



## Town of Reading Meeting Minutes

### Board - Committee - Commission - Council:

#### RMLD Citizens Advisory Board

Date: 2020-10-22

Time: 5:30 PM

Building:

Location:

Address:

Session:

Purpose: General Business

Version:

#### Attendees: **Members - Present:**

Mr. Jason Small, Chair (North Reading); Mr. Vivek Soni, Vice Chair (Reading); Mr. George Hooper, Secretary (Wilmington)

#### **Members - Not Present:**

Mr. Dennis Kelley (Wilmington); Mr. Joseph Markey (Lynnfield)

#### **Others Present:**

Mr. John Stempeck, Board of Commissioners

Staff: Ms. Coleen O'Brien, Mr. Hamid Jaffari, Ms. Wendy Markiewicz, Mr. Gregory Phipps, Ms. Kathleen Rybak, Mr. Charles Underhill

Public: Ms. Lynne Champion, 8 Franklin Avenue, Wilmington; Mr. James Satterthwaite, 8 Hunt Street, Reading

**Minutes Respectfully Submitted By:** George Hooper, Secretary *George Hooper*

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### Topics of Discussion:

PER GOVERNOR BAKER'S MARCH 10, 2020, ORDER SUSPENDING CERTAIN PROVISIONS OF THE OPEN MEETING LAW, G.L. c. 30A, §20 THIS MEETING WAS HELD REMOTELY VIA ZOOM

#### 1. Call Meeting to Order – J. Small, Chair

Chair Small called the meeting of the Citizens' Advisory Board to order at 5:30 PM and noted the meeting was being audio recorded.

#### 2. General Manager's Update – C. O'Brien, General Manager

Ms. O'Brien introduced Mr. Gregory Phipps the new Assistant Director of Integrated Resources hired to succeed Mr. Bill Seldon, who will be retiring at the end of the year. Ms. O'Brien noted that Mr. Seldon along with the other retirees that will be leaving at the end of the year will be recognized during a virtual, company-wide employee appreciation event.

**Community Updates:** Ms. O'Brien provided the following program updates: The new Air Source Heat Pump Program was launched on October 1<sup>st</sup>. Adobe Energy has been hired to provide educational and technical resources to both customers and contractors; there are currently 35 rebates in the queue. Ms. O'Brien reported that events for Public Power Week (October 4-10), were modified to a virtual format including activities such as, story time for the kids, a scavenger hunt, the RMLD line worker video. Activities are posted on the RMLD website. National Drive Electric Week was September 26 thru October 4. The Fourth Grade Art Contest, which is the annual electric safety contest, will be conducted in partnership with the schools. The 2020 historical calendars will be available around Thanksgiving and will be distributed via various locations/kiosk sites.

Chair Small asked if there were any questions or comments; there were none.

3. 2021 Budget – C. O'Brien, General Manager  
*Materials: 2021 Budget; CY21 Operating Budget Presentation Slides*

Mr. Jaffari presented the 2021 Capital Budget including a review of major changes that took place from what was budgeted in CY20. Looking at the "Planned Programs" spreadsheet (page 11-13), Mr. Jaffari highlighted the following:

Line #3 – Building Upgrades: The 2020 increase is due to the generator at Ash Street, which failed unexpectedly this year and was replaced for \$241,534. Mr. Jaffari then gave a brief review of the projects planned for CY21.

Line #6 – Rolling Stock Replacement: Mr. Jaffari noted that replacement of RMLD vehicles is scheduled using RMLD's 8-10-year cyclic vehicle replacement plan and Fuel Efficiency OP 19-07, which is based on electrification and follows DOER guidelines. In CY20, four hybrid SUVs and one pickup truck (with eco boost technology) were purchased.

As the technology advances towards electrification (from eco boost to hybrid, and from hybrid to electric vehicles) any vehicle due for replacement will utilize the available technology toward electric vehicle. In CY20 the underground truck (\$168,225), which was a carryover from CY19 was received. Carryover from 2020 to 2021 will be \$285k to include the digger derrick to be delivered in 2021.

Line #9 – Software and Licensing: In CY20 ~\$50k will be spent. Mr. Jaffari highlighted the software projects scheduled for CY21 (\$438K) including Yukon AMI Metering System, MDM (meter data management) system, IWMS (integrated workorder management system), and customer relations management (CRM) software.

Line #10 – Primary Metering Inspection and Upgrade Program: Mr. Jaffari reported that RMLD has hired a contractor to inspect and test 80-100 primary metering sites in the field. As a result of this inspection, RMLD will update some of the PTs and CTs on either overhead structures or in underground cabinets, and all associated electrical devices.

Line #11 – Relay Protection Upgrade: National Grid (per NERC NPCC) has asked RMLD to upgrade the relays at the Bulk Electric Supply (Substation 4) to make them faster for tripping due to a fault, and improve reliability of the 115Kv grid, and enhance response in case there is trouble at that substation.

Line #12 – Pad-mount Switchgear Replacement: This program started in 2017, and since then RMLD has replaced 10 of 29 units. Every year we schedule five units for replacement, however, delivery delays have impacted the implementation of this project; three units (from CY20) are going to be carried over to next year. Additionally, we will purchase five new units for installation in CY21. In CY20, two units were carried over (from 2019) to bring CY20 spending to ~\$528k. This program continues into CY24; five units are scheduled in CY22. Some units are scheduled for CY23 and CY24 (\$212k per year), which are special units that are not standard configuration.

Line #13 – New Wilmington Substation: Mr. Jaffari reported that we had anticipated the land purchase for \$570k in CY20. However, we now anticipate purchasing property in CY21 for \$599k. Building and commissioning the substation will start in CY22 and continue into CY23. The \$195k requested for CY21 is for engineering and permitting, and some design. Additional expenditures related to the substation are shown on lines 14 and 15. Once the substation is built, RMLD will need to build circuits out to tie the substation into the existing 13.8 kV system.

Line #16 – Grid Modernization & Optimization: