



MUNICIPAL ELECTRIC POWER ADVISORY BOARD

Minutes
July 29, 2019

HMLD

6:00 p.m.

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

Member Absent: John Shepherd

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

Public present: Mayhew Seavey – PLM
Jane Dye
Denis Mahoney
Bob Dyer
Jennifer Lish
Russell Aney
Nancy Rachelean
Robin Van Liew

The meeting was called to order at 6:03 p.m. and determined there was a quorum.

Meeting minutes

On a motion by Mr. Sullivan, seconded by Mr. Harrington, the minutes of the meeting of June 19, 2019 were unanimously approved. Mr. Sullivan commented that he was appreciative and impressed with the amount of detail in the minutes.

5-Year Financial Projection - Cost of Service Study (COSS)

Mayhew Seavey began the presentation by reviewing the conclusions of the COSS.

- Class rates of return are within normal range for Municipal Light Plants (MLPs)
- Revenues are projected to cover expenses
- The overall level of net income is quite low and may not support the capital needs of the system.

The next steps are:

- Create five-year financial projection
- Determine the level of distribution rates needed to fund future capital needs
- Determine the best timing of rate adjustments to minimize the impact on customers
 - Purchase Power costs are expected to decrease in each of the next 2 years
 - It should be possible to increase distribution rates without increasing customer bills

Mr. Seavey explained that he began with HMLD's 2019 Budget and projected operating results for the 5 year period 2020-2024. The results were analyzed to determine if the proposed rates would be adequate to:

- Meeting operating expenses



- Provide payment to the Town
- Fund the capital requirements of the system
- Maintain adequate financial reserves

Mr. Seavey then reviewed operating expenses which include Purchase Power, Distribution, customer account and A&G expenses. Power Supply was projected based on a detailed model of HMLD's power supply portfolio. An assumption was made that sales would remain flat. Depreciation expense is calculated as 3% of total plant in service and all other expenses were escalated by 2%.

Mr. Seavey then discussed the projected revenue for the 5 year period. Purchase Power revenue is calculated to reconcile the expenses so that those costs are passed through directly to customers. Other Operating revenue and Other Income was based on the average of the past 5 years.

The 2019 budget assumed a \$500,000 transfer from Rate Stabilization Fund (RSF) in order to maintain a positive net income. This could be adjusted based on actual revenue.

Net Income looks at projected revenue minus projected expenses. It was determined that without a rate increase, net income falls from -\$30k to -\$420k in 2024.

Mr. Seavey next reviewed the Plant in Service and Depreciation. 2019 capital budget is \$1.294 million, \$1.2 million in 2020-2022, and \$1.0 million thereafter. Mr. Sullivan asked if 3% is maximum depreciation rate. Mr. Seavey replied that 3% is standard however MLPs can petition the DPU to increase the rate.

Mr. Seavey noted that the depreciation fund balances decreases from \$2.0 million to \$700k because the cost of capital is greater than the funding from the depreciation expense.

With no changes to rates, cash reserves drop from \$3.3 million in 2019 to \$0.2 million in 2024. Additionally, net residential customer's bills fall by 4% in 2020 because of lower purchase power costs.

Mr. Seavey then reviewed 2 possible scenarios:

1. An increase of \$0.0075 in 2020
2. An increase of \$0.0050 in 2020 and \$0.0025 in 2021

In Scenario "1", cash reserves increase from \$3.3 million in 2019 to \$4.0 million in 2024. The net residential bill increases 1% in 2020 then remain within 1% of present levels through 2023.

In Scenario "2", cash reserves increase from \$3.3 million in 2019 to \$3.7 million in 2024. The net residential bill decreases by 0.7% in 2020 then remains within 1% of present levels through 2023. Mr. Sullivan asked if the slight decrease was due to power supply and Mr. Seavey replied yes. Mr. Elkas asked if this change would also be applicable to commercial customers. Mr. Seavey replied that it would be the same. Mr. Runstrom asked how this rate change would impact HMLD in the rate comparison of



Massachusetts utilities. Mr. Seavey noted that many MLPs have similar portfolios and the effect would be minimal.

