

**Hingham Mutual Light Plant
Tuesday, September 30, 2008
Town Hall**

Attendees:

Paul Heanue, Assistant General Manager
Kevin J. Bulman, Secretary
John A. Stoddard, Jr., Chairman
John G. Tzimorangas, General Manager

Agenda

1. Call meeting to order

Chairman Stoddard called the meeting to order at 7:00 PM

2. Approve previous meeting minutes (7/7)

Upon a motion duly made, the Board unanimously agreed to approve the minutes of the meeting for July 7, 2008 as presented.

3. Cost of Service Study Presentation: 7:05 PM

Lee Smith of La Capra Associates presented the 2008 Rate Design Study

Review of Current Rates

There are currently 9 different rate classes. GM Tzimorangas indicated that there are 800 customers on the water heating rate. Ms. Smith commented that there are only 5 customers on the farm rate. As the farm rate is such a low cost rate, Ms. Smith suggested that it could be eliminated or combined with small commercial industrial or residential.

The rates have not been updated to reflect recent changes in the market. Ms. Smith recommends an overall increase in revenue of 2.4% to cover system costs.

A rate increase is need due to rising operating costs; significant system investment resulting in higher depreciation expense, higher generation costs based on more power needed at higher market prices and significantly higher transmission costs.

Rate Design Change

Ms. Smith suggested that revenues from Residential, G-1, G-3, and General Service Heating be increased between 3 to 3.5%; Farm and Water Heating rate classes would require larger increases. GM Tzimorangas stated that in 2005, the rates in these classes were only increased by half of what was proposed.

Summer pricing differentials are needed but have not been proposed because of concern of customer understanding. Currently Power Cost Adjustment (PCA) is large, but most of this charge is now being included in the base rates. However, PCA is lower for residential customers than for others, based on the NYPA credit for the hydro power.

Impact of PCA on Prompt Payment Discount

HMLP offers a 10% discount for payment within 15 days, but the PCA portion is not discounted. GM Tzimirangas stated that 75% of customers take advantage of this discount. Secretary Bulman said that it used to be 87% of the customers. Ms. Smith said that the revenue increase of 2.4% will be a higher perceived rate, because the PCA has not been zeroed out.

New Rates

The largest bill increase will be in the farm rate at 19%. The typical residential customer can expect to see an increase of \$3.00 to \$4.00 per month. GM Tzimirangas commented that the residential rates in '06 and '07 were unchanged. The previous residential average was 660 KWH and not the average residential rate is 770 KWH.

HMLP's residential rates are actually much more competitive than National Grid and NSTAR per GM Tzimirangas. Small General Service rate change would not be much larger than residential. Ms. Smith noted that Large General Service rates will be lower than competitor's rates. This is due to different usage profiles.

Secretary Bulman inquired if there would be a ripple effect if a seasonal component were added. Ms. Smith replied that the same amount of money would be collected and there would be no ripples. GM Tzimirangas stated that adding a seasonal component would drive the G-2s and G-3s crazy without an explanation. GM Tzimirangas would like to collect over a 12 month period in even payments as it would not be fair to single out one class, namely C&I. Ms. Smith suggested installing meters that read on an hourly basis. Secretary Bulman indicated that the farm rate and the off peak rate are huge increases and perhaps could be staggered over 6 months. GM Tzimirangas suggested this could be done on a quarterly basis. Commissioner Stoddard agreed.

Secretary Bulman thanked Ms. Smith for her presentation.

Secretary Bulman questioned the need for another study next year. GM Tzimirangas said that a study every year is not necessary as next year's costs could be plugged into Ms. Smith's presentation. Mr. Heanue commented that Ms. Smith's presentation was very comprehensive.

4. General Manager's Report

GM Tzimirangas was asked how ENE was working. He replied that it is working out well and has been very informative for HMLP. In 2010, a 10 Megawatt contract would expire. There will be 40% of Kilowatt Hours to contract for and we must be careful not to overbuy fixed energy. Secretary Bulman asked about renewable energy options. GM Tzimirangas replied that he was working with a wind farm and a biomass plant projects, but that the details were confidential. The renewable energy credit initiative expires at the end of the year and congress has not moved to renew it. The wind farm, financially, could not be built without credits. The GM reported on the estimate to complete the Main and Water Street project and the board discussed the timing of the projects.

SEMA compliant

1. Separating lower SEMA rehearing issued by FERC

Taunton Power Plant – have legal contracts and 6 are finished. 14 other "munis" are interested and could split the cost 14 ways. Secretary Bulman indicated that this could take up to 4 years.

Secretary Bulman inquired about the MMWEC Plant. GM Tzimorangas said that there is no word or update on that project.

Pilot Discussion

The 5 year plan that was given to the town has expired and payment is expected next June. The town requested 5% above \$497,000, but KWH sales are flat now. \$500,000 was suggested by the Board. Secretary Bulman suggested giving the town \$500,000 in 2 installments. The Board will set up a meeting with Selectman to discuss this further. There will be another pilot discussion at the next Board meeting.

MTC-HMLP can go in the program and collect from customers and give it to the state to run the program or HMLP can collect and administer program themselves. Secretary Bulman said that the cost to get into MTC is based on Kilowatt sales. GM Tzimorangas will make a recommendation on MTC to internal program.

For next board meeting there will be a final vote on rates and GM Tzimorangas will call Walter Foskett to discuss and update.

NPCC – NERC protecting infrastructure through audits of cyber security... Hingham's audit is scheduled for August of 2009. Brian Evans-Mongeon of Utility Service in VT has been hired on a consultancy basis. \$1,000 has been spent so far to get things in place for HMLP. Brian has helped several Massachusetts utilities through their audits.

There was a question from the floor regarding summer rate education programs for air conditioning efficiencies. Secretary Bulman said the system would need to be revamped by perhaps offering rebates to customers. The Board had a discussion about the importance to change people's habits regarding summer load and future education of the cost factors.

5. Other Business

- a. Warrant Signatures**
- b. Correspondence**

6. Executive Session: 8:15 PM

- a. A motion to go into executive session for the purpose of discussing trade secrets, Personnel and strategy with respect to litigation was made by Secretary Bulman at 8:30 PM.**

- 7. Motion to Adjourn was made by Secretary Bulman to adjourn the regular meeting at 8:45 PM.**

Respectfully submitted,

Kevin J. Bulman, Secretary