



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
September 10, 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, September 10, 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
Steven Girardi, Engineering Manager
Joan Griffin, Business Manager
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.

Discussion on PILOT payment to the Town

Mr. Herrald noted that Massachusetts has a long history of Payments In Lieu of Taxes (PILOT), and it's likely that this practice isn't limited to the state. While reviewing state laws and a survey of 40 municipal light plants, he analyzed PILOT payments in terms of dollars per kilowatt-hour, and believes this provides a more relevant comparison due to the varying sizes, customer bases, and sales of different light plants.

The PILOT payment amount to the Town of Hingham falls right in the middle of the range at \$0.0025 per kilowatt-hour. The average payment among those that do contribute is \$0.003, and when considering Norwood, a notable outlier, the average then increases to \$0.0036. Many municipalities tend to pay between \$0.015 and \$0.035, which seems to be a common range for PILOT programs.

It's important to note that not all municipalities set their charges the same way. Based on Mr. Herrald's interpretation of state law, municipalities are generally exempt from taxes. However, in exchange for this exemption, they are required to make payments in lieu of taxes that are roughly equivalent to what a residential taxpayer would pay. He said there are various interpretations; some view it simply as a percentage of sales at a set rate, while others link it more closely to property tax values or the estimated value of the light plant itself, multiplied by property tax rates.

There doesn't appear to be a consensus across the Commonwealth regarding the formula used for these payments as each municipality seems to have its own approach. HMLP payment structure falls right in the middle of the spectrum, and on a dollar per kilowatt-hour basis, HMLP is neither significantly higher nor lower than others.

Ms. Burns found that 10 towns calculate PILOT payments based on kilowatt hours sold, while six use a fixed rate or negotiated deal similar to ours. Five towns base their payments on plant value, which aligns most closely with property tax calculations. There are a few outliers: two towns provide free services like tree work as their PILOT, three include street lighting in their calculations, and one attempts to value the services the town provides to the light plant.

Ms. Burns suggested basing the calculation on dollar sales to account for inflation and ensure the town doesn't receive less over time. However, she noted that no other municipal light plants follow this approach, indicating it might not be the best idea. She proposed analyzing the past decade to assess whether this has been a significant issue.

Mr. Herrald believes the current mechanism serves two important purposes. First, it is tied to sales, which is crucial because it represents a small percentage of revenue, ensuring that our payments always keep pace with income. If we were to switch to a model completely divorced from sales, we risk creating a significant mismatch between our payments and revenue. Second, this approach inherently accounts for the cost of

goods and services in the marketplace, incorporating an inflation factor. Since electricity prices are monitored by the Federal Government as part of inflation, this aspect is already factored into our calculations.

Ms. Burns said our current calculation stands at two and a half hundredths of a cent per total kilowatt hours sold. The kilowatt hours sold figure is simply a quantity and doesn't include any associated costs in that formula.

According to Mr. Morahan, HMLP incurs some incidental expenses for the town, such as monthly payments for street lighting on Sharp Street, which is owned by National Grid. HMLP also maintains the street lighting in the downtown area, where each lamp head costs approximately \$5,000. Recently, Hingham Light received an invoice for about \$20,000 for those lights, highlighting our contributions to the town. The key difference with our street lighting is that they are significantly more expensive, and we agreed to take on that cost.

Ms. Burns asked if it would make more sense to adopt a formula similar to how we would be taxed as a business, based on the value of our plant, as some municipalities do. Mr. Herrald believes the 0.0025 figure represents dollars per kilowatt hour. This mechanism should be included because, otherwise, that metric doesn't make sense. That said, it's interesting how this number was chosen, especially since it's close to the figures for other light plants.

As for switching to a property tax methodology instead of using sales, Mr. Herrald is concerned that it could expose the light plant to potential risks. If our revenue from electricity sales diverges significantly from the municipal property tax assessments, it might cause financial issues. In his opinion, keeping the PILOT tied to cost of sales feels like a safer option.

Ms. Burns noted that there doesn't seem to be a justification for the \$0.025 in the formula for calculating the HMLP PILOT payment and suggested it may have been set by looking at what other towns were doing and positioning it in the middle of the range. Ms. Griffin confirmed this and added that when the payment was initially set, HMLP didn't own a building and even paid rent while continuing the PILOT. She emphasized that this middle-of-the-range approach was defensible, and the town often uses a similar method when determining payments or project funding.

