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REGULAR MEETING
HINGHAM MUNICIPAL LIGHT BOARD
April 9, 2024

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, April 9, 2024, 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
	Jeff Jones: Line Division Supervisor
	Joan Griffin, Business Manager
	Ellen McElroy, Customer Service
	Brianna Bennett, Sustainability Coordinator

Meeting Called 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 2 of the Act of 2023 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.

Review Income Adjusted Rate

Ms. Griffin provided a summary of the Income Adjusted (IA) Rate Revenue since the inception of the Program in January, 2024.

Income Adjusted Rate Revenue

Month	# of customers	Kwh hours	Change in Revenue
Jan	123	41,514	($126.78)
Feb	135	57,083	($1,171.01)
March	151	59,228	($1,248.67)
			($2,546.46)

IA customers are saving $3.08 each month on the customer charge and 10 % in the Capacity, Trans and Distribution charge. So the average IA customer using 400Kwh is saving about $8.38 per month.

The number of IA Customers have gradually increased each month. The summary includes the number of kWh used and the impact on HMLP's gross revenue. The IA customers are saving $3.08 per month on their Customer Charge and 10% on the Capacity, Transmission and Distribution charge. The average IA Customer used 400 kWh per month and saved approximately $8.38 per month.

Mr. Herrald expressed his satisfaction with the program's initial progress and believes now is a pivotal moment to decide whether HMLP should proceed with raising the credit, as previously discussed when the program was first launched. Mr. Reive said based solely on the average kWh usage, it appears that these individuals are not using heat pumps for heating, which means there is currently no heating load reflected on their electric bills. Ms. Burns stated it's going to be challenging to determine the eventual stable Income Adjusted (IA) rate if the number of IA customers continues to increase. She asked Ms. Griffin if the revenue change of $2,546.46 was an annual figure. Mr. Griffin explained, the change in revenue, as shown in the chart, is monthly. Ms. Burns pointed out that the three-month total already had a significant impact on revenue.

Ms. Burns proposed waiting for another three months before making any adjustments or decisions regarding the IA rate. Mr. Herrald expressed confidence that HMLP would gain a clearer understanding of the impact by waiting through Q3, when summer demand typically rises, especially for most customers. He emphasized that having more data would undoubtedly improve decision-making.

Mr. Reive inquired about the possibility of HMLP utilizing the dataset to project the annual usage of customers based on last year's kilowatt-hour usage. The intention was to review the data and make a decision on adjusting the IA credit during the next meeting. However, it was decided that this method would be too labor intensive.

Ms. Burns proposed that the Board revisit the Income Adjusted rate in three months to determine any trends or directions. HMLP plans to ramp up advertising for the IA rate throughout the year.

Upgrade Metering System to AMI

Ms. Burns advised she had been working on a financial model to determine when HMLP can afford to upgrade to the AMI metering system. Ms. Burns met with Mr. Morahan and Ms. Griffin to discuss HMLP's Depreciation Fund and expected revenue for this year. By special agreement with the Department of Public Utilities (DPU), HMLP can allocate 5% of revenue to the Depreciation Fund, although this amount is not guaranteed for the following year. Ms. Burns explained that if the allocation were to be 5% for the next year and then return to 3% thereafter, she believes the difference between these percentages would not significantly affect her model. Additionally, she looked into how the Depreciation Fund is utilized beyond setting aside funds for the transmission line project. Typically, expenses from the Capital Budget are covered by general funds, and HMLP vehicle purchases are assigned to the Depreciation Fund.

As Ms. Burns delved deeper into understanding the Depreciation fund, she inquired about the minimum balance requirement. Ms. Griffin suggested a target of one and a half times the year's Capital Budget, for emergency purposes. After analyzing this, Ms. Burns said that starting in 2025, HMLP could set aside $20 million from the Depreciation Fund for the transmission line project, as there is $27 million dollars in this fund, to date. Ms. Burns then attempted to determine how and when HMLP could allocate an additional $5 million for the AMI metering project by drawing funds from either the Operations or the Depreciation Fund. In Ms. Burns' model, HMLP would need to allocate $2 million from the Capital Budget for 2026 to put towards the AMI metering project.

