



MUNICIPAL ELECTRIC POWER ADVISORY BOARD

Minutes

June 18, 2020

HMLD Community Room

6:00 p.m.

Members present: Peter Elkas, Gary Harrington, Steve Sendrowski, John Shepherd, Joe Sullivan, and Scott Carlson (arrived at 6:15)

Conference Call: Tom Runstrom

Staff present: Jane Parenteau, General Manager – HMLD
Barry Tupper, Assistant General Manager – HMLD

Public Conference Call: Denis Mahoney, Jane Dye

The meeting was called to order at 6:08 p.m. and determined there was a quorum.

Public Comment

Mr. Shepherd opened the floor up for public comment. Mr. Mahoney stated one area that he wanted to discuss with MEPAB was the underutilization of the mini-split rebate program that HMLD offers. In 2019, only 3 customers took advantage of this rebate. He stated that this would present a great opportunity for customers to eliminate oil or propane usage. Mr. Mahoney stated that natural gas does not provide an attractive financial return however it may still help the environment. Mr. Mahoney also stated that he is very much in favor of adding a statement to address renewables and the environment to HMLD's mission statement. Mr. Shepherd thanked Mr. Mahoney. Mr. Shepherd asked Ms. Dye if she had anything for public comment. Ms. Dye wanted to echo and support what Mr. Mahoney had stated.

Meeting minutes

Mr. Sullivan made a motion to approve the February 27, 2020 minutes. The motion was seconded by Mr. Sendrowski. Mr. Sullivan had a question regarding the minutes on page 3 where Mr. Sullivan questioned if a percentage of revenue would be appropriate. He asked Ms. Parenteau to explain her statement that since power supply can fluctuate significantly and represents approximately 80% of overall revenue it may not be the correct methodology. Ms. Parenteau stated that since Power supply is a pass through and should not contribute to HMLD's return, taken a percentage of total revenue may not be the best methodology.

The motion passed 5-0-1 with Mr. Harrington abstaining.

Mr. Carlson arrived at the meeting at approximately 6:15pm.



COVID-19 Update

Ms. Parenteau indicated that beginning with the April 2020 billings, all HMLD customer billing statements include the prompt payment discount. She also stated that HMLD has been contacted by the Massachusetts Attorney General's office as well as the Department of Public Utilities and requested that Municipal Light Plants (MLPs) extend the shut-off moratorium through the State of Emergency declared by Governor Baker. As a result, HMLD's arrears have increased. Ms. Parenteau also discussed the internal protocol that HMLD developed in protecting the safety of employees as a result of the declared state of emergency. She indicated that HMLD's office was closed to the public effective March 16, 2020. On March 24, 2020, HMLD divided the staff into 2 separate groups to minimize the effects on operations if someone contracted COVID-19. Ms. Parenteau indicated that 2 employees were potentially exposed however they tested negative. No employees to date have tested positive. On May 18, 2020, all employees transitioned from Level III protocol back to Level II. The staff has been healthy and vigilant in social distancing, wearing masks when distancing is not possible, and sanitizing work areas.

Ms. Parenteau discussed a slide which tracked arrears from January through May 2020 compared to the same period for 2019. HMLD has approximately \$66k in arrears which represents 1.1% of the total revenue.

Ms. Parenteau reviewed graphs of 2019 Past Due Receivables and 2020 Past Due Receivables. Mr. Shepherd asked if we are reaching out to customers with past due balances? Ms. Parenteau indicated that the Attorney General's office indicated that utilities are not able to send shut-off notices to customers due to the pandemic and indicated that there is a substantial fine to utilities who do not comply. Mr. Elkas inquired about the breakdown of arrears between residential and commercial customers? Ms. Parenteau indicated it was her understanding that this represented residential customers primarily. Mr. Sendrowski inquired if HMLD charges interest for past due amounts. Ms. Parenteau stated that HMLD does not. She also indicated that if customers are unable to pay a balance, it creates a more difficult situation for customers if you add interest.

