



HINGHAM MUNICIPAL LIGHTING PLANT

31 Bare Cove Park Drive
Hingham, MA 02043-1585
(781) 749-0134 FAX (781) 749-1396
www.hmlp.com

General Manager
Chairman
Thomas Morahan
Secretary
tmorahan@hmlp.com

John P. Ryan,
Laura M. Burns,

REGULAR MEETING HINGHAM MUNICIPAL LIGHT BOARD

January 25, 2022

Zoom Meeting

<https://us02web.zoom.us/rec/share/rkDGH0t4YooWkZoUnozIHeP6Hjii78pFk9bJKy0NtnoWdZrT4pwYkEkJi11IOAm.VRANdHqWGHyZAMgh?startTime=1643113560000>

Meeting Called to Order

A regular meeting of the Board of Commissioners of the Hingham Municipal Light Plant (HMLP) was called to order at approximately 0730 on Tuesday, January 25, 2022, via Zoom.

Present:

Board Members: John P. Ryan, Chairman
Laura Burns, Secretary

HMLP: Tom Morahan, General Manager
Mark Fahey, Assistant General Manager
Steve Girardi, Engineering Manager
Joan Griffin, CPA, Business Manager

Guest: Ted Alexiades, (retired Town Administrator, Town of Hingham)

Other: Members of the Public

Minutes from 1/4/2022 and 1/14/2022

Mr. Ryan requested comments on minutes for the meetings held on January 4, 2022 and January 14, 2022. There were no comments.

Motion: Burns moved to adopt the minutes for January 4th and 14th. The motion was seconded, and all voted in favor of accepting said minutes. The minutes were unanimously approved.

Review Laura Burns' spread sheet on Transmission Project Rate Impact

Ms. Burns screen shared an excel spreadsheet entitled "Financing of HMLP Transmission Project." She explained that it is her hope that this spreadsheet serves as a tool to help HMLP understand how to pay for the Transmission Project. She then proceeded to walk the Board and HMLP through this spreadsheet, explaining the various underlying assumptions made, among other things.

Ms. Burn first explained the payment method used in the spreadsheet. Next, she explained that that the spreadsheet shows principal on the debt being paid from the depreciation fund. There is \$19 million in that fund, and she predicts \$3.5 million being added, assuming a 3% depreciation rate. If HMLP asks to increase depreciation, perhaps there will be \$6 million in the fund. That would make things very easy. However, HMLP's income needs to cover the depreciation rate. Next, Ms. Burns noted that she considered the capital plan in the spreadsheet. She stated that that capital plan might change over the years and/or need to be adjusted. Other items that were considered in the spreadsheet include interest rate, inflation, bond start date and the rate stabilization fund. With regard to the rate stabilization fund, Ms. Burns noted that HMLP currently has \$7 million in the fund. HMLP has not contributed to the fund for a few years, but they have always intended to use this fund for interest for the Project. She noted that HMLP will potentially be moving revenue of \$1.4 million to the rate stabilization fund (per an Agenda item 4), and that half of that amount might be available every year going forward.

Ms. Burns continued to explain other assumptions/items in the spreadsheet. She noted that the spreadsheet projects out 10 years, but that she is not confident doing that. She noted that the Town only projects out 5 years. She then noted questions that she still has with regard to all of this, such as whether her depreciation projection is realistic, whether it is wise to devote all of the income to rate stabilization and whether there will be variations in income. Nonetheless, Ms. Burns stated that they may be able to conclude that there will be no rate increases for the next 10 years. However, she added that HMLP will need some resources in case something happens and that amounts cannot be brought to zero every year.

Ms. Burns asked Mr. Ryan for his input regarding the spreadsheet. Mr. Ryan advised that he did not yet have an opportunity to review the spreadsheet. However, he noted concerns with saying that there will be no increases to rates. He pointed out that most of HMLP's costs are attributed to outside power costs. Ms. Burns agreed, noting that the capital plan is not going to increase the rates and that power costs are not that predictable. She also noted that there may be rate increases over the next 10 years, but that such increases would not be due to the Project. Mr. Ryan added that the Project is necessary and provides a benefit to the Town, even if funding this Project means raising prices a little. Ms. Burns agreed but added that they will need an idea of all of this for Town Meeting.

Ms. Burns then involved Mr. Alexiades in the discussion, asking for his opinion with regard to her model/spreadsheet. Mr. Alexiades stated that it was an excellent document, providing a good platform for doing a lot of different things such as changing assumptions and adding data. However, he noted that the interest rate used in this model seemed high at 3.5% and wondered whether it was based on rates for revenue bonds. The current AAA bond rating is 1.5% and may reach 2 to 2.25% in a couple of years -- but not 3.5%. He then noted that his biggest worry right now is the inflation rate but that this is cyclical.

Ms. Burns noted to the Board that she recently spoke with Mr. Alexiades about financing matters, and that he suggested that they speak with the Town's bonding people to try to get answers. Mr. Alexiades affirmed this conversation. He then suggested that Ms. Griffin reach out to Richard Tortora with Capital Market Advisors to discuss this. Mr. Alexiades added that there are some interesting things that can be done with regard to financing, such as using bond anticipation notes or stripping off call provisions and sell them. He noted that Hingham's debt is valuable in the marketplace and that HMLP is part of Hingham. Mr. Alexiades also encouraged HMLP to look at general obligation bonds instead of revenue bonds.