Furthermore, Ms. Burns state the Renewable Energy Credit (REC) Fund had a balance of $1.6 million at the beginning of 2024. Assuming quarterly contributions of around $250,000, after deducting expenses for the HMLP solar project, there would be approximately $867,000 remaining in this fund. Ms. Burns would like to consider dedicating the REC Fund to the AMI meter project, and believes that by 2026, HMLP could have $5 million available to purchase AMI meters and facilitate the transition to a time-of-use rate. If HMLP chooses to use the REC fund for this purpose, Ms. Burns believes HMLP can allocate $2 million from the Depreciation Fund by 2026. $5 million dollars would then be available for the AMI meter project. This assumes a quarterly contribution of $250,000 from the REC Fund, although this figure might be subject to change. While there are many variables to consider, Ms. Burns' opined that even after allocating funds for both the meter and transmission projects, HMLP would still meet the recommended minimum balance in the Depreciation Fund in 2026.

Ms. Burns said that, under this model, it is possible HMLP might fall below the recommended minimum balance in the Depreciation Fund due to the timing of capital projects. In 2027, HMLP is approximately $7 million below the expected budget. The primary reason for this deficit is the postponement of several capital projects to allocate funds for transmission projects. The capital budget for 2027 is $13.6 million, compared to $9 million in 2026, $3 million in 2023, and $3.5 million in 2024. This variance is mainly due to the allocation of capital projects across different years, resulting in a shortfall below the recommended minimum in 2027. The capital budget is subject to frequent changes as projects are reassigned from year to year based on strategic considerations.

Ms. Burns said her proposal for consideration by the board is to set a goal of implementing the AMI metering project in 2027. By establishing this objective and incorporating it into the capital project plan, we can then navigate the logistical details to achieve it. This shift would represent a significant change for us, but it aligns with our long-term objectives.

Mr. Morahan reported that approximately 50% of Municipal Utilities have plans to transition to AMI at some time. Time of Use is the trend; however, HMLP's metering system is relatively new. Typically, a metering system's life-span is 15 to 20 years. HMLP's meters were installed between 2013 and 2016, and the newer collection system was installed in 2021 so HMLP still has life left to its metering system.

Mr. Reive believes it's important to note how rapidly HMLP's equipment, both the meters and the collection system, becomes outdated, and questioned whether the benefit of upgrading the system outweighed the costs of replacing the equipment.

Mr. Herrald is enthusiastic about developing a plan to transition to AMI especially considering it is a trend being adopted by utilities across the country. However, he stated it is important to acknowledge that HMLP is already investing heavily in infrastructure and transmission line projects, and HMLP's metering system is relatively new. Therefore, he supports pushing the target date out to 2027.

Ms. Burns proposed considering the time frame to buy AMI meters before our current meters expire. She believes that purchasing these meters earlier will allow HMLP customers to reap the benefits of new technology and potentially reduce rate payers electric bills. Delaying until the current meters fail would entail another decade of missed opportunities for customers to manage their electricity usages. Ms. Burns opined, moving forward sooner rather than later on this purchase is likely a wise decision.

Ms. Burns proceeded to call for a vote on the motion to establish a goal of transitioning to AMI metering by 2027, with flexibility depending on financial circumstances.

Roll Call Vote:

Mr. Reive Aye
Mr. Herrald Aye
Ms. Burns Aye

Financing Options for Ratepayers (Solar, Heat Pumps, etc.) – Brianna Bennett

This agenda item is to explore financing options to enable customers to purchase technology that could help customers save money. Ms. Bennett wanted to first ensure she has the right research questions and overall structure. Ms. Bennett identified three program structures so far: Tariff on bill financing, on and off bill financing, and participating lenders/local bank partnerships. Ms. Bennett and Mr. Morahan have a meeting scheduled with MMWEC next week to review their

pooled loan program, which could be a potential funding option for this initiative and provide support for the program.

