



HINGHAM MUNICIPAL LIGHTING PLANT

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Laura M. Burns, Chairman
Michael Reive, Vice-Chair
Joseph Fisher, Secretary

REGULAR MEETING
HINGHAM MUNICIPAL LIGHT BOARD
June 16, 2026

A regular meeting of the Board of Commissioners of the Hingham Municipal Lighting Plant (HMLP) was called to order by the Board's Chair, Laura Burns, at 5:00 pm on Tuesday, June 16, 2026, via Zoom.

Present:

Board Members: Laura Burns, Chair
Michael Reive, Vice-Chair
Joseph Fisher, Secretary

HMLP:

Thomas Morahan, General Manager
Mark Fahey, Assistant General Manager
Stephen Girardi, Engineering Manager
Joan Griffin, Business Manager
Brianna Bennett, Sustainability & Communications Manager
Tracey Vaughn - Goulet, Salvidio & Associates P.C.

Call meeting to order

Ms. Burns read the following notice into the record: *This meeting is being held remotely as an alternative means of public access pursuant to Chapter 2 of the Act of 2025 and all other applicable laws temporarily amending certain provisions of the Open Meeting Law. You're hereby advised that this meeting and all communications during this meeting may be recorded by the Town of Hingham in accordance with the Open Meeting Law. If any participant wishes to record this meeting, please notify the chair at the start of the meeting in accordance with M.G.L. c. 30A, § 20(f) so that the chair may inform all other participants of said recording.*

Ms. Burns asked if anyone other than HMLP wished to record the meeting. No one responded affirmatively.

2025 Financial Audit - Goulet, Salvidio & Associates P.C

Ms. Vaughn thanked everyone for inviting her to the meeting and stated that she would be reviewing the results of the 2025 and 2024 audits.

Ms. Vaughn noted that the current page was the Table of Contents and moved to the Independent Auditor's Opinion. She highlighted that HMLP received a clean (unmodified) audit opinion, meaning the auditors found no significant issues or irregularities. She further noted that the remainder of the auditor's opinion consists of standardized language required by the American Institute of Certified Public Accountants (AICPA). She emphasized that the opinion paragraph is the section where auditors would disclose any findings if they existed, and in this case, there were none.

Ms. Vaughn then directed the Board to the next several pages, which contain the Management's Discussion and Analysis (MD&A). She explained that this section is required under Governmental Accounting Standards Board (GASB) guidelines and is prepared by management. The MD&A presents the financial results in plain language, using tables that correspond to the balance sheet and other financial statements. The section summarizes significant financial activities and explains major increases and decreases throughout the year, making the information easier to understand. She noted that she would not review the section in detail but encouraged Board members to read it.

Ms. Vaughn reviewed the Statement of Net Position (balance sheet), highlighting key changes between 2025 and 2024 rather than every line item. She noted that operating cash declined due to high power costs during Fall 2025, while accounts receivable decreased because collections remained strong. Other receivables increased significantly, primarily due to expected solar renewable energy credits (REC) and federal tax credits related to the parking lot solar project. She also explained that depreciation funding increased as planned to support the future transmission project. The Green Initiative-Rate Stabilization Fund decreased because those funds were used to help pay for the parking lot solar installation. Although utility plant assets showed a decrease, she explained that HMLP invested approximately \$3.3 million in infrastructure, but depreciation exceeded new investments, resulting in an accounting decrease rather than a reduction in actual investment.

Ms. Vaughn explained that the deferred inflows related to pension and OPEB (Other Post-Employment Benefits) have remained consistent over the past 10 years. These balances reflect actuarial adjustments, which are recorded as either assets or liabilities depending on the nature of the changes. She noted that these amounts are amortized into the Statement of Revenues and Expenses over a period of four to five years, depending on the selected amortization schedule.

Overall, HMLP's financial position improved, with total assets increasing from \$85 million at the end of 2024 to \$87 million at the end of 2025, reflecting a stable financial condition and modest growth.

Ms. Vaughn reviewed the liabilities and equity section of the Statement of Net Position, noting that HMLP's accounts payable remained consistent despite higher power costs—a positive trend

compared to many other municipal light departments. She also pointed out the Payment in Lieu of Taxes (PILOT) liability owed to the Town, remained relatively unchanged from 2024.

Ms. Burns asked whether future audit reports could change the description of the PILOT to "voluntary payment to the Town." She explained that, based on legal counsel's advice, the payment is not a tax obligation but a discretionary payment made by the Board when sufficient funds are available, using an established formula to provide the Town with budget predictability.

