

**MINUTES
TOWN OF BELMONT
MUNICIPAL LIGHT BOARD
Remote Meeting via Zoom
August 24, 2022
7:30am**

**RECEIVED
TOWN CLERK
BELMONT, MA**

DATE: November 9, 2022
TIME: 10:15 AM

CALL TO ORDER. Chair Klionsky called the Municipal Light Board meeting to order at 7:32am.

Present for MLB was Chair Stephen Klionsky, Vice Chair David Beavers, and Members Travis Franck, Andrew Machado, and Michael Macrae.

Present for Belmont Light was General Manager Craig Spinale, Assistant General Manager Sam Osmanovic, Finance & Procurement Manager Maria Makar-Limanov, Energy Resources Manager Becca Keane, Energy Specialist Ben Thivierge, and Communications Coordinator Aidan Leary.

Others Present: Mayhew Seavey, Principal Engineer, PLM Inc.; Roy Epstein, Select Board Liaison.

APPROVAL OF MINUTES

July 13, 2022: Regular Session: Mr. Franck said that at the top of Page 4 when he asked his question about the PCA Formula Adjustment he remembers wanting a vote or decision regarding his request but does not see any outcome recorded in the minutes. Mr. Spinale that he thinks there was no vote, and it was decided to set this issue aside and move on with the rest of the discussion. There was a discussion about this issue.

Mr. Franck suggested amending the minutes to say "The Board was in general agreement to accept the PCA Formula Adjustment" in that paragraph.

Mr. Macrae pointed out a grammatical error in the paragraph above the one being discussed.

Motion: *Mr. Franck moved to approve the minutes of the **July 13, 2022 Regular Session** of the Municipal Light Board as amended. Mr. Machado seconded, and the motion passed unanimously by rollcall vote.*

July 13, 2022: Executive Session: No changes.

Motion: *Mr. Macrae moved to approve the minutes of the **July 13, 2022 Executive Session** of the Municipal Light Board as amended. Mr. Machado seconded, and the motion passed unanimously by rollcall vote.*

COST OF SERVICE STUDY PRESENTATION AND DISCUSSION

Mr. Klionsky summarized that there are 3 tasks before the MLB:

- Revenue Requirement: how will the rates be adjusted overall.
- Decide what the increases will be by rate class.
- Design the rate within each rate class to recover the revenue needed.

Mr. Seavey outlined his presentation. He would review the Customer Charge, Municipal Rate, the Residential block rate, potential coincident demand billing for high demand customers, and the structure of Rate E.

Mr. Seavey recapped what had been previously discussed with the Board. Mr. Klionsky asked if the Board should discuss what the overall increase in distribution rates should be. Mr. Seavey said this would help reduce the number of scenarios that need to be considered.

Mr. Klionsky said he is not comfortable with a 12% rate increase and additional yearly increases. He would prefer an increase to carry Belmont Light through a couple of years. He would be more comfortable with 4-5% this year.

Mr. Macrae asked if the income problem existed before the current inflationary financial situation. Mr. Seavey said the problem is largely driven by inflation, although there would still be a rate adjustment needed but it would be about 5% rather than 12%. Mr. Macrae said he agreed with Mr. Klionsky's concerns about a 12% rate increase and suggestion that a smaller increase now would be better.

Mr. Machado asked what the impact on the customer charge would be in the scenarios. Mr. Seavey said the percentages are “overall” and a discussion on how it would be spread between the customer and other charges is needed.

Mr. Seavey acknowledged the concerns about the 12% increase but added that every utility is expecting double digit increases. He said this is a good time to do a one-time increase and that waiting could put Belmont Light in the position of increasing rates when everyone else is decreasing rates. This was discussed.

Mr. Franck said he generally supports a lower increase but added that there is a Cost of Service review every couple of years which gives an opportunity to revisit this issue. But he did express concern about having problems in the 2024-2025 year. Mr. Spinale reviewed the history of the previous Cost of Service reviews and rate decisions. He added that he does not think a 12% increase will be that shocking to customers given the current inflationary situation.

Mr. Seavey will prepare a scenario for the next meeting with 6% now and other increases in the following years.

Mr. Epstein agreed that having a large increase followed by a decrease would not be good. He also asked if the increase would be in the Municipal Rate and was told that needs to be decided.

Mr. Machado asked what the downside to increasing rates each year would be. Mr. Klionsky said it would require yearly review of the numbers. There was a discussion of this question and the impacts of a one-time increase versus gradual increases.

There was a discussion of what scenarios Mr. Seavey should prepare for the following meeting.