Low Income Rate – Other Utilities

Mr. Seavey then reviewed rate structures from private utilities (National Grid, Eversource) as well as some MLPs. He indicated that private utilities are required under Chapter 164 Section 1F to provide rate to low income customers. Currently Eversource discounts the entire bill by 27% and National Grid's discount is 29%. The MLPs have various rates with Concord offering \$0.10 discount on the first 600 kWh which equals \$6.00/month. Reading and Belmont waive the customer charge (\$7.44/\$10.63 respectively) and Norwood increases the prompt payment discount from 10% to 35%. Mr. Seavey then discussed that based on recent census data about 20% of households in Holden would be eligible for a low-income rate by private utility standards. The impact on revenues if all eligible customers participated would be:

- \$500,000 at 27% private utility discount
- \$500,000 if prompt payment discount was increased to 35%
- \$90,000 if the customer charge were waived.

Ms. Parenteau commented that HMLD's current customer charge for the residential rate is \$5.00.

Mr. Elkas inquired about the factors that go into the 60% below median household income (estimated at \$48,000/household). Mr. Seavey indicated that the information was retrieved from the Affordable Housing data. The \$48,000/household is based on the State's median income and sometimes you are able to look at County vs. State. Discussion ensued.

Mr. Carlson thanked Mr. Seavey for the presentation and solicited public comment related to the presentation. Mr. Aney who operates a business on Wachusett Street in Holden stated that Concord tested block rates and suggested it was a good way to minimize the administrative burden of signing up and tracking low income customers. He also questioned Mr. Seavey's calculation of the Low Income for Concord. Mr. Seavey reviewed the rate and corrected the discount to \$60/account instead of \$6.00/account. Mr. Seavey apologized for the error. Mr. Mahoney had a question regarding the magnitude of the projected capital expenses. Ms. Parenteau indicated that HMLD is in the process of developing a long-term capital plan which includes rebuilding Chaffin substation, metering upgrades, developing a technology roadmap as well as reviewing the existing billing system. Ms. Parenteau indicated once the study is complete, the estimates will be updated in the 5 year financial model. Mr. Carlson thanked the public for their comments.

Ms. Parenteau indicated that next steps are to develop a schedule. She suggested that from a customer's perspective, any rate changes should take place in the spring or fall when usage tends to be lower. She suggested a possible October 1 implementation date for any rate changes. Mr. Sullivan agreed and indicated that HMLD should take advantage of declining purchase power expenses. Mr. Carlson stated that we need to address rates and impact of implementing a low-income rate. Mr. Elkas' preference would be a one-time flat increase. Mr. Rundstrom asked what would be the impact of \$0.0075/kwh increase. He also stated it would need to be properly explained to customers. Mr. Elkas indicated that the change would be minimal. Mr. Sullivan likes the October timeframe. He felt it was a well thought out plan and should be easy to explain



and gain support. Mr. Elkas added that introducing a low-income rate could minimize the increase for the low-income customers. Mr. Sullivan asked if a motion was necessary. Ms. Parenteau wanted to get a sense of the MEPAB on how to fund the Low-Income requirement. Mr. Sendrowski suggested possibly slightly increasing the rate from \$0.0075 to \$0.008 as an option. Ms. Parenteau also indicated that potentially adjusting the customer charge as an alternative. Mr. Elkas asked if the discount adjustment included in the COSS. Mr. Seavey replied it is. Ms. Parenteau indicated that she has a good understanding of the direction of the MEPAB.

Mr. Seavey left the meeting at 6:48pm.

HMLD Collection Process

Ms. Parenteau stated that HMLD is required to follow 220 CMR (Code of Massachusetts Regulation) Section 25. The collection process begins after a customer is in arrears and the next billing cycle is generated. Past Due notices are sent out 4 days after the latest billing cycle notifying customers of unpaid remaining balances. The due date is 9 business days later. There are approximately 600 customers/month who receive Past Due notices.

Final notices are sent out 9 business days after the past due notices were mailed with a due date of 5 business days later. There are approximately 300 customers/month who receive Final notices.

A 2nd Final notice is hand delivered on the 5th business day for accounts with arrears balances unresponsive to the mailed Final notices. There are approximately 150 customers/month that receive 2nd Final notices.

48 hours after the hand deliveries, steps are taken to terminate electrical service. There is an additional \$50 fee reconnection fee that gets added to account. On average, there is approximately 15 customers/month and most are reconnected by the close of business the following day.

Ms. Parenteau indicated that she includes a table in the monthly report which tracks 60, 90 and 120+ days in arrears. She stated that HMLD will be writing off approximately \$15k in bad debt that goes back to 2015-2018. HMLD has turned over accounts to the Associated Credit Services and they have exhausted "All Reasonable Efforts" to collect funds. Majority of these accounts are tenants that no longer live in Holden or customer that have filed for Bankruptcy.

