

**MINUTES
Of The
LIGHT BOARD ADVISORY COMMITTEE
Remote Meeting
Wednesday, January 6, 2021
7:30 A.M.**

**RECEIVED
TOWN CLERK
BELMONT, MA**

DATE: August 13, 2021
TIME: 11:09 AM

I. CALL TO ORDER

Mr. Klionsky called the meeting to order at 7:31am. Present were Chair Steve Klionsky, Vice Chair Travis Franck, and Members Jonathan Abe, David Beavers, Bob Forrester, Ralph Jones, and Michael Macrae.

Also present were Belmont Light General Manager Craig Spinale, Energy Resources Manager Becca Keane, Finance Manager Maria Makar-Limanov, Communications Coordinator Aidan Leary, and Municipal Light Board (MLB) Liaison Adam Dash. Mark Beauchamp and Mike Johnson from Utility Financial Solutions (UFS) joined the meeting via phone.

II. DISCUSSION ON GOVERNANCE PUBLIC FORUMS

Mr. Spinale said that an initial public forum on the governance issue had been held at the end of December and that he felt it went well. There were plans for a second forum on January 28, 2021 at 7:00 p.m. Mr. Dash advised that it be posted as a joint meeting of MLB and LBAC to meet open meeting laws.

III. DISCUSSION ON POWER COST ADJUSTMENT (PCA)

Mr. Spinale advised that there were unintended consequences from a 2019 language change to the Power Cost Adjustment (PCA) that created an over-collection of funds. Mr. Spinale presented two options – transfer the over-collected funds to the Rate Stabilization Fund (as was done in 2020) or return the funds to customers through a bill credit – and said he favored the transferring to the Rate Stabilization Fund. In order to fix the problem of over-collecting, Belmont Light was proposing that the exact base power cost figure be removed and replace it with a formula instead which would allow them to calculate the correct figure each year.

Mr. Dash asked who would choose the numbers that go into the formula. Mr. Spinale said Belmont Light would provide the numbers and determine the value through the yearly budgeting process. Mr. Dash said he felt the change moved the setting of the tariff from the MLB to the General Manager. Mr. Spinale pointed out the budget goes through the MLB each year, giving them an opportunity to impact this issue. Mr. Dash said that he is not opposed to this change but pointed out that MLB does not vote on the budget, but only provides input.

Mr. Macrae asked if anyone had reviewed previous meeting minutes to see if there was any understanding of why the change to a language was made. Mr. Spinale said he had spoken with the former General Manager and watched the last MLB meeting where the tariff was voted on. He felt the existing language was adopted because the former GM was familiar with it and because some other utilities also use it.

Mr. Franck said overall he feels moving to this language is a good idea.

Mr. Beavers asked if there was a big price increase next year, was there a mechanism to bring in the reserve to absorb the shock with the current language and what would the mechanism be with the new language. Mr. Spinale said there is the Rate Stabilization Fund as a first option. Prior to the current language, if Belmont Light saw (during a regular quarterly review) that power costs were spiking, they could apply a Purchased Power Transmission Adjustment. Ms. Makar-Limanov confirmed this and explained how it works. All of these adjustments would be approved by the MLB.

Mr. Klionsky moved that LBAC recommend to the Municipal Light Board to adopt the language presented by MDPU Tariff No. 172 replacing 170 as presented by Craig Spinale. Mr. Beavers seconded the motion, and the motion was passed unanimously.

IV. REVIEW OF BELMONT LIGHT 2021 BUDGET

Mr. Spinale and Ms. Makar-Limanov reviewed the 2021 Belmont Light budget, which he said was a work in progress with an updated budget to follow.

Ms. Makar-Limanov explained that revenue is currently up slightly, and she then showed a schedule with the current PCA factor applied. Revenue went up slightly and the financial ratios also went up. The rate of return was now 1.3% which is better, instead of below 1%. The other calculation that she did was in response to the changing of the PCA, as described above. In this calculation Belmont Light's rate of return would up to 2.1%.

Mr. Spinale pointed out that this was a good reflection of what the change of PCA did for Belmont Light, allowing the PCA collection money to flow into the overall revenue bucket. With the old language the money would be set aside and wouldn't affect the revenue.

He pointed out that expenses have risen over the last several years, and revenues have remained fairly stable so the margins have been getting closer. One of the exercises Belmont Light was currently doing was to consider what they have to do with their rates to resolve this potential problem. He explained that they would look at this deeply before bringing a recommendation to the Board. He talked briefly about some of the noticeable rising expenses.

The group asked questions of Ms. Makar-Limanov regarding specific parts of the budget documents. Several members of the board expressed appreciation for the effort that was put into preparing the budget. Mr. Spinale added that producing the budget was even more challenging than normal because of issues relating to the pandemic.

Mr. Klionsky said it looked like an increase in kWh sales in 2021 over 2020 and asked for an explanation of that. Ms. Keane said the budget estimate is only about a million kWh higher than 2020 actuals, which is well within the year-to-year fluctuation range. Mr. Klionsky asked if the increase might be happening because of COVID, etc. Ms. Keane said the sales forecast was hinged on the purchase power forecast, and the sales projections were right in line with Belmont Light's historical data, as outlined in the budget narrative.