Ms. Bennett pointed out that while reviewing annual reports from 2004 to 2019, she noticed several instances where the light plant provided additional funds to the town for specific projects. Although PILOT payments can't be directed toward specific projects, she felt the town has increasingly relied on extra funding from grants, HMLP, or other sources for shared initiatives. Ms. Bennett suggested considering the creation of a supplementary fund, in addition to the PILOT payment, that HMLP could have more

control over. This would allow for more structured negotiations and discussions with the town. She acknowledged this idea might not directly fit into the current discussion but wanted to bring it up for consideration.

Ms. Burns noted that while HMLP has the Green Fund, it's important to keep in mind what HMLP Counsel Deidre Lawrence often reminds them - ratepayer funds can't be used to finance projects for taxpayers. Ms. Burns acknowledged that this is somewhat of a gray area, as when they provided extra funds this year, they may have crossed that line.

Ms. Burns noted that the Board is generally satisfied with the current formula used for determining the PILOT payment, but there is no formal policy that clearly outlines how this formula was originally established. She suggested creating a policy to explain the basis of the calculation, such as benchmarking against what other municipal light plants (MLPs) pay and setting an amount accordingly. This policy would allow for periodic reviews of the formula while ensuring the town receives a stable and predictable revenue.

The discussion also highlighted the importance of maintaining a minimum ("floor") payment of \$450,000, which the board supports. Mr. Herrald raised concerns about how the floor was determined, especially in comparison to smaller utilities that pay less. It appears the floor was set based on what felt appropriate at the time, rather than through a specific, data-driven approach.

Ms. Burns suggested creating a policy that can be included in the HMLP website and one that we can direct people to, especially since there were questions about the PILOT during discussions last spring. Mr. Herrald thinks it's a prudent move, and suggested including the link to the Massachusetts common law website for further reference. The policy will be written and voted on at the next board meeting.

Approve Meeting Minutes 8/13/24

There was a motion to approve the meeting minutes from August 13, 2024.

Mr. Reive: "Aye."

Mr. Herrald: "Aye."

Ms. Burns: "Aye."

Financials: 3-year Summary and YTD – July 2024

Mr. Morahan reported as of July 2024, HMLP's net income was \$231,000, driven by a higher number of kilowatt hours sold. However, we expect this revenue to decrease due to the reduction in the PCA (Power Cost Adjustment), which has helped us realign our finances. Year-to-date, our income stands at \$2.4 million, slightly lower than last year. We are closely monitoring this, and believe we'll remain under the 8% threshold for

2024. However, we need to review our August numbers before deciding whether to decrease the PCA again.

month/year	kwh sold	revenue	expenses	net income
Jul-24	19,082,812	3,384,645	3,153,088	231,558
Jul-23	17,497,184	3,466,625	2,867,624	599,001
Jul-22	18,514,223	3,368,836	3,049,126	319,710
YTD/year				
Jul-24	107,569,178	20,210,666	17,741,255	2,469,412
Jul-23	104,757,703	20,350,364	17,839,618	2,510,747
Jul-22	108,071,017	18,246,614	17,703,521	543,094

Ms. Burns asked if we have absorbed the additional revenue from spending from the Green Fund and if we are just monitoring it until the end of the year. Mr. Morahan responded that we don't anticipate significant further expenditures from the Green Fund this year. He said the solar project requires some upfront spending to get it energized, but those amounts should be minimal. He also noted that there may be additional spending for car chargers, but overall, the costs should be minimal.

Ms. Burns said that HMLP had recategorized the Green Fund so we recognize the revenue when we sell the RECs, rather than when we deposit them into the fund. She asked if this should prevent similar issues in the future. Mr. Morahan said there are still some funds in the Green Fund that need to be recognized. Ms. Burns asked if we now have two funds available within the Green Fund, allowing us to choose judiciously when to spend from the fund we need to recognize as revenue so we don't hit that limit. Ms. Griffin said that is incorrect as we need to spend the funds we have set aside first before accessing the others.

Ms. Burns inquired about the current amount in the fund. Ms. Griffin wasn't sure of the exact figure but said she would email the Board with the information. She added that they will need to be cautious with spending decisions, as they expect to withdraw just under \$200,000 from the fund for remaining projects this year.

