

Closed minutes moved to open 9/22/2014
New Shoreham Electrical Utility Task Group
Old Harbor Meadow Community Center, Chapel Street
Monday, October 29, 2007
9:00 a.m.

Present: Thomas Cardello, Barbara MacMullan, Everett Shorey, and Christopher Warfel.
Absent: Michael Lofaro. Also present was Fiona Fitzpatrick, who took the minutes of the meeting.

Dr. Cardello called the meeting to order at 9:00.

Ms. MacMullan moved to enter closed session pursuant to Rhode Island General Laws §42-46-5(a)(5), for the discussion of acquisition of property.

Ayes: (4) Cardello, MacMullan, Shorey, Warfel Nays: 0 Absent: (1) Lofaro

Discussion of Valuation of Property/Discussion of acquisition scenarios of Block Island Power Company:

Ms. MacMullan suggested adding municipal ownership as an option to the presentation for the Town Council, because that option allows condemnation based on an independent valuation by the court. Dr. Cardello clarified that the group had agreed that it would not be a good idea for the Town to run the power company over time, but there are positives to Town ownership as a transitional step. Mr. Shorey said the transactional costs of a condemnation are high relative to the value. The group agreed the best municipal ownership scenario would be negotiation, purchase and immediate transfer to a coop, with condemnation invoked only if BIPCo prices the company far beyond its value. Justifications for condemnation were discussed. The condemnation of Niagara-Mohawk took years.

Mr. Shorey pointed out there is an advantage to a two-step process, where the Town buys it and then transfers it to a coop. Dr. Cardello suggested the documents could be crafted to avoid the costs of two transfers.

The group discussed, and agreed in concept that the Town should maintain dominant influence on the ultimate ownership structure, probably by having seats on the board of the company. This should be established in advance. An advantage of a for-profit company is that it is powerfully motivated, and can take advantage of energy tax credits. Ms. MacMullan spoke for Town ownership of the land where alternative power is produced. She also spoke in favor going ahead to create a coop. The coop needs to exist at the time of acquisition.

After the Town purchases the company, they may contract an operator, or sell to a for-profit while maintaining a majority on the board, or transfer it to a ratepayer coop.

Recommendations: the Town should initiate purchase of the Block Island Power Company and simultaneously form a ratepayer coop. At the time the company is acquired, ownership should be transferred to the coop. Work with Rural Electric on the formation of the coop.

A discussion ensued of the diverse nature of coop membership on Block Island, and the need for experienced legal counsel. Rural Electric may be able to provide expertise and some funding for the creation of a coop.

Ms. MacMullan and Mr. Warfel will find out how to sell RECs.

Provisos to the presentation document will have to include who is supervising the outside services.

Mr. Shorey will revise the presentation document, based on comments made during the course of the meeting.

A recommendation will be made to the Town Council that Mr. Lofaro be granted a leave of absence, to return when he is ready.

In summary, there are a lot of questions. Any offer would have to be, as a standard of normal business practices, subject to due diligence.

If structured as a purchase of the assets and an easement, the generator, substation, and tanks, would be included. Although there was no enthusiasm for the idea, the tower may have to be included, subject to consideration of the effect on the rate base. If the annual \$100,000 income goes away, it will influence the rates. It may be classed as non-utility rate base. The group agreed to get the Tower lease as part of due diligence. In 2004, \$133,000 was received in tower rental which is only 1.5 cents on rate base. There was also a brief discussion of the rental property's effect on rates.

Dr. Cardello noted that conceptually there is a price beyond which the purchase makes no sense because rates cannot be lowered. He would like to identify that cost. The cost of the annuity should be calculated, and the price bracketed between the annuity and \$1.2 million.

A discussion ensued of an offer from Mr. Warfel to put together a list of questions regarding Power Company accounting, and submit them, knowing they will not be answered. Also discussed was the idea of floating to Dr. Cassavva consideration of a deal for an easement, generators and distribution.

At 11:05, Ms. MacMullan moved to adjourn the closed session meeting, and seal the minutes in accordance with RIGL, seconded by Mr. Warfel.

Ayes: (4) Cardello, MacMullan, Shorey, Warfel Nays: 0 Absent: (1) Lofaro

Minutes submitted: moved to open 9/22/2014

Fiona Fitzpatrick