



HINGHAM MUNICIPAL LIGHTING PLANT

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Laura M. Burns, Chairman
Michael Reive, Vice-Chair
Tyler Herrald, Secretary

REGULAR MEETING HINGHAM MUNICIPAL LIGHT BOARD June 13, 2023

Meeting Called to Order

A regular meeting of the Board of Commissioners of the Hingham Municipal Light Plant (HMLP) was called to order by the Board's Chair, Laura Burns, at 7:30 am on Tuesday, May 16, 2023, via Zoom.

Present:

Board Members:

Laura Burns, Chair
Michael Reive, Vice-Chair
Tyler Herrald, Secretary

HMLP:

Thomas Morahan, General Manager
Mark Fahey, Assistant General Manager
Stephen Girardi, Engineer
Joan Griffin, Business Manager
Ellen McElroy, Customer Service
Brianna Bennett, Sustainability Coordinator

Goulet, Salvidio,
& Associates, P.C.:

Tracey Vaughan
Adam Schremser

Other:

Members of the Public

Materials:

DRAFT, Hingham Municipal Lighting Plant Financial Statement

Call meeting to Order

Ms. Burns read the following disclaimer into the record:

This meeting is being held remotely as an alternative means of public access pursuant to Chapter 107 of the Act of 2022 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.

Audited Financial Review by Goulet, Salvidio, & Associates, P.C.

Starting her presentation, Ms. Vaughn acknowledged that the financial statement was still in draft form due to the pending confirmation from the Department of Public Utilities (DPU) regarding Hingham Light's eligibility to implement the proposed 5% increase in material depreciation rate. In the event that the DPU does not grant approval for this increase, an adjustment of over \$1 million dollars may need to be made. Nonetheless, Ms. Vaughan expressed confidence that the DPU will indeed approve the depreciation increase. Once the DPU provides their approval, she will proceed to issue the final draft of the financial statement.

The audit report consists of a table of contents on the first page, followed by three pages comprising the audit report itself, which remains unchanged from last year's presentation. However, there was one modification made in the previous year, namely moving the opinion section to the beginning of the report. Ms. Vaughan thoroughly reviewed the audit and reported that no modifications were made to the statements, and there were no areas of concerns identified during the audit review.

Ms. Vaughan sought to draw the Board's attention to specific items within the audit report. On page 8, she highlighted a large increase of \$800,000 in the "Other Receivables" category under the Statement of Net Position. This increase was attributed to the accrual of solar Renewable Energy Certificates (RECs) that HMLP was permitted to accumulate by the end of 2022. Ms. Vaughan also pointed out two Prepay Power Contracts that experienced a reversal in direction, resulting in a lower amount of prepaid power at the year-end.

Within the Non-Current Assets section, HMLP maintains a five percent depreciation fund, which is in a healthy state, steadily increasing each year due to depreciation transfers. Ms. Vaughn drew attention to various figures pertaining to the Rate Stabilization Green Initiative Fund. Although this amount remained unchanged in 2022, it is expected to see an increase in 2023, once the cash inflow from the other receivables, specifically the solar accrual, is transferred to this fund. Consequently, the amount in the Rate Stabilization Green Initiative Fund is anticipated to grow throughout 2023. The Rate Stabilization Fund, an enduring fund, will accumulate interest. There was an approximate \$80,000 transfer into the account during the year.

The final section of Assets in the Statement of Net Position comprises deferred inflows and outflows, which are determined by actuaries. These figures are streamlined over a five-year period into the profit and loss statement. This approach ensures that significant changes in actuarial assumption or investment earnings do not impact the profit and loss statement in a single year. Instead, such changes are amortized over five years, providing a smoother representation of the overall trends and developments.

Within the current liability section of the Statement of Net Position, there was a slight decrease in accounts payable. This situation deviates from the norm in the light department, as typical in December, when it's exceptionally cold, power expenses tend to increase. However, in this particular case, HMLP had excess power, which was sold to ISO (Independent System Operator). As a result, ISO provided credit, leading to a reduction in power expenses during the month of December.

Ms. Vaughan highlighted a specific item in the non-current liabilities section, namely the net pension liability. She pointed out that the net pension liability decreased from \$3.1 million to \$1.8 million. This reduction can be attributed to the strong performance of investments in the pension fund during the year. This positive performance is reflected in the Deferred Outflows section, where \$1.5 million in excess earnings from the pension fund are being amortized. As a result, the strong investment returns have reduced the pension liability as of December 31, 2022.

In the concluding section of this statement, the Statement of Net Positions, there are certain assets that are considered restricted for a governmental entity. These include the investments made in infrastructure assets and the restricted depreciation, which cannot be utilized for purposes other than capital accounts. On the other hand, the unrestricted position, amounting to \$6.9 million, surpasses the \$5.8 million mark, indicating a healthy financial standing for a department of this size.

In the Statement of Revenues, Expenses, and Changes in Net Position, there are several noteworthy points to consider. Firstly, the sales from electricity experienced a large increase of \$3 million, rising from \$30.8 million to \$33.1 million. This increase can be attributed to a change in the calculation of the Price Cost Adjustment (PCA).