Ms. Parenteau reviewed a pie chart which showed the amount of arrears by number of days delinquent (30, 60, 90, 120 & 150) as well as the number of customers in each category. Mr. Carlson asked the number of total customers HMLD serves. Ms. Parenteau indicated that HMLD has approximately 8000 customers. Mr. Runstrom asked if any of the delinquent customers have the ability to pay. Ms. Parenteau indicated not all of them however historically, when customers are faced with service termination for non-payment, most customers are able to acquire the money to pay their account.

Ms. Parenteau reviewed a graph which showed the average arrears balance by period as of June 2020.

Ms. Parenteau then presented a graph of kWh Sales for 2019 vs 2020 for the period January – May. She indicated that 2020 sales were relatively flat (increase of 0.25%) with 2020 sales high than 2019 sales in January and May and lower 2020 sales compared to 2019 in February – April.



The next slide was a similar graph which showed Revenue for 2019 vs 2020 for the same period (January – May). Ms. Parenteau stated that it was very similar to kWh sales however overall revenue for the period January – May was down in 2020 by approximately 2% overall. Ms. Parenteau noted that residential revenue was up by 1.4% and that Commercial was down 7.1%, General Service Rate (large commercial) was down 9.5% and municipal was also down 9.1%. Ms. Parenteau indicated that since HMLD's load is approximately 65% residential, this helps with the overall 2% decrease in revenue.

Operations and Capital Update

Mr. Tupper discussed the following:

- All Crews are back to working full day's following State guidelines
- All crews with Paxton Municipal Light Department's assistance are continuing to install fiber cable
- Conversion URD neighborhood decorative lights to LED is on hold
- Forestry is focusing on Hazardous Tree Removals and trimming Bullard Street

Mr. Shepherd asked if Princeton is involved in the fiber project. Mr. Tupper indicated that Princeton is already included in the Regional 911 dispatch program however this was accomplished via radio frequency. Due to the varying elevation issues, this was not an option for Paxton so similar to West Boylston, Fiber is being utilized.

Mr. Runstrom asked if the Princeton Street construction was related to the fiber project. Mr. Tupper stated that the construction work being completed on Princeton Street was related to Worcester Water upgrades.

Mr. Elkas asked if HMLD was subbing out any of the fiber installation. Mr. Tupper stated that Phoenix will be doing all of the splicing however the installation is being done by HMLD and Paxton Light crews.

Capital

- Replacement regulators for Bullard St Sub are on order, engineering for the install will be done once we have received the build sheet specs from SIEMENS.
- New Truck 25 is on hold, delivery not expected until 2021 due to factory closings (COVID 19)
- Bullard sub circuit build out. (Quotes for materials are in and will be awarded shortly). Work to begin this summer.

Personal:

- Eric Horn (1st Class) currently out on comp for his back had his surgery on Monday the 16th. He has a 6-month expected recovery.
- Randy Doiron injured his Bicep and required surgery, he had his on Friday and is also expected to be returning in 6 months.



Financial

Ms. Parenteau provided an update on the 2019 Financial Audit. She stated that Goulet, Salvadio & Associates (GSA) conducted their preliminary field work on December 11, 2019. The auditors were scheduled to return to HMLD for fieldwork on February 25 & February 26 however due to an unexpected illness of HMLD's bookkeeper, the audit was postponed to May 18 & May 19. Due to covid-19, the auditors are working remotely. HMLD has been providing requested information and hope to have the auditor completed soon. Once the audit is complete, GSA will provide dates to present the 2019 Financials to the MEPAB.

Ms. Parenteau presented Draft April 2020 financials. She indicated that revenue was down approximately \$130,000 compared to April 2019. Additionally, the Purchase Power Expenses were down by approximately \$600,000 from April 2019. This results in an increase in net income of approximately \$300,000 compared to 2019. Ms. Parenteau also stated that based on the November 2019 filed rates, HMLD now has purchase power revenue unbundled from distribution revenue. She stated that purchase power expenses are a pass through and that HMLD strives to set the Purchase Charge Adjustment (PCA) rate equal to expenses. Ms. Parenteau then reviewed a draft of April 2020 YTD financials compared to 2020 budget. The driving difference in actual vs budget is power production expenses which are down approximately \$500k.