Ms. Parenteau explained that HMLD requires a deposit from tenants to avoid this type of situation and has the ability to lien homes if the customer owns the property. Ms. Parenteau emphasized that HMLD attempts to work with all our customers who are facing financial difficulties.

Mr. Sullivan appreciated the update of the collection process.



Discussion of Analysis Group MEAM report/HB2863 Green House Gas Emissions for MLPs

Ms. Parenteau stated that MEAM (Municipal Electric Association of Massachusetts) commissioned a report by the Analysis Group that analyzed MLPs power supply portfolio. It indicated that MLPs have made progress in advancing Massachusetts towards its goals. MEAM has filed legislation on Greenhouse gas emissions. The bill is HB 2863 and is sponsored by Representative Golden and Golbi. The bill sets goals of 7% in 2021, 40% by 2030, 60% by 2040 and 80% by 2050. Ms. Parenteau stated that the legislation is not perfect however it retains local control for MLPs. She stated it also brings MLPs to the table to partner with the state to achieve overall goals. Ms. Parenteau informed the MEPAB that HMLD has made investments in non-emitting carbon resources such as Berkshire Wind, Hancock wind, Seabrook, Millstone and several hydro projects. She stated that the legislation acknowledges the different business models of a MLP vs an investor own utility (IOU, i.e. Eversource, National Grid, etc.). MLPs have made business decisions which include long-term contracts based on our requirement. She noted that it's important for individuals to understand that without MLPs signing Purchase Power Agreements (PPAs), many projects would have never been built. She noted that this legislation allows the MLPs to include projects without Renewable Energy Certificates (RECs). IOUs are required to satisfy the Renewable Portfolio Standard (RPS) and the requirement increases approximately 1.5% each year. Ms. Parenteau indicated that she supports the legislation as a starting point and proposed that if the MEPAB wanted to take a more stringent or aggressive position, they could develop a policy which would direct the HMLD. Mr. Sullivan asked what the 1.5% represents. Ms. Parenteau stated RECs. Mr. Carlson commented that this legislation is attempting to include HMLD but allow HMLD to maintain local control on how we get there. Mr. Sullivan commented that it is necessary to be accountable to our customers. He noted that if you give that power to the state, you lose that control. Mr. Elkas stated that the record shows that HMLD are very competitive with other utilities when it comes to renewables. Ms. Parenteau emphasized that MLPs should be conscientious about referring to projects as renewables without the RECs. She noted that the legislation specifically relates to greenhouse gas emissions standards for MLPs. Mr. Runstrom asked what the likelihood of this legislation passing is. Ms. Parenteau indicated at this point it is difficult to determine. Mr. Rundstrom asked what the requirements are for HMLD. Ms. Parenteau replied that 80% by 2050. Mr. Sullivan asked where HMLD is now. Ms. Parenteau replied that it is approximately 60% as a result of including HMLDs share of nuclear generation. Mr. Sullivan was impressed with the Analysis Group report and noted that average MLP customer is charged \$70/month compared to National Grid which is \$120/month. He noted that MLPs are leading the way. Mr. Sullivan stated that IOUs are at 47% non-emitting whereas MLPs are at 75% non-emitting. Mr. Sullivan commented that he is concerned about non-funded state mandates. He believes it is worthwhile to proceed. Mr. Carlson asked for public comment. Jane Dye read a letter that she emailed to Ms. Parenteau which is included as an attachment to the minutes. Mr. Runstrom asked Ms. Dye about double counting. Mr. Aney discussed how generation from renewable resources receives RECs which entitle the owner of the REC to receive the associated emission credit. Ms. Parenteau commented that this HB2863 will help MLPs transition from the current business model to a new business model.



where MLPs will secure and retire RECs from new projects. Mr. Sullivan asked Ms. Dye if she could explain how HMLD is denying the ability of customers to participate. Ms. Dye stated that the Global Warming Solutions Act (GWSA) requires IOUs to meet the goals that the state has set. Ms. Parenteau indicated that in order for HMLD to get a sense of what all customers want, a possible solution that could meet Ms. Dye's request is to develop a "Green" rate where customer can elect to sign up and HMLD would take the revenue from the "Green" rate and purchase and retire RECs. This would give HMLD an idea of how many customers are interested. Mr. Mahoney commented that based on the discussion, HMLD can develop more aggressive policy however other MLPs may not do the right thing. Mr. Carlson noted that HMLD has invested in Berkshire Wind as well as Hancock wind. He noted that we are doing the right things. Mr. Runstrom commented that we have no control over other MLPs. Mr. Sullivan asked if MMWEC supports this bill. Ms. Parenteau replied yes and that MEAM has requested that all boards review the Bill. Mr. Sullivan read the resolution which is an attachment to the minutes. Mr. Harrington seconded the resolution and it was unanimously approved.