Ms. Bennett provided an outline with some key questions to consider and asked the Board to add any additional questions to ensure the research is comprehensive. Currently, the questions include:

1. Which program structure would best suit HMLP and its ratepayers, focusing on metrics like return on investment and adoption rates?
2. What funding options are available to sustain the program, considering the sustainability of existing financing sources?
3. What other MLPs are doing regarding similar financing programs?
4. Determining which customers should qualify for the program, particularly whether it should be limited to residential customers or extended to multifamily and commercial participants.
5. Identifying the technology or items eligible for financing, such as weatherization, solar, and heat pumps, and specifying qualifying criteria for each category.

Ms. Bennett briefly reviewed the funding sources. She said the MMWEC pooled loan program could potentially fund a tariff-on-bill or on-and-off bill financing structure, while local bank partnerships would involve working directly with banks. HMLP could then reduce interest rates in this structure. There is also a proposal from the DOER for $22 million, primarily for heat pump rebates and financing across MLPs, with a potential cost share among MLPs. However, this might not be sustainable long-term. Another option is the Green Fund, though it might not align with its intended purpose. Additionally, the APPA DEED Grant supports energy efficiency projects not covered by existing structures. This grant offers short-term financing for demonstration projects, allowing us to test pilot structures before full implementation. As for alternatives, we now have Commercial PACE available in Hingham, which the Board is already familiar with.

Ms. Burns noted that during several discussions, they delved into topics such as insulation and weatherization, which could potentially be financed through a loan. One concern she raised pertained to the ownership of the installed insulation in the event of a customer defaulting on the loan provided by the light plant. The idea of the light plant repossessing insulation from a property seemed impractical. Therefore, while it's legally possible for the Light Plant to act as a lender, it might be more reasonable for banks to assume that risk. Consequently, it would be advantageous to include inquiries about loan default scenarios in our research. For instance, in the scenario of a loan underwritten by the light plant, would there be a lien on the property akin to unpaid property taxes? This aspect necessitates further investigation to ensure clarity before making any decisions.

Financials:

a) 3-year Summary and YTD – January 2023
b) 3-year Summary and YTD – February 2024

Mr. Morahan reported that in January 2024, kilowatt hour sales saw a decrease due to warmer weather compared to previous years. Revenue and expenses were both down from the previous year but aligned with expectations. Net income for January, 2024 was $244,000, and the PCA remained at zero for the month. Looking at January 2023, the decrease in net income was partly due to higher REC sales in that period, about $200,000 in REC revenue, which were included in the net income. Moving to February, kilowatt hour sales remained consistent, while revenue increased compared to the past couple of years, attributable to a rate increase. Net income for February was $391,000, similar to last year. Currently, revenue is slightly above budget, and adjustments will be made if necessary, to stay under the 8% threshold.

The Price Cost Adjustment (PCA) is projected to remain consistent for the remainder of the year, hovering around one penny. It will be re-evaluated after another quarter to determine if any adjustments are needed. Kilowatt hour sales have been flat for almost a decade.

Approve Meeting Minutes. (To be placed on the May 14, 2024 agenda)

1. a) Meeting Minutes 3/12/24
2. b) Meeting Minutes 3/27/24

Updates: Transmission Line Project, HMLP Solar, Municipal Solar, Landfill Solar, Capital Projects, Demand Response Program, Time of Use (TOU) Metering Project

Mr. Morahan informed that a meeting is planned with MMWEC next week to discuss a demand response program. Additionally, ENE is partnering with Net-Peeker, the demand response provider for MMWEC, and there is potential for a joint program involving ENE and MMWEC.

Motion to adjourn

Mr. Herrald Aye
Mr. Reive Aye
Ms. Burns Aye