



MUNICIPAL ELECTRIC POWER ADVISORY BOARD

Minutes

September 12, 2019

HMLD

6:00 p.m.

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

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

Public present: Mayhew Seavey – PLM

Michael Ciccarelli	Ken McDonnell
Jane Dye	Mary Flynn
Bob Dyer	Maureen Flaryan
Russell Aney	Margaret Dresser
Robin Van Liew	Elizabeth Johnson
Karen King	Kevin McDunneel
Stephanie Adams	Robert Klyman
Diane Redfearn	

The meeting was called to order at 6:00 p.m. and determined there was a quorum.

Presentation – Modern Utility Rate Design

Russ Aney – CEO Avid Solar LLC began his presentation.

- MEPAB is responsible for overseeing the actions and policies of HMLD, acting as regulators on behalf of the citizens of Holden
- Regulators guide utility
- Explicit Principles and objectives can guide decision making to best serve customers

Mr. Aney described the Bonbright Principles which have guided regulators. In particular, the 5 core principles

- Revenue Adequacy and stability
- Bill Stability
- Economic efficiency
- Equity
- Customer satisfaction

Mr. Aney further described the 3 Core principles for Modern Rate Design with Distributed Resources

- A customer should be able to connect to the grid for no more than the cost of connecting to the grid.
- Customers should pay for power supply and grid services based on how much they use and when they use it.



- Customers who supply power to the grid should be fairly compensated for the full value of the power they supply.

Mr. Aney then described the value that solar distributed generation provides and then describes the 3 core principles for modern rate design.

Mr. Aney then reviewed a slide on his views of the proposed change to the net metering rate.

Mr. Aney explained that due primarily to billing system constraints, rather than rolling forward kWh credits each month, a monetary credit equal to both the Purchase Power Charge and the Distribution Charge will be provided for each excess kWh generated.

In addition, the average residential solar customer will be assessed an additional charge of \$175 per year (\$14.60/month based on a 7.3 kW-dc average residential solar system size).

For existing solar net metering customers, this charge will be deferred for 5 years.

Mr. Aney then stated that the \$2.00/kW-dc fee will extend the cash payback by 2 years for new residential solar.

Chairman Shepherd thanked Mr. Aney for his presentation.

Mr. Seavey begin is presentation of Net Metering Rate recommendation.

Mr. Seavey addressed the current Net metering subsidization. HMLD losses between \$3-\$5 per month in net revenue for every kilowatt of solar generation installed in HMLD service territory.

Mr. Seavey stated that solar generation does not reduce the solar customer's use of the distribution system, but it does reduce how much that customer pays for the use of the distribution system.

He indicated that the shortfall in revenue is passed on to every other customer as a subsidy, which violates rate making principles.

Mr. Seavey then reviewed the origins of the net metering subsidy.

He then presented the following policy issue:

- Should HMLD customers continue to subsidize private investment in solar generating facilities that financially benefit the owner of those facilities, at a time when that subsidy is increasingly unnecessary?

Mr. Seavey reviewed a slide that calculates the cost to HMLD for solar generation which is estimated at \$4.41 per kW of installed solar capacity.

He then explained that solar generation does not reduce the customer's use of the distribution system since an average-sized residential customer using 750 kWh per month has a peak of about 2.2 kW which typically occurs between 6-8pm in the summer.



He further indicated that a typical PV installation produces very little output during those hours and provides no meaningful reduction in the monthly peak demand that the customer imposes on the distribution system.

Mr. Seavey concluded his presentation by summarizing that under the present net metering rate, HMLD pays the solar customer about 13 cents per kWh for every kWh generated, whether that kWh is consumed behind the meter or delivered to the distribution system. He stated that the power has a value of between 7.5 and 8.5 cents per kWh to HMLD based on current market prices of purchased energy, capacity and transmission.

The difference, 4.5 to 5.5 cents, is the subsidy that HMLD has provided to net metering customers for the last ten years.

Mr. Seavey explained the proposed rate change. The recommendation is to add a Net metering distribution charge of \$2.00 per installed kW-dc to the customer's monthly bill.

He indicated that this charge will recover about half of the unrecovered cost of providing distribution service to the customer.

Mr. Seavey stated that this change does not eliminate the subsidy, but it does reduce it significantly.

He also expected that this change should not deter customers who are truly motivated to reduce their environmental impact.

Mr. Shepard thanked Mr. Seavey for the presentation and solicited public comment related to the presentation. Michael Ciccarelli from 27 Autumn Circle stated he understood the concept behind the distribution charge but wanted to know the impact of battery storage would have to the use of the distribution system. Mr. Seavey stated that battery storage could reduce the customer's use of the distribution system. He indicated that due to the high cost of residential storage, HMLD is not at a place to include this in the calculation. Another customer from Woodland Street requested clarification for the distribution charge and the use of the distribution system. Mary Flynn of 274 North Street stated she is a doctor and concerned about the future health of the environment and the effects of that on individuals. She is not in favor of including a distribution component. Margaret Dresser of 550 Manning Street emphasized the importance of HMLD being a leader in the installation of solar generation and the impact of adding an additional fee would have to future installations and encouraged the advisory board not to change the rate. Elizabeth Johnson of Holden Street addressed the advisory board and did not support the rate. Kevin McDunne of 20 Lexington Circle, Robert Dyer, Jane Dyer, and Robert Klyman all spoke about their recommendation not to include the distribution charge. Discussion ensued.

Ms. Parenteau thanked the many customers who attended the meeting and who took the opportunity to express their concerns and viewpoints. She stated that HMLD has not conducted a COSS since 2010. A COSS determines the total costs incurred by a utility in providing service to its customers and the allocation of those costs to customer classes.



Ms. Parenteau said that in 2018, HMLD's total operating revenue was approximately \$14 million of which power supply costs accounted for about \$10.1 million. She indicated that HMLD is a not for profit entity and as such we strive to set rates that allocate costs to all customers in a just and reasonable manner.

Mr. Sullivan made the following motion:

Move that the Municipal Electric Power Advisory Board recommend to the HMLD Board of Commissioners the adoption of a Net Metering Rate that includes a charge of \$2.00 per installed kW of solar demand (DC). Customers will net the amount of kWh purchased from HMLD and the amount of kWh delivered to the HMLD distribution system. On a monthly basis, a customer who is a net purchaser will be billed for the net electricity consumed at the designated rate. For a customer who is a net supplier, they will receive a monetary credit to the electric account for their excess generation based on their class of service. This change will be effective October 1, 2019 for new customers and applicable to existing customers on the five year anniversary month of the authority to connect letter.

Mr. Sendrowski seconded the motion. The MEPAB unanimously approved the motion.

There being no further business, on a motion by Mr. Sullivan, seconded by Mr. Carlson, 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: February 27, 2020