Ms. Vaughn agreed that the payment is voluntary and said she would work with HMLP's attorney, Diedre Lawrence, to determine whether a more appropriate description should be used in future audit reports. She noted that the term "Payment in Lieu of Taxes" has traditionally been used in audit reports, but acknowledged that not all municipal light departments make these payments and that they are never required.

Mr. Fisher stated that he did not see a conflict with continuing to use the term PILOT since the payment is made voluntarily in place of taxes. Ms. Burns explained that the attorney's concern was that calling it a "Payment in Lieu of Taxes" could create the impression that the payment is guaranteed each year. The Board agreed to seek guidance from Ms. Lawrence on the appropriate terminology for future reports.

Ms. Vaughn explained that the customer deposits listed under non-current liabilities represent the liability associated with customer security deposits. She noted that this balance matches the amount recorded as cash on the asset side of the balance sheet, reflecting HMLP's obligation to return those deposits to customers.

Ms. Vaughn noted that HMLP's net pension liability decreased from \$3.4 million to \$3.1 million, while the OPEB liability remained relatively stable, due in part to consistent actuarial assumptions. She explained that the deferred inflows and outflows reflect routine pension, OPEB, and reserve adjustments. HMLP has no debt on its capital assets, which strengthens its financial position, and ended 2025 with approximately \$6 million in unrestricted net position, indicating a strong and positive financial condition.

Mr. Fisher asked whether depreciation was based on a standard accounting schedule or actual asset depreciation. Ms. Vaughn explained that, for a municipal light department, depreciation funds are accumulated in a dedicated cash account. HMLP transfers its annual depreciation expense (approximately \$3.5 million) into this fund, where it earns interest and is used to finance future infrastructure improvements. She clarified that this balance represents cash reserves for capital investment, not the depreciation expense itself.

Ms. Vaughn noted that HMLP's depreciation fund is the strongest among the 20 municipal light departments she reviews, which is expected given the planned transmission projects. She added that HMLP's operating cash balance is slightly below the peer average but remains within a reasonable range, especially considering recent higher power costs.

Ms. Vaughn reviewed the Statement of Revenues and Expenses, noting that electric sales remained consistent year over year. Other operating revenues increased due to higher solar credits and REC. Operating expenses rose by approximately \$4 million, primarily due to higher

power costs and pension/OPEB expenses. Despite these increases, HMLP remained financially strong, reporting approximately \$4 million in net income compared to \$6 million in 2024. She also noted the \$481,000 payment to the Town.

Ms. Vaughn reviewed the Statement of Cash Flows, noting that operating cash flow remained positive, indicating HMLP continues to meet its financial obligations. She highlighted transfers into the depreciation fund and investments in plant improvements. Overall cash decreased by approximately \$1.5 million, from \$8.3 million to \$6.8 million, primarily due to higher operating expenses and capital investments. She explained that the cash flow calculation includes multiple cash accounts, not just the primary operating cash balance.

Ms. Vaughn highlighted a significant change in OPEB expenses. She explained that 2024 reflected an OPEB income benefit, while 2025 showed an OPEB expense of approximately \$222,000, resulting in a large year-over-year swing of about \$746,000. She noted this as one of the key changes affecting net benefits. Ms. Burns questioned how HMLP could have recorded OPEB income in the prior year. Ms. Vaughn explained that the unusual result was due to significant changes made by the Town in its health insurance plans, which reduced future OPEB costs and created a one-time accounting benefit. She noted that this was not typical and that 2024 was an anomaly. The 2025 OPEB expense is more consistent with historical levels, generally around \$200,000 annually.

Mr. Fisher asked whether the financial statements were prepared on a cash or accrual basis. Ms. Vaughn explained that HMLP's financial statements use the accrual basis of accounting, meaning items such as OPEB adjustments are recorded based on actuarial calculations rather than actual cash received. She clarified that the 2024 OPEB income was an accounting adjustment that reduced liabilities, not a cash payment received.

Mr. Fisher asked about interest earned on customer deposits. Ms. Vaughn explained that while customer deposits are recorded as a liability and not income, any interest earned is credited back to the customers. Ms. Griffin confirmed that interest is typically returned once a year, or sooner if a customer closes their account. Mr. Fisher asked about the interest earned on customer deposits and how the interest rate is determined. Ms. Vaughn explained that the interest paid to customers is set by the attorney/statutory requirements, not based on the actual interest earned. She noted that because deposits are relatively small, the interest amounts are minimal and HMLP may actually pay more interest to customers than it earns. The discussion also noted that interest earned on certain municipal funds varies depending on how accounts are held and managed.