Mr. Shepherd questioned the net income and the reason for the \$300k increase when compared to 2019. Ms. Parenteau stated it was related to a decrease in power supply expenses. Mr. Elkas asked what April looked like. Ms. Parenteau stated the first handout compared current month this year to current month last year.

Ms. Parenteau discussed the proposed adjustment of the PCA. She indicated that Power Supply expenses were approximately \$380,000 under budget and there was approximately an over recovery of about \$166K. She stated that the rate allows the PCA to be adjusted periodically, and that when the Cost of Service Study was completed, it was anticipated that any adjustments would be made in 6-month intervals. Ms. Parenteau informed the board that effective July 1, 2020 HMLD will reduce the PCA for each customer class by 2%. The average residential customer who uses 1000 kWh/month would receive a \$2/month reduction which is equivalent to 1.5%. Mr. Sullivan asked if a motion was necessary. Ms. Parenteau stated that based on how the PCA rate was filed, adjustments can be made based on forecasted values and no motion was necessary. Mr. Shepherd inquired as to who forecasts the expenses. Ms. Parenteau indicated that MMWEC provides this service to HMLD. Mr. Runstrom asked if HMLD should take into consideration the amount of arrears before any adjustments are made to the PCA. Ms. Parenteau indicated that the PCA is a pass through and the department can not use any over collection of power supply revenue to mitigate the amount of arrears. Mr. Elkas commented that HMLD is attempting to get to zero in regard to revenue and expenses related to power supply. Ms. Parenteau agreed.

Governance



Ms. Parenteau reviewed that historically HMLD is required to get Town Manager approval for new hires, salary changes, purchase orders, employee time off requests, payroll and employee contract negotiations. When Ms. Parenteau inquired why the Town manager signs off on purchase orders, he indicated that the Town charter grants him this responsibility. Ms. Parenteau indicated that based on some legal review, Town charter does not supersede State Law (GL c. 164). G.L. c. 164 is the primary and in most instances, exclusive statutory authority governing municipal light plant operations. Municipal light departments are operated and managed as independent commercial enterprises, separate from general town governmental departments and free from Town control. Municipal light departments are “quasi-commercial” entities created by the special act. Municipal light plants are public service corporations with a franchise obligation to the provide low-cost, reliable electric services to the ratepayers.

A municipal light plant is unique because it is both part of the town but governed by an independent General Manager (similar to a Chief Executive Officer) and governing board pursuant to G.L. c. 164. The General Manager, subject to the supervision and direction of the light board, has exclusive authority over the operation and management of the plant with few exceptions.

G.L.c.164 §56 expressly allocates the administrative functions of operating the plant, including the hiring of employees, agents, consultants and attorneys, personnel matters, its budget and expenditures, procurements, the setting of rates and terms and conditions for service and other matters involving the operations of the light plant to the General Manager alone. G.L.c.164 §56 grants the light board the power to give the General manager general policy direction.

Mr. Sullivan indicated that the Town manager has historically been in charge. He asked if the Town manager could be the General Manager of the light department. Ms. Parenteau indicated that she was hired as the General Manager and that if the Town manager was intended to be the General manager then she would have been hired as the Assistant General Manager or another title. Ms. Parenteau indicated you are not allowed to have 2 General Managers. Mr. Runstrom asked if this goes back to when Brian Bullock was the Town manager as well as the General manager. Ms. Parenteau stated that perhaps since at one time, the Town Manager was also the General manager, there could be a misunderstanding regarding G.L. c. 164 §56. Mr. Sullivan indicated that the current Board of Selectmen/Light Commission is new and most likely would not push back. Ms. Parenteau stated that the BOS/Light Commission currently approves all rates and budgets per G.L. c. 164 §56. Mr. Shepherd stated that potentially a line is being drawn in the sand and how far do we take it. Ms. Parenteau indicated that the Town Manager has been very supportive of her and HMLD and does not anticipate this being an issue. She indicated that the law is specific and if necessary, she can inform the BOS/Light Commission of the statutory authority. Mr. Sullivan indicated that he does not believe there will be a problem. Mr. Shepherd stated that staffing was also an item on the agenda regarding governance. Ms. Parenteau indicated that the utility industry is going through significant transition and through attrition, there are several General Managers in the surrounding area who are retiring/and or leaving. She stated that the General Manager of Shrewsbury is retiring, the General Manager of Belmont is resigning and accepted the Shrewsbury position, the General Manager of Princeton has resigned and accepted the Assistant General Manager position at West Boylston, and