2019 OPEB Contribution

Ms. Parenteau explained that historically, a motion was typically included in the December, 2018 budget meeting. However, since the amount of transfer had not been determined it was removed from the December, 2018 agenda. Ms. Parenteau stated that HMLD requested that Odyssey Advisors perform an actuarial study specifically for HMLD due to GASB 74 & GASB75. Ms. Parenteau informed the MEPAB that she had transposed the suggested motion on the posted agenda and requested they change the amount from \$104,850 to \$104,805.

Mr. Harrington made the following motion:

Move that the Municipal Electric Power Advisory Board recommend to the HMLD Board of Commissioners to appropriate the sum of \$104,805 of Light Department funds to the Town of Holden OPEB Trust Fund in 2019 on a date to be determined by the Town Manager.

Mr. Sullivan seconded the motion. Mr. Sullivan questioned what is the percentage of contribution for retirees? Ms. Parenteau stated she believed it was 50%. She will confirm that percentage. Ms. Parenteau indicated that HMLD is approximately 89% funded and that HMLD should be fully funded by 2020. She emphasized that the actuarial study has over 30 variables and is updated every 2 years. Mr. Carlson asked for any additional questions. The motion passed unanimously.

Operations Update

Mr. Tupper updated the MEPAB on the following projects:

- Begin installing new conductor on Reservoir St.
- Continue re-conductoring Valley Hill, Terrie Ln and Greenwood Parkway
- Continue to remove old double poles throughout various areas in town
- ROW and road way /canopy trimming of Shrewsbury St.
- Continue ROW trimming South Main St. 3 phase from Newell Rd to Adams Rd
- ROW trimming on Fort Sumter for DPW sidewalk project
- Awaiting EPA grant to help pay for the new truck 25(Service Bucket Truck)
- Continue to convert all Main St decorative lights to LED
- Install 2 LED PL's at Chaffins Plaza as a pilot program. One new one, one retro



Major Outages:

- July 6 at 5:04pm
- July 17 at 4:55pm

Both due to uncontrollable weather related issues. The main high voltage feeder line (labeled B54 line) supplied by national grid, saw an operation of one of its breakers due to a lightning strike. The breaker opened, cleared the fault and closed again remaining closed. Both the 34 North and the 68 North circuits experienced a momentary loss of power, power was restored to both affected circuits within seconds.

Personal changes:

- 2nd Class Lineworker Jonathan Harris is being re-evaluated on 8/8
- Kim Brunnell is scheduled to return to work on August 1, after being on maternity leave.
- HMLD interviewed 6 candidates for the forestry position, extending an offer to one, waiting to hear back.

Mr. Sullivan informed HMLD that on Salisbury Street, a dead tree fell into the road. Some citizens moved it out of the road and asked if forestry could investigate. Mr. Tupper indicated that he would send a crew tomorrow.

Ms. Parenteau updated the board that on July 20 and July 21 there were Shave the Peak email alerts sent. She also stated that today (July 29) could be a potential peak. Ms. Parenteau reminded the board to go to HMLD website and sign up for the alerts. She thanked Mr. Sullivan and Ms. Dye who have already signed up. Ms. Van Liew indicated that this is the first that she is hearing about Shave the Peak campaign. Ms. Parenteau stated that a Press release was issued as well as an announcement made on Town of Holden Facebook page. She stated that presentations were done at the senior center on July 9 and at the Gale Free Library on 7/18. Ms. Parenteau suggested that interested customers should go to the website (www.holdenma.gov) click on light department, and click on Shave the Peak to begin receiving the Alerts.

Discussion ensued regarding possible dates for the next meeting. It was tentatively agreed that August 27, 2019 would be the next meeting.

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 8:04 pm.

Prepared by: Jane Parenteau, General Manager – HMLD

Approved: August 27, 2019