the Town will do CORI checks on anyone who is going to work around children and there is no cost to the Town. Solar Select has their own maintenance team consisting of ten licensed electricians. If they are sending an employee to the school who has not previously had a CORI check, they will arrange for the Town to accomplish that.

Mr. Gniadek was concerned about whether there would be any physical presence of the system on the ground or in plain sight. Mr. Schmid said that the entire system was out of sight on the roof except for a single length of conduit leading from the roof to the building. In fact, since the system is essentially invisible to the public, it was suggested that some sort of display be provided in the school's lobby to advise the public that solar energy was being used.

Mr. Gnaidek asked to return to the language in Article 2. He said if it turns out that the Town cannot lease the property or can't grant an easement, then the language ought to be cleaned up so that we don't tempt fate down the road. If the Bond Issue prohibits the Town from leasing the land to a for-profit company, then we ought to remove the language authorizing the

Town to do that. The language could be modified at the Town Meeting. Mr. Pruhenski noted that the Warrant must be signed and posted by Thursday to be in time for the Town Meeting. Ideally, the Selectmen should sign the Warrant today to get it officially posted and then amend the language on the floor. The Town's counsel will be at the Special Town Meeting, so she can guide us through that process.

There being no further questions on the Purchase Agreement, Mr. Pruhenski asked that the Finance Committee to vote on recommending the Articles on the Warrant. Mr. Mason moved to approve Articles 1, 2, and 3. Ms. Martin seconded the motion, which was carried by unanimous approval.

Mr. Pruhenski then asked the Board of Selectmen to approve the warrant for the Special Town Meeting of June 21, 2018 and sign a copy. Mr. Manzolini moved that the Board approve the Warrant for the Special Town Meeting of June 21, 2018. He was seconded by Mr. Neal Pilson and the motion was adopted by unanimous vote. The warrant was then signed appropriately.

Mr. Schmid was thanked for attending this meeting and providing such extensive information. He was asked to attend the Special Town Meeting on June 21<sup>st</sup> in case members of the community had questions.

**Reserve Fund Transfer Request:** Mr. Pruhenski distributed information on the request. This is an end-of-year request for transfer from the Reserve Fund in the amount of \$5,752.50 to be transferred to the Town's Legal Budget. Mr. Pruhenski explained the expenses the Town had incurred that warrant this transfer of funds, all of which were unanticipated at the time of the adoption of the legal budget for fiscal year 2018.

Mr. Gniadek moved to approve the transfer of funds, which was seconded by Mr. Mason and passed by unanimous vote.

**Unanticipated Issues:** Mr. Gniadek relinquished his chairmanship of the Committee, which opened the way for nominations. Ms. Martin nominated Mr. Gniadek, which was seconded by Mr. Mason.

Ms. Eileen Martin announced her resignation from the Committee. She will send notice to Mr. Pruhenski, who will then begin advertising for a replacement. As those arrive, he will provide the Committee members with the names of the candidates. Ms. Martin was thanked by the Committee for her many years of excellent service on the Finance Committee.

A motion to adjourn was seconded and passed by unanimous vote. The meeting was adjourned.

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Bob Gniadek, Chairman