the General Manager of Groton is potentially retiring in the next couple of years. Ms. Parenteau indicated that as an organization, it is important to retain and attract qualified employees. She stated that she is reviewing the organizational structure, and this may potentially involve the restructuring of some positions.

Princeton Municipal Light Department (PMLD) Inquiry

Ms. Parenteau stated that she was contacted by the Rick Rys, Chairman of PMLD, who indicated that the current General Manager has resigned and that the PMLB is exploring options to potentially forming a cooperative. Additionally, they have hired an interim General Manager. Ms. Parenteau indicated that PMLD did not provide any specific structure however they did give some utility facts. Ms. Parenteau reviewed the following:

- Number of PMLD customers 1387 Residential, 106 Commercial (Includes Farm and Municipal)
- Total Sales in kw*hr for 2019 – 13,396,136
- Total Wind production in kw*hr for 2019. Machines are ISO registered asset – 3,680,160
- Value of Wind REC's in 2019 -\$47,823
- Total cost of wind maintenance in 2019 (external costs) -\$69,632
- Working with Baldwin and AMSC (Windtec)
- Work with MMWEC for wind operation, HELPS, PASNY, ISO Tariff, Hydro Quebec Contracts
- Support cost for HELPS (and internal energy conservation: ie: heat pump rebates) in 2019 - \$42,000
- Power purchases from NextEra and any others (Niagara?) and date of end of Next Era contract – NextEra ends December 2027, PASNY is handled as a bilateral transaction between MMWEC and NextEra
- Wind debt and estimated date and estimated date it is paid off - \$4.2 million, paid off March of 2027
- Approximately 2,900 poles with 86 road miles of conductor
- Rough fraction of distribution on 13.8kV, 7500kV and 4800kV – 60% 13.8, 40% 4.8 (See attached map)
- Any useful statistics on outages – 1 Town wide outage on PMLD side of the meter in 2020. (May 30, 2020 3am. Motor vehicle accident)
- Tree trimming program summary – Approved program by the BOS and state tree warden. Town is divided into 5 cycles. 1 cycle is trimmed each year according to the approved specs in the PMLD Vegetation Management and Hazardous Tree Removal Plan. Copy of plan is located on PMLD website.
- Number and types of trucks and inventory of distribution and wind spare parts, poles, - Vehicle workbook attached. \$167K in distribution inventory, \$60K in wind turbine inventory
- Ownership sharing of poles with Verizon. – Joint ownership of all poles in town with Verizon.

Ms. Parenteau indicated that there is a significant difference in rates where HMLD's residential rate is \$0.1317/kWh and PMLD's residential rate is \$0.2441/kWh. Ms. Parenteau also indicated that she recommends that HMLD not expend any ratepayer



funds to develop a proposal for PMLD. She also indicated that HMLD would be willing to evaluate any proposal provided by PMLD. Mr. Harrington indicated that he was appointed as the interim General Manager and that Princeton is no longer exploring the option of forming a cooperative. Ms. Parenteau thanked Mr. Harrington for the information and stated that Mr. Rys did not relay that information to her.