Customer Charge: Mr. Seavey outlined the purpose of the Customer Charge, and said these costs are different in nature from costs recovered through the distribution charge. He reviewed some of the issues of the different types of charges. Customer related expenses are about 40% of the total distribution costs for residential customers, which is much higher than for other customer classes. He then reviewed the components of the proposed Customer Charge of \$20.

Mr. Klionsky shared the Customer Charges from area towns, all but one of which were lower than Belmont’s current charge and the proposed charge. The issues that impact these charges was discussed.

Distribution Charge: There were several questions about this charge. Mr. Epstein asked if the Smart Meters allow Belmont Light to use a demand charge for residential customers rather than the fixed Customer Charge. Mr. Seavey said it is technically possible, although there are issues involved in doing this. Mr. Epstein asked that this be studied. This was discussed.

Mr. Seavey detailed the impacts of increasing the Customer Charge, the Distribution Charge, or both to Cost of Service. There was a lengthy discussion about the options and impacts of the information presented. There was support for increasing the rate less than the suggested \$20.00 and how to move the rates was discussed.

Mr. Beavers suggested increasing the customer charge as presented 2 years (2023-2024) to \$12.42 and then \$14.56, then re-evaluate. This suggestion was discussed.

Mr. Seavey reviewed the impact on the Low-Income Rate. He suggested that the simplest method is to adjust the Distribution Charge on the Low-Income Rate on whatever basis is being applied to the Residential Rate. Mr. Klionsky asked how Belmont Light’s Low-Income Rate compares with others and if there is a way to analyze Belmont Light’s rate to determine the percentage discount. Mr. Seavey said this was good to look at and would do this calculation.

Mr. Machado said his research has shown that Low-Income discounts for Massachusetts IOUs are generally 25-36%, with New Hampshire being much higher (a sliding scale up to 75%). He asked about Belmont Light’s previous look at a credit option, but Mr. Spinale said he is not familiar with this. Mr. Machado outlined some pros for this approach. There was a discussion around this topic.

Mr. Macrae asked if a Declining Block Model could be considered. Mr. Seavey said it would be easy to model and probably easy to implement.

Rate Classes:

Municipal: Mr. Seavey reiterated his concern with the number of rate classes that Belmont Light has and some issues with these rates. He also outlined the impacts of eliminating the Large Municipal Rate class . There was a discussion as to what to do with this rate class .

Residential Inclining Block Rate: Mr. Seavey talked about the premium on larger users during the summer, but pointed out that current energy prices are higher in the winter than the summer. He believes this can be addressed in other ways and could find no justification for continuing this practice. There was a brief discussion of this issue. There was general support for eliminating this element of the residential rate.

Coincident Demand Billing:

Power Supply Cost Causation: Mr. Seavey provided background to this issue, and how the various energy costs are translated into rates.

Billing of Transmission Costs: Mr. Seavey discussed issues related to this type of billing.

Billing of Capacity Costs: Mr. Seavey said Capacity is similar to Transmission cost billing and explained how this works and provided rate examples that produce the same amount of revenue.

Mr. Seavey encouraged the Board to make pricing decisions that will send the right signals in the long term and explained why this is important. There was a discussion about this.

Rate E Demand Ratchet & Minimum: Mr. Seavey suggested modifying inclusion in Rate E to mirror what the regulated utilities do. He also pointed out that there is a provision that requires customers to maintain a 90% power factor but does not provide penalties if they go below that level. He said this could be dealt with through billing.

Appropriateness of Commercial Classes: He said he believes the commercial rate classes do make sense and explained why.

There was a discussion of next steps. Mr. Spinale said he would like to present the 3rd Quarter Financials and at the next meeting will show how 5% or 6% increases would work out. He also reviewed what his understanding is from today's meeting and summarized what he believes needs to happen next, especially the revenue discussion.

BELMONT CITIZENS FORUM REQUEST FOR INTERVIEW

Mr. Klionsky explained that Belmont Citizens Forum had an intern who did a review of rooftops in Belmont that could accommodate solar panels. Mr. Beaver's added that they were interested in exploring potential business models and may have a presentation for Belmont Light in the future.

RECAP OF NEPPA ANNUAL CONFERENCE

Mr. Spinale and Mr. Machado summarized the speakers at the conference and focused on tax advantages now available to Belmont Light because of the new federal climate legislation. There was a discussion of the implications and opportunities of the new law.

PUBLIC COMMENT

There was no public comment.

FUTURE MEETINGS

September 13, 2022

September 28, 2022

ADJOURNMENT

Mr. Franck moved to adjourn the meeting of the Municipal Light Board. Mr. Machado seconded and the motion passed unanimously by rollcall vote. The meeting was adjourned at 9:56am.

Respectfully submitted by Susan Peghiny, Recording Secretary