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**MUNICIPAL ELECTRIC POWER ADVISORY BOARD**

**Minutes**

**May 30, 2019**

**HMLD**

**6:00 p.m.**

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Members present: Peter Elkas, Gary Harrington, Tom Rundstrom, Steve Sendrowski, John Shepherd and Joe Sullivan  
Members Absent: Scott Carlson

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

Public present: Jim Goulet – Goulet, Salvidio & Associates  
Heather Isaac – Goulet, Salvidio & Associates

The meeting was called to order at 6:04 p.m. and determined there was a quorum.

Meeting minutes

On a motion by Mr. Sullivan, seconded by Mr. Sendrowski, the minutes of the meeting of April 23, 2019 were approved.

2018 HMLD Financial Audit

Jim Goulet introduced himself and Heather Isaac from Goulet, Salvidio & Associates. Mr. Goulet provided some background to the MEPAB. He explained that he typically provides a presentation of the audited financial to the governing body of municipal light department. Mr. Goulet reviewed the overall process that his firm follows. He discussed the Qualified Opinion as it relates to the timing of the net pension liability (NPL) based on reports provided by the Worcester Regional Retirement System (WRRS). The reports are not in compliance with GASB standards. Other than then the WRRS report issue, the financial report ending December 31, 2018 represent the financial position of HMLD in accordance with accounting principles generally accepted in the United States.

Mr. Goulet reviewed the Balance sheet on page 8. He indicated that HMLD is consistent from year to year.

Mr. Goulet noted that on page 9, HMLD is approximately 83% funded for the Other Postemployment Benefit Obligation (OPEB). He also indicated that the unrestricted net position is related to the pension.

Mr. Goulet reviewed the Income Statement on page 10. He noted that HMLD received \$524,951 for mutual aid on 2017. On page 11, Mr. Goulet highlighted the ending Cash and Cash Equivalents of \$1,257,514.

Mr. Goulet continued to review the various pages of the 2018 Financial Statements and highlight any notable sections.

Mr. Shepherd asked some clarifying questions.

Ms. Isaac reviewed the Internal Control Report with the Advisory Board. The three primary issues related to the following:



- Cash Reconciliation – This is a repeat item from the 2017 audit. Cash was not reconciled timely with the Town. A monthly reconciliation with the Town is important to maintain the accuracy of the cash account.
- Materials and Supplies – This is a repeat item from the 2017 audit. It appears that this was primarily a communication issue between the operations group and the accounting group.
- Merchandising and Jobbing – This item pertains to the Verizon billing. It was noted that 2017 and 2018 billing for joint poles needs to be done timely. The potential effect of not billing Verizon timely is a loss of revenue for HMLD.

Ms. Isaac noted that she has had conversations with Ms. Parenteau and Mr. Tupper and feels confident that these items will be addressed in 2019.

On a motion by Mr. Sullivan, seconded by Mr. Elkas, it was unanimously voted to accept the 2018 Financials as presented with acceptable answers to the questions presented.

Mr. Sullivan had requested information on how other municipal light departments set parameters for their rate stabilization, operating, depreciation, and working capital funds. Ms. Isaac passed out an Analysis of Reserve Funds as of December 31, 2018. The analysis looks at 17 municipal light plants that were sorted into three tiers based on the kWh sold. HMLD is located in Tier 2 with other medium sized municipal light plants. Ms. Isaac indicated there are no industry standards in setting target values for the various funds. Based on her professional expertise, HMLD's rate stabilization currently at \$4.3 million is appropriate as well as the \$2.4 million in depreciation and \$1.1 in working capital. Discussion ensued. Ms. Parenteau questioned the \$997,538 in operating fund. Ms. Isaac's opinion was that amount is a bit low. She indicated that typically, she would prefer approximately 2 months' worth of power supply expenses. That expense was estimated at about \$1 million per month which would translate into approximately \$2 million in operating fund.

Ms. Parenteau suggested that she develop a draft policy for the MEPAB's review to set a target range for the reserve funds (Rate Stabilization, Operating & Depreciation Funds).

Mr. Goulet and Ms. Isaac left the meeting

Ms. Parenteau updated the MEPAB on the next steps for the Cost of Service Study (COSS). A meeting took place on June 4 with PLM to review the ProForma for the COSS. A preliminary presentation will be scheduled in June. There is availability for additional meetings in July and August to finalize any proposed rate changes with an effective date of September 1, 2019.

Billing data for 2018 for all customer classes has been analyzed by the consultant. Utilizing the 2019 budget, HMLD is breaking even. PLM is 90% complete with modeling power supply for the next 5 years. HMLD will have the ability to unbundle the rates and pass through the power supply costs. The MEPAB will be presented with various scenarios to assist them in establishing an appropriate rate of return. Ms. Parenteau will reach out to MEPAB members to schedule the June meeting.



#### Operations Update

Mr. Tupper updated the MEPAB on the following projects:

- Continue framing new poles along Reservoir St for the upcoming re-conductoring project (estimated completion by end of summer)
- Continue re-conductoring Valley Hill, Terrie Ln and Greenwood Parkway
- Continue to remove old double poles throughout various areas in town
- Removal of deceased/dangerous trees at various locations in town from the tree wardens/DPW tree removal list. (Including very large tree at the library)
- Complete ROW and road way /canopy trimming of Rte. 31/ South Rd
- Begin ROW and road way /canopy trimming of Shrewsbury Street
  
- 3 days of stump grinding approximately 55 stumps
- Awaiting EPA grant to help pay for the new truck 25 (Service Bucket Truck)
- Begin to convert all Main St decorative lights to LED (10 year warranty)
- Complete the replacement and installation of the flags on Main Street
- Complete the installation of the 2 MW peak shaving generator at Chaffins Substation

Personal changes:

- 1st Class Lineworker John Mahaney resigned to take a position working at his father's company Innertite, here in Holden' industrial park
- 1st / 2nd class lineworker job interviews. Two candidates have been offered positions

#### Public comment

None

There being no further business, on a motion by Mr. Sullivan, seconded by Mr. Sendrowski, the meeting of the Municipal Electric Power Advisory Board was adjourned by consensus at approximately 8:06 pm.

Prepared by: Jane Parenteau, General Manager – HMLD

Approved: June 19, 2019