Mr. Ryan thanked Mr. Alexiades for his insight. He then asked Mr. Alexiades when HMLP should borrow, given that HMLP has about \$20 Million in reserves plus another two years of permitting before construction starts. Mr. Alexiades advised that HMLP should first focus on getting the authorizations for the Project. He pointed out there is significant paperwork involved with revenue bonds such as quarterly filing. He stated that waiting 2 years is better before issuing long-term debt. HMLP should stay in the short-term market while rates stabilize. Mr. Ryan commented that his opinion made a lot of sense.

Ms. Griffin asked Mr. Alexiades about the type of covenants that might be imposed with regard to a bond. Mr. Alexiades explained that, with a revenue bond, covenants are developed jointly with the market. He then reiterated his opinion that revenue bonds are not the way to go here, particularly given that HMLP is part of the Town of Hingham. Mr. Ryan agreed, adding that he did not think they should consider revenue bonds. Ms. Griffin then asked whether a general obligation bond must consider the Town's debt capacity. Mr. Alexiades explained that he did not believe that the Town's debt capacity would be a problem. Mr. Ryan added that he was told that the Town has sufficient debt capacity.

Ms. Burns asked whether it was the sense of the group that they should ask the Town about talking with Capital Market Advisors. Mr. Alexiades noted that such consultation should be free. He further noted that fees are typically associated with bond issuance, and this is negotiable. He anticipates that such a bonding fee might be in the range of \$100,000.

The Board members and Mr. Alexiades then discussed some other items, including interest rates.

Mr. Alexiades commented that he would stress to the Town that it needs this Project. Mr. Ryan added that the Project is required because of the changeover to electric. Although this changeover will happen over time, they have to plan now for what is needed. The only source of power Hingham currently has is via East Weymouth, and this Project provides a second source off the grid.

Mr. Morahan then made the following points with regard to the Eversource piece of the project. First, he pointed out that HMLP will need to pay out for Weymouth Station over the life of the asset, which is about 40 years. Second, he pointed out that, right now, the transformer is not in the budget. They do not yet know when the transformer will come in and there will be some infrastructure changes associated with it. He anticipates that all of this will be paid via the depreciation fund.

Ms. Burns asked whether it is plausible to get a 30-year loan rather a 20-year loan. Mr. Alexiades noted that this is possible under the statute, but that it would be costlier.

No further questions were posed to Mr. Alexiades. The Board and HMLP thanked Mr. Alexiades for his time.

Discuss moving 2021 Net Income to the Stranded Cost Account.

Ms. Burns noted that she is not ready to discuss this item. The matter should be put off until they can talk to the financial advisor.

Financials: 3 year summary and YTD

Mr. Morahan provided the November financials and YTD numbers. For November, kWh sales and revenue were both down. Compared to the budget, kWh sales were down 17% and revenue was down 10%. YTD kWh sales were slightly higher, and revenues were consistent. YTD net income was down due to increases in depreciation and carry-over costs of the October storm. As far as the energy budget is concerned, there is \$19.6 M in the budget while the actual number was \$19.9 M. Energy expenses are off by approximately \$1 million, largely due to increases in energy costs.

HMLP's estimated return for 2021 is 3.09%. Given that the return number is now at 2.9% YTD, HMLP remains on budget.

Updates: battery storage, additional transmission line and new substation, landfill, EV chargers, choice connect, municipal solar, website, HMLP Solar

Mr. Ryan asked Mr. Morahan to provide the updates. Mr. Morahan provided the following information:

Battery Storage. HMLP saved about \$2500 in 2021. They are now in the regulation market and split revenue. That revenue number is not available yet, but it will not be much.

Additional Transmission Line and New Substation. (No discussion).

Landfill. No updates. Slated to start mid-summer.

EV Chargers. HMLP is working with the Town to get the required approval(s) to install EV chargers at Station Street, the Country Club and Carlson Field. This approval will need to be in place by July 4, 2022 in order to receive the State funds.

Municipal Solar. (Ms. Burns lead this discussion). Ms. Burns has been meeting with Will Cohen. Currently, Ms. Burns is reviewing the PPAs, which are considered confidential, to see if there are any numbers that are useful. If so, Will Cohen will submit an information request for that. Ms. Burns is also working on getting together a proposal and is considering whether it is beneficial to involve ENE in this process.

HMLP Website. The website should be up and running by the end of February.

HMLP Solar. HMLP has put out the RFP for the designer. HMLP anticipates the process to be completed by the end of February.

Ms. Burns then provided an update with regard to a potential meeting with the Hull Light Board to discuss a wind project. Ms. Burns stated that she spoke to Jake Vaillancourt, a member of the Hull Light Board. Hull hopes to have a conversation with HMLP in May. Mr. Ryan noted that that they might be able to help Hull with regard to a reliable transmission feed. Ms. Burns noted that if there is a wind project that they are working on together, it is plausible that part of this project would be replacing the current line through wetlands. However, per her understanding, Hull imagines the line as extending underwater to the Weymouth Substation.

Other New Business; Other Business

None.

Executive Session

None.

Public Comment

None.

Motion to adjourn

Mr. Ryan asked for a motion to adjourn the meeting. Ms. Burns so moved. The motion was seconded. All voted in favor to adjourn. The meeting adjourned at approximately 0818.

List of Documents Provided to Board Members for the Meeting

Meeting Agenda

Draft Minutes for Regular Board Meeting held 1/4/2022

Draft Minutes for Special Meeting held 1/14/2022

Laura Burn's spreadsheet entitled "Financing of HMLP Transmission Project"

Financials: November 2021: 3-Year Summary and YTD

Documents Shared During Meeting

Laura Burn's spreadsheet entitled "Financing of HMLP Transmission Project"