Proposed Calculation – Voluntary Below the Line Payment (VBLP)

Ms. Parenteau stated that at the February 27, 2020 MEPAB meeting, extensive discussion on the history and options for VBLP occurred. She indicated that currently there is no policy on the voluntary PILOT and that the Town of Holden assumes a 2.5% annually increase. Ms. Parenteau stated that HMLD legally determines what the PILOT should be and the development of a policy would correct the current situation. This would be helpful for both HMLD and the Town of Holden for planning and budgeting purposes.

Ms. Parenteau reviewed G.L. c. 164 §58

- Ratepayer funds must be used for light plant purposes to fulfill the light plant's public service obligations.
- HMLD has a franchise obligation to provide low-cost, reliable service to our ratepayers.
- HMLD's rates must be cost-based. Rates are required to be set to cover operating expenses (above-the-line items), plus HMLD may earn a maximum return of 8% on its net plant.
- HMLD is allowed to make a voluntary BLP to the Town of Holden which cannot be included as above-the-line expenses and must be treated as below-the-line items.
- Below-the-line is an accounting term which means the item is deducted after the return and expenses are calculated.
- Above the line means the item is included as an expense for determining HMLD's total allowed revenue. These items are necessary for HMLD to provide electric service.
- HMLD is able to use earned surplus for capital projects, reduce rate impacts, pay for any unfunded liabilities (i.e. Pension or OPEB), or any light plant purpose.

Ms. Parenteau then reviewed the 8-year historical Voluntary BLPs as well as the total revenue, kWh Sales, Net Income Prior to transfers and contributions, and Net Income After transfers and contributions (Table below)



	Revenue	kWh Sold	Per kWh Sold	NET INCOME Prior to Transfers & Contributions	Voluntary BLP	NET INCOME After Transfers & Contributions
2012	\$12,430,159	98,807,743	\$ 0.00130	\$552,810	\$128,778	\$424,032
2013	\$14,128,361	103,567,795	\$ 0.00137	\$1,064,362	\$141,913	\$922,449
2014	\$14,209,795	105,002,927	\$ 0.00144	\$423,748	\$151,341	\$272,407
2015	\$14,725,724	107,623,764	\$ 0.00140	\$518,029	\$151,201	\$366,828
2016	\$13,842,368	106,280,169	\$ 0.00140	(\$61,871)	\$148,903	(\$210,774)
2017 *	\$13,634,520	104,809,904	\$ 0.00139	\$131,540	\$146,058	(\$14,518)
2018	\$13,907,420	107,504,988	\$ 0.00138	\$263,692	\$148,268	\$115,424
2019	\$14,503,918	102,721,059	\$ 0.00146		\$150,106	
Total	\$111,382,265	836,318,349			\$1,166,568	
Average	\$13,922,783	104,539,794	\$ 0.00139		\$145,821	

* Does not include purchase of Christmas wreaths in the amount of \$33,050

Ms. Parenteau stated that the intent was to develop a formula that achieved similar results however was more indicative of the financial health of HMLD.

Ms. Parenteau provided 2 options for the MEPAB to consider. The 1st option looked at the average of the previous 3 years of kWh sales multiplied by \$0.00142/kwh. Option 2 used the average of the previous 3 years of kWh sales multiplied by \$0.001375/kWh plus 1% of previous years' Net Income prior to transfer/contributions. The table below shows the 2012-2019 analysis.

		OPTION 1 Estimated Voluntary Below the line Payment (BLP) (\$/kWh sold) 0.00142	OPTION 2 Estimated Voluntary Below the line Payment (BLP) (\$/kWh sold) 0.001375
	Voluntary BLP		
2012	\$128,778	\$138,785	\$141,000
2013	\$141,913	\$139,292	\$140,406
2014	\$151,341	\$142,106	\$148,246
2015	\$151,201	\$145,492	\$145,119
2016	\$148,903	\$149,665	\$150,103
2017 *	\$146,058	\$150,949	\$146,166
2018	\$148,268	\$150,858	\$147,393
2019	\$150,106	\$150,802	\$148,660
Total	\$1,166,568	\$1,167,950	\$1,167,092
Average	\$145,821	\$145,994	\$145,887