Regarding Depreciation Net of Amortization, the amount stands at \$3.3 million. However, it is important to note that if the approval for the 5% depreciation is not obtained, this figure could potentially decrease by approximately \$1.3 million.

The non-operating section represents investment income. December witnessed favorable market conditions, as discussed earlier in relation to your pension fund, resulting in an income of \$480,000 compared to the previous year's \$360,000.

The overall net income shows a substantial improvement, totaling \$3.9 million compared to \$1.1 million previously. This strong performance can be attributed to the increased revenue and the growth in investments, indicating a strong and successful year for the Hingham Light Department.

Ms. Burns thanked Ms. Vaughn and Mr. Schremiser for their diligent work on the audit and for delivering today's presentation. Ms. Burns then entertained a motion to accept the DRAFT of the Financial Audit.

Roll Call Vote:

Mr. Reive: Aye

Mr. Herrald: Aye

Ms. Burns: Aye

Low Income Discount Rate – Joan Griffin

Ms. Griffin informed the HMLP Board that Utility Financial Services (UFS) (HMLP's rate study consultants) have proposed a low-income rate. This rate includes a 20 percent discount on two major components of the bill: The Facilities Charge and the Cap., Dist, and Transmission charge. Currently, HMLP does not offer a low-income discount rate. To be eligible for this discount, applicants would be required to complete a low-income rate application and demonstrate their qualification and approval by another state-run agency such as Emergency Aid to Elders, fuel assistance, MassHealth, etc. Proof of eligibility would need to be provided annually. All Board members are supportive of offering this rate, but they would like further information to understand the rationale behind UFS's determination of the 20 percent.

10% Early Discount

HMLP customers greatly appreciate the early discount and often enroll in autopay to avail themselves of the 10% discount. To address the needs of individuals facing difficulties in paying their electric bills, Mr. Reive would like to schedule a meeting with the Customer Service team to collaborate on generating ideas and formulating recommendations to provide support for customers in challenging financial situations.

Approve Meeting Minutes

a. Meeting Minutes 5/2/23

The meeting notes were not approved as not all Board Members did not have adequate time to review the minutes. As a result, the notes will be included in the agenda for the next meeting, where they can be properly reviewed and approved by all Board Members.

Financials

a. 3-year Summary and YTD – April 2023

The kWh sales in April 2023 we're down year to date, and compared to previous years. However, revenues have increased, and expenses have slightly risen due to growing costs.

The increase in revenue can be attributed to the PCA (Price Cost Adjustment) increase. As a result, the net income for April amounted to \$480,000. Overall, year to date, HMLP has achieved a net income of \$1.1 million, indicating a strong financial position until this point in April, 2023.

The new rates will be adjusted for the July bill, and HMLP intends to publish all the new rates, excluding the low-income rate. The decision to wait on publishing the low-income rate is based on the need to consult with UFS before finalizing and announcing the specific rate.

Updates: Transmission Line Project, EV chargers, HMLP Solar, Municipal Solar, Landfill Solar, Capital Projects

A meeting has been scheduled with Eversource to address the updated estimated costs of the switching station in Weymouth. Eversource has presented two estimates; one for the Open-Air configuration and another for a GIS (Gas Insulated Switch Gear) system. Generally, a GIS system tends to be more costly,

but Eversource believes that, in this instance, the Open-Air configuration would entail higher expenses. Eversource will provide HMLP with additional information regarding the costs for this project. It is anticipated that a filing with the siting board may not occur until September 2023.

EV chargers:

There are plans to install an additional EV charger at Town Hall, which will result in the availability of both Level-3 and Level-2 chargers. However, an extension for the Grant application is being pursued since the deadline was originally set for July 1st. Although the project has been awarded, the start dates for the contracts are still pending confirmation. The aim is to have all the charging stations installed by the end of the summer.

Municipal Solar

The municipal solar project has successfully been awarded, and currently HMLP is in the process of waiting on the arrival of the necessary building materials. The contractor has provided an estimated start date, which is expected to be sometime in late July or early August. Additionally, progress on the landfill solar project with Industria is contingent on the finalization of the contract.

Capital Projects

The Hersey Street reconductoring project is currently in progress which involves the conversion of all wire to 4/0 copper wire. This project is expected to continue throughout most of the summer. Additionally, there is another reconductoring project scheduled for Circuit 9, which will commence once the Hersey project is concluded and is expected to last until the end of the year (2023). The transmission project which involves replacing insulators, has experienced a delay due to material availability issues. The SCADA project is currently underway and is aimed to be completed by the end of summer or early fall, 2023.

Other New Unforeseen Business:

HMLP is in the process of establishing a unified email address for the Light Board, which will be lightboard@hmlp.com. This general email address will be maintained even as the composition of the Light Board evolves in the future.

Motion to Adjourn

Ms. Burns concluded the meeting and entertained a motion to adjourn.

Roll Call Vote:

Mr. Reive: Aye

Mr. Herrald: Aye

Ms. Burns: Aye

The meeting adjourned at approximately 8:40am.