Ms. Vaughn reviewed the OPEB Trust Fund, noting that the balance increased from \$2.5 to \$2.7 million, with funds held in cash and investments. The trust earned approximately \$209,000 in investment income during 2025, and HMLP did not make any additional OPEB contributions.

Ms. Vaughn reviewed the audit footnotes, noting that most remain consistent year to year. She highlighted that HMLP uses a 5% depreciation rate for utility plants due to its ongoing and future capital projects. She also reviewed notes regarding accounts receivable allowances, credit risk exposure, banking relationships, OPEB and depreciation funds, the insurance reserve account

(\$253,000), and rate stabilization funds, explaining that these sections provide transparency and additional financial details for readers.

Mr. Fisher asked about the potential risk of having bank balances above the \$250,000 FDIC insurance limit and whether HMLP should consider using sweep accounts or similar programs to increase protection. Ms. Vaughn explained that such arrangements are not required and she was unsure whether they are permitted for governmental entities, noting that none of the municipal light departments she works with currently use them. She suggested discussing the option with HMLP's legal counsel. The Board also discussed funds held with Massachusetts Municipal Depository Trust (MMDT) and Eastern Bank, including whether additional protections may be available for larger balances. Ms. Vaughn agreed that exploring this option would be worthwhile. The Board discussed sweep programs (such as IntraFi Cash Services), which allow large deposits to be distributed among multiple banks so each portion remains within FDIC insurance limits while continuing to earn interest. Mr. Fisher suggested exploring this option to protect HMLP's larger cash balances. Ms. Vaughn noted she has seen these programs used by for-profit organizations but not by municipal light departments. The Board asked Mr. Morahan to consult with legal counsel and the Town's investment staff to determine whether such programs are permitted and appropriate for HMLP.

Ms. Vaughn continued reviewing the audit footnotes, highlighting the depreciation fund allocations, other receivables, working capital balances, investments, and related-party transactions. She reviewed capital assets, noting HMLP invested approximately \$3.3 million in plant improvements during the year, while depreciation expense was about \$3.7 million. She explained that HMLP's net investment in capital assets was approximately \$24 million after accounting for accumulated depreciation. Ms. Vaughn clarified that the \$77.579 million figure, shown in the third section on the right, represents Total Capital Assets Being Depreciated. She explained that this total excludes land and construction in progress, which are not depreciated.

She also reviewed pension and OPEB disclosures, noting pension expense remained stable at approximately \$451,000 and that actuarial assumptions, including the 7.25% discount rate, significantly impacted reported liabilities. A 1% change in the assumed investment return could materially change the pension liability. Ms. Vaughn noted HMLP's OPEB trust fund increased to approximately \$2.7 million, which helps offset future OPEB obligations.

Ms. Vaughn reviewed the remaining OPEB footnotes and required supplemental information. She noted the OPEB actuarial assumptions, including a 6.8% discount rate, and explained that changes in discount rates or healthcare cost trends can significantly impact reported liabilities. She highlighted that the 2025 OPEB expense was \$222,147 compared to 2024 OPEB income of \$397,323.

Ms. Vaughn reviewed the final financial statement pages, which detailed electric sales by rate, category and operating expenses. She highlighted that the largest increase was in power expenses, which rose from approximately \$19.7 million to \$23.3 million. She also noted the significant change in pension and OPEB expenses, which increased from about \$998,000 to \$1.7 million, reflecting the shift from prior-year OPEB income to a current-year expense. She explained that these items were the primary drivers of the increase in total operating expenses

from \$26 million to \$30 million. Ms. Vaughn concluded the audit presentation and answered final questions from the Board.

Deposits for Services to Rental Properties

Ms. Burns asked Mr. Morahan to add a discussion regarding customer deposits for rental accounts to the agenda. She explained that a rental customer had recently expressed concern that the required deposit was too high for her budget and requested a lower amount. Ms. Burns suggested reviewing the current deposit policy, noting that the Board had not had a detailed discussion about it in some time, and asked for an overview of the existing policy. The purpose of requiring deposits from rental customers is to reduce the risk of unpaid balances. Unlike homeowners, whose final utility bills are typically settled during a property sale, renters may move away without paying outstanding charges. The deposit provides protection against potential bad debt.

Current policy:

- Rental customers provide a deposit because, unlike homeowners, renters can leave a property owing unpaid electric bills that cannot be recovered through a property closing.
- The deposit is calculated by:
 - Reviewing the prior tenant's last 12 months of bills.
 - Taking the highest monthly bill and multiplying by three.
- Deposits are held as a liability, earn annual interest, and are refunded when the customer closes the account if all bills are paid.
- Customers can request a deposit review after 12 months if their actual usage is lower, and HMLP may refund part of the deposit.