Mr. Klionsky asked about the decrease to the LNS contingency line item. For several years, Belmont Light budgeted \$200k because ISO-New England's decision on the transmission line was still pending. Mr. Spinale explained that staff had made the decision to remove the contingency amount to help make the power supply budget more reflective of expected costs. Further, in the event that a decision did finally come through and transmission expenses, Belmont Light could leverage the Rate Stabilization Fund if necessary.

Mr. Franck said when the time comes to discuss a rate change that it would be helpful to have context around the last rate change to better understand the margins. Mr. Spinale explained that in the Cost of Service Study there was a change made in 2019 that was to support the first two years of the five year plan. Years 3, 4 & 5 were projected to increase rates by 1.5%. Because of the pandemic and the economy Belmont Light thought it would be better to try to get by with the current rates. But they do need to look more deeply into a rate change.

V. DISCUSSION ON TIME OF USE RATE DESIGN

Mr. Spinale explained that Belmont Light had asked UFS to put together a few scenarios after the last LBAC meeting, and to show how the scenarios might affect customers with certain solar, EVs, and heat pumps.

Mark Beauchamp of UFS explained that after running several scenarios they focused in on two that he then presented for discussion. He explained that the Customer Charge has been moved closer to the Cost of Service Study-suggested charge of \$15.00 instead of the current \$10.60. The main difference between the scenarios was whether to include weekends in the on-peak bucket.

LBAC members asked Mr. Beauchamp questions about holiday peaks, whether the peaks were distribution, generation, or transmission peaks, and the timing of winter vs. summer.

Mr. Abe asked about the fixed customer charge changed. Mr. Beauchamp said he looked at the last Belmont Light Cost of Service Study which recommended an increased customer charge. UFS felt that since there was movement to an optional TOU rate, it was a good time to move the fixed customer charge closer to the Cost of Service Study recommendation. He explained that most utilities are trying to get the fixed customer charge closer to the actual cost of service because it leads to revenue stability and it helps reduce cross-subsidization between customers.

Mr. Abe was unsure if it was prudent to apply the new customer charge *just* to the new TOU rate, rather than applying it across all residential rates. Mr. Beauchamp suggested using the opportunity to get it closer to the cost of service so there are better price signals.

Discussion ensued about the correct timing for a summer peak. There was also discussion about the transmission peaks and their timing.

UFS had also run scenarios for different sets of Belmont Light customers including those who have solar, EVs, and more to see how these rates impact them without any behavior change. Solar customers could save 5-7% under both scenarios, while EV customers could save up to 8% if they charged off-peak.

Mr. Beauchamp demonstrated that customers with heat pumps could save an average of 4-5% under the two scenarios, with a maximum potential savings of about 17%. Mr. Beavers said that the 17% saving would most likely come from someone doing whole-house heating. Lower savings would be from one-room heat pumps.

Mr. Klionsky asked if UFS had estimated overall consumption change with the different scenarios. Mr. Beauchamp said they had not, although the differential in summer suggests a 7-8% movement to off-peak consumption with this price signal. Mr. Klionsky asked if the rate differential was large enough to encourage behavior change. Mr. Beauchamp said most other utilities have a slightly lower differential at least a first. But the ones with a lower differential are usually trying to move everyone to TOU so they don't want to start with a high differential.

There was a discussion of differentials in other towns and what impacts them (length of on-peak periods as well as inclusions or exclusion of weekends & holidays).

Mr. Spinale reminded the group that Belmont Light had asked UFS to keep the differential around 3-3.5% since that was the "sweet spot" they had found in their research.

Mr. Beavers asked about the possibility of a winter transmission or capacity peak falling on a weekend. Mr. Beauchamp said he felt there was a slight chance of a winter peak, but it is remote. Ms. Keane said that of all transmission peaks going back to 2013, two hit on a Sunday— and one was this past year (which was non-representative because of the pandemic). Mr. Franck said it will be hard to change customer behavior on the weekends because people don't have a lot of choice. Discussion continued on this topic.

Mr. Klionsky asked if Mr. Beauchamp recommended TOU be introduced as an optional rate, rather than by some sort of pilot program. Mr. Beauchamp responded that a pilot is preferable to make sure all systems are in place.

Mr. Beauchamp said that he was very impressed with Belmont Light's Guiding Principles about rates and asked if he could use this with other customers.

Mr. Franck asked, if there are savings for all customer classes, would that be revenue neutral for Belmont Light and how it would balance out. Mr. Beauchamp said the rate was designed to be revenue neutral in total. He explained that if only certain customers go on the rate, Belmont Light would lose if the customers don't change their behavior.

Mr. Franck then asked if there was a customer type that would not win under TOU. Mr. Beauchamp said that a traditional residential customer would probably see an increase if they do not modify their behavior.

The group discussed next steps.

VI. CHAIR SUCCESSION

Mr. Klionsky said it was healthy for the Chair to rotate and it might be time for someone else to step into the role. He proposed that another member step forward by the next meeting so a new chair could be elected.

VII. FUTURE MEETINGS

February 3, 2021 meeting is scheduled. Mr. Klionsky suggested waiting until there is a new Chair to schedule future meetings.

VIII. ADJOURNMENT

Mr. Franck moved to adjourn the meeting, Mr. Beavers seconded, and the motion passed unanimously. The meeting was adjourned at TIME am.

Respectfully submitted by,
Susan Peghini