



MUNICIPAL ELECTRIC POWER ADVISORY BOARD
November 30, 2022
HMLD Community Room, 1 Holden Street, Holden, MA
6:00 pm

Members present: Peter Elkas, Steve Sendrowski, Richard Farrell, Pete Liddy II, and Dan Golden

Not Present: Scott Carlson

Staff present: Barry Tupper, General Manager – HMLD; Chris Monsini, AGM; Callie Knower, AM;

Determination of quorum

The meeting was called to order at 6:05 p.m. by S Sendrowski and determined there was a quorum.

Approval of Minutes

October 27, 2022

Motion by R Farrell, seconded by P Liddy to approve the minutes for October 27, 2022. Unanimously approved by 5-0 vote.

Financials

C Knower reviewed the 2023 Operating Budget

A chart was provided showing the revenue by class from January 2022 through October 2022 compared to the same months in 2021.

- Residential – 4.16% Increase
- Small Commercial – 4.73% Increase
- General Service – 9.46% Increase
 - The general service increase was due to changing how Alden Labs was billed. In April we found that Alden Labs had the wrong multiplier set up on their account and they were not being billed correctly. This was corrected in April 2022 and we are working on an agreement with Alden to pay us for the unbilled kWh.
- Municipal – 17.7% Increase
- Municipal Pumping – 12.06% Increase

\$13.9 million is the current revenue in collection through October 31st, 2022.

Due to the diligent effort of all HMLD staff we were able to decrease past due receivables by 37% over \$26,423 since the year to date high in April of \$70,430.24. As of 10/31/22 the total arrears for all electric is \$44,006.81. For those customers who own their property, liens were submitted to Town Assessor in November.

Cost of power increased drastically during the summer months of 2022. Total power supply for 2023 is estimated to be \$12,548,766 which is forecasted to be \$485k higher than

budgeted for 2022. HMLD has been working with MMWEC and keeping a close eye on the costs. 2022 power costs are estimated to come in 17% over budget.

Shared a graph to show the increased pricing from 2021 to 2022 by looking at the total cost per MW per month. From January 2021 to January 2022, the cost per MW increased \$39.85 or 51% this was the highest increase. July and August also had drastic increases of 43% and 34%. December is estimated to have a 43% increase from 2021 as well.

Projected revenues for the 2023 Operating Budget is \$18,135,265. The revenue is based on kWh sales using actuals for Jan-Oct and estimates for Nov-Dec 2022. This amount was developed assuming a \$.0075 kw/h increase in distribution costs to all customers classes.

Power Supply expenses for 2023 are projected to be \$12,548,766 which is 4% higher than 2022 final projections. Driven by increased costs in 2022 PCA rate adjustments in May and Oct were necessary to cover being under budget. This will continue to be monitored and small adjustments made as necessary. The PCA rate is a pass-through cost and HMLD does not take any return on this rate.

Operation and Maintenance expenses are expected to be \$1,037,654 which makes up 6% of the budget. In 2022, the focus was on capital work but 2023 will focus more on operations again. HMLD budgeted for additional crane work and police details to get the Forestry division caught up with line trimming and maintenance.

Administrative and General Expenses are expected to be \$2,524,428 which makes up 14.82% of total expenses. This increase is simply due to less administrative time spent on capital projects and staff restructuring that began in 2022 and will continue in 2023.

Depreciation expense of \$936,927 is driven by our increased level of gross plant value. State regulations require that a certain minimum amount is set aside each year for depreciation. This Depreciation expense funds HMLD's Capital Improvement Program. Currently, HMLD puts 3% of our total gross plant assets into depreciation from operating.

In order to continue with a positive net income and increase our depreciation account, it is fiscally necessary to increase the base distribution component by \$0.0075/kWh for all customer classes. Based on long-term operating budgets, the net income will assist in supporting both the overall operations of HMLD as well as HMLD's capital plan. The overall monthly increase to a residential customer who utilizes 750 kWh/month will be \$5.63.

As of 12/31/21 HMLD had a fund balance of \$2,245,324 for OPEB (Other Post Employment Benefits). HMLD OPEB Liability is \$2,089,159. HMLD is funded 107.48%. The auditors have advised that the best strategy is to keep the money in this account and let the funds grow. We are able to pay retiree healthcare costs and Medicare out of this fund if ever need be.

S Sendrowski asked how funds are invested. Barry replied that there is an investment firm that handles it and they are invested across diverse areas.

He further elaborated that power costs and increases across the board have been a one-two punch but thankfully they did not raise the rates for November or December.

P Elkas asked about rate stabilization fund, Callie explained that it's based on the worst 2.5 months of power supply costs. The plan is to use the money from the PCA increase to build back the \$900K that was transferred out to cover the working capital deficit. Once that under collection is back to where it needs to be, depending on the market, the PCA could decrease.

Capital Program Overview

B Tupper gave an overview of the Capital Program.

In 2022, HMLD was able to fill all open positions allowing for a focused effort on the aggressive capital improvement plan.