Key discussion points:

- Board members questioned whether the deposit policy provides enough protection to ratepayers to justify the burden placed on renters with limited financial resources.
- Ms. Burns noted that unpaid renter bills can shift costs to other ratepayers, but also raised concerns that a three-month deposit may create a barrier for lower-income residents.
- The Board reviewed deposit data, including outstanding balances and deposits held.
- Ms. Griffin stated that overall write-offs are low and the deposit policy has helped protect ratepayers. She cited examples of significant unpaid balances, including a renter who left owing about \$20,000, though protections against shutoff complicated collection efforts.

Income-adjusted rate discussion:

- The Board considered whether customers who qualify for HMLP's Income Adjusted Rate (IA) program should also receive a reduced security deposit.
- Ideas discussed included:
 - Apply the same percentage reduction used for the IA rate to the deposit amount.
 - Reduce the deposit from three times the highest bill to a lower amount (such as 1.5–2 times) for qualifying customers.

- Recalculate the prior tenant's usage using IA rates, though staff noted this could be administratively burdensome.
- The Board agreed that any reduction should be tied to qualification for the Income Adjusted Rate, not simply customer requests.

Other considerations:

- Homeowners are not required to provide deposits because unpaid utility bills are typically settled during property sales and can be secured through the property.
- Some utilities do not require renter deposits, but the reason for those policies was unclear.
- Ms. Griffin commented that deposits are not a common source of complaints (estimated 1–2 complaints per year) and shared that requiring landlords to guarantee electric bills may discourage rentals.

Next steps:

- Mr. Morahan and Ms. Griffin will review the issue through Customer Service and develop a possible recommendation to provide Board members informal feedback before bringing a formal proposal back.
- The likely direction is to explore an income-adjusted security deposit policy while maintaining protection for ratepayers.

Approve Meeting Minutes

- a) April 28, 2026
- b) May 12, 2026

Vote to approve the Minutes of April 28, 2026 and May 12, 2026

Mr. Fisher - Aye

Mr. Rieve -Aye

Ms. Burns - Aye

Financials

month/year	kwh sold	revenue	expenses	net income
Apr-26	15,613,052	2,950,021	2,752,879	197,142
Apr-25	14,359,871	4,211,270	2,499,656	1,711,614
Apr-24	13,737,540	2,602,723	2,107,838	494,886
Year to date				
Apr-26	69,166,306	12,647,319	11,683,506	963,814
Apr-25	65,488,657	13,978,079	11,507,546	2,470,533
Apr-24	60,332,513	11,390,347	9,874,132	1,516,215

April 2026 financial results showed higher kilowatt-hour sales compared with 2025, but revenue was lower because 2025 included additional REC and solar credit revenue. Expenses were generally in line, with April net income of \$197,000 and year-to-date net income of \$963,000.

The Board discussed the Price Cost Adjustment (PCA), which is typically reviewed quarterly to ensure revenues are aligned with power costs and to keep the adjustment below the 8% threshold. Staff recommended keeping the current PCA unchanged for another month because financials were currently in a good position, with a review planned after May results. The PCA is currently 4.614 cents per kilowatt.

Mr. Morahan explained that the PCA could either increase or decrease depending on future financial results and power costs. A rate study expected in July 2026 will include a recommendation for the appropriate PCA level for the remainder of the year. Ms. Burns requested a more detailed discussion during the rate study about the possibility and implications of using a negative PCA when appropriate, noting it could provide another tool for managing rate impacts. Overall, management reported that finances were currently in good shape.

Updates: Capital Projects, Rate Study

Mr. Morahan reported that the Elm Street reconductoring project is nearly complete, with about one week of work remaining. Three of four planned reclosers have been installed after one new unit replaced a failed existing recloser. Additional reclosers will be budgeted for next year, with delivery expected in 2027.

The transmission project is still awaiting approval from the Energy Facilities Siting Board, now expected in August or September 2026.

The rate study remains on schedule. A draft report is expected by month-end, with Board discussion anticipated in July 2026.

Mr. Morahan also reported that HMLP applied for a U.S. Department of Energy SPARK grant that could provide approximately \$10 million for the transmission project. HMLP submitted additional information requested by the DOE. The decision timeline is unknown, and the grant consultant advised that congressional outreach was unlikely to improve the application.

Other New Unforeseen Business

None

Motion to Adjourn:

Mr. Reive - Aye

Mr. Fisher -Aye

Ms. Burns - Aye

Meeting adjourned at approximately 7:40pm.