Updates: Transmission Line Project, Municipal Solar, Capital Projects, Demand

Mr. Morahan reported that Eversource has provided comments on the filing with the Siting Board, along with the filing numbers from the DPW. A meeting is scheduled for tomorrow, September 11, 2024 to review these comments, and an additional meeting with Eversource may be necessary before the submission. The goal is to file by the end of the month, depending on the timing of the meeting with Eversource.

In other updates, Joe Kilshimer, our Public Coordinator, will be leaving at the end of October. We'll be transitioning to Rasky Associates, a local firm, during October.

Regarding municipal solar, meetings were delayed over the summer due to scheduling conflicts, but we will meet this week.

For capital projects, we are still awaiting MBTA approval for the transmission insulator replacements. While the original timeline was six months, we've followed up and expect a response sooner. Once we receive approval, we will move forward with the bidding process, aiming to complete the work by next spring.

The Circuit 9 upgrade is progressing, with the wire for the first section installed. We're aiming to install the messenger wire this week and complete the project by year's end, including the removal of old equipment.

Demand Response Program

There are 75 participants currently enrolled in the Connected Homes program, primarily with EVs, but some other devices are included as well. Several complaints about the program have been received, particularly about the exclusion of Rivian, Ford, and BMW vehicles from the approved list. Ms. Bennett is handling these calls. There are currently 15 customers from the previous behavioral credit program who are not eligible for the Connected Homes program.

When customers are unable to qualify for the Connected Homes program, their details, including email, phone number, vehicle type, and charger information, are collected. A list is maintained to notify them when NextZero adds new manufacturers. While NextZero is adding several vehicles and is currently beta testing them, most of the customers who are ineligible now won't benefit from these updates, as major manufacturers are still missing.

Ms. Burns highlighted that NextZero has emphasized their ongoing efforts to secure deals with more manufacturers, although the process is challenging, as learned from previous work with ENE. She inquired whether this effort is still active and if progress is possible, particularly with large companies like Ford.

Ms. Bennett was surprised by the number of vehicles already in beta testing but emphasized that NextZero seems committed to reaching out to manufacturers. She continues to send updates to NextZero whenever customers express interest in the program.

Currently, the program's approved chargers are limited to ChargePoint, JuiceBox, and Emporia models. Although rebates have been offered for Wi-Fi-enabled Level 2 chargers for years, many customers with these chargers find they don't qualify. However, the vehicle list is broader, and customers may still be able to participate via telematics, which is especially useful for Tesla owners, whose chargers are not included.

Looking ahead, when we implement a time-of-use metering system, it will help us determine if customers are charging during the preferred times. However, this could make the demand response program less relevant since the rates themselves will incentivize behavior. While it may still be beneficial to have an incentive program to help people adjust to time-of-use rates, the necessity of the demand response program could be diminished if customers are already changing their charging habits.

Mr. Reive asked if, for the 15 customers currently unhappy with the new program due to compatibility issues, we could consider a temporary grandfathering policy until we roll out smarter meters. Reive noted that HMLP had an honesty policy for several years. While verifying compliance can be challenging, he believes there are compelling cases from customers that we shouldn't overlook. Many are making a genuine effort to participate responsibly, and the incentive is very meaningful to them. Ms. Bennett mentioned that the team had discussed a grandfather policy but there wasn't much interest.

Mr. Morahan said HMLP initially required a smart charge device for credits, but that program was discontinued in 2022 as we anticipated the demand response program would be ready sooner than it ultimately was. We are taking away a credit that customers had come to expect, even though it was meant to be a temporary solution.

Regarding EV registration, we used to collect it annually, but with the new program, that's no longer necessary as it will automatically verify if customers are charging during the correct periods. Previously, customer service would reach out to confirm registrations each year, but moving forward, customers can choose to renew every two years, or annually if they prefer.

If we decide to grandfather existing participants, how would we handle it for new customers? New participants would need to purchase a Wi-Fi-enabled charger from one of the three eligible manufacturers. Ms. Burns suggested HMLP research how many customers are impacted by this situation. We know of 15 customers who have reached out about their eligibility, but there could be more who simply gave up without inquiring. If we identify more potential participants, we may want to create a legacy program for them.

Motion to adjourn

Ms. Burns entertained a motion to adjourn.

Mr. Reive: "Aye"

Mr. Herrald: "Aye"

Ms. Burns: "Aye"

The meeting adjourned at 5:00 pm.