Most prominently the Chaffins substation re-build project began. HMLD is pleased to report that the new switch house, metal structures, and one of the two 40 MVA transformers have been installed. The newly installed transformer is live and operating under load. The second transformer is scheduled for a December 12th delivery date and the entire project is anticipated to be complete in the spring of 2023. As much as we would like to report that the project is coming in under budget, based on increased prices, supply chain and procurement delays, and the unexpected discovery of hazardous materials in the old substation, we expect a \$400,000.00 increase to the overall project.

In 2022 we completed the multi-year process of upgrading the regulators at the Bullard substation and began adding two additional circuits from Bullard sub to increase our reliability and capacity. One of the additional circuits from the Bullard sub has been completed and is in use, the second is 75% complete and expected to be in use early in 2023. With this, capacity at the Substations will be more than is needed for a long time and will allow for a lot of versatility for expansion and during peak usage times.

P Elkas asked about EV Chargers and if the potential of increased use is being considered. Barry replied that currently it is hard to track who has them to be able to offer programs, but it is something they are thinking about for the future. Once the AMI meters are online that will help.

R Farrell asked about how the underground is doing. B Tupper answered that they found one single phase underground and will be addressed but the cost of wire and conduit right now makes it cost prohibitive at this time.

In 2021, HMLD started the process of procuring AMI. Contract has been signed and the project is underway. The replacement could begin in Fall 2023 with current supply chain issues that would likely push completion to 2024. \$1.4 million was approved and has been carried over due to the length of the process.

HMLD will be carrying over approximately \$1,534,533.57 for Bullard Street upgrades, the AMI Meter Project, workorder and GIS software implementation and one vehicle that is not set to arrive in 2023.

HMLD has compiled a list of items and projects for the CY2023 CIP totaling \$3,340,783.57 which includes \$1,534,533.57 carry over from the CY2022 budget and \$1,806,250.00 of new capital expenses. The CY2022 was approved for \$3,442,582.61 and as of 10/31/22 the total capital expenses are \$1,339,874.05 (not including Chaffins Substation rebuild).

Barry shared the Capital Improvement Budget breakdown including a Battery storage project moving forward at \$100k cost for interconnection. Overages for the Chaffin Substation at \$400k. Replacement of Poles - normal cost. Overhead conductors and replacement/upgrade of lines is up due to cost of materials. Conduit for URD - normal cost just to bring stock in

Barry reviewed that budget for services including the light conversions they will revisit in 2023 with the goal of every light being converted to LED. Also reviewed structures and improvements including new garage doors that need to be done. Office Furniture, Equipment and Transportations budget includes software upgrades, consulting fees and the procurement of a Bucket Truck. This is not an urgent need but due to vendor

conversations they need to get ahead of the need and budget, so they can begin procurement process. The plan is to receive and pay for the truck in CY2024.

P Elkas asked about \$306k projected budget net profit - where do we stand for 2022 net profit. Callie said they will be close to budget. Net income for 2023 would be \$1 million but they plan to transfer \$800,000 to build up the depreciation fund if possible.

S Sendrowski read the Suggested Motion:

Move that the Municipal Electric Power Advisory Board recommend to the HMLD Board of Commissioners the calendar year 2023 Operating Budget in the amount of \$17,179,036 as presented on November 30, 2022.

Motion by R Farrell, seconded by D Golden. Approved 5-0

S Sendrowski read motion 2: Move that the Municipal Electric Power Advisory Board recommend to the HMLD Board of Commissioners the calendar year 2023 Capital Budget in the amount of \$3,340,783.57 as presented on November 30, 2022.

Motion by P Elkas, seconded by P Liddy. Approved 5-0

S Sendrowski read motion 3: Move that the Municipal Electric Power Advisory Board recommend to the HMLD Board of Commissions that we adjust all rate classes by \$.0075/kWh for calendar year 2023 as presented on November 30, 2022.

Motion by S Sendrowski, seconded by P Liddy. Approved 5-0

Manager's Miscellaneous

B Tupper mentioned that the Board had previously approved the purchase of tablets for members of the board to go away from paper for meetings. The Board discussed and decided that they are fine without the tablets and could reduce paper use by just printing the agenda and emailing any other information.

B Tupper informed the Board that the Department was well represented at Trunk or Treat and will be at the Holidays in Holden finale drive through.

There is a new position at HMLD, the Substation Utility Foreman, this position will be instead of the Engineer position previously discussed. They feel that since Chris came on board and with the new projects there is a need to focus on all the new systems.

Battery Storage Project - HMLD is working on a unit to be placed at Chaffin substation which would help with transmission and capacity cost. Investment is about \$100k to prepare the area and the company that supplies the battery would monitor. If peaks are hit the savings is shared between HMLD and the battery supplier. The Board is in support of this item.

Motion by R Farrell, seconded by P Elkas. The November 30, 2022 MEPAB Meeting was adjourned at 7:23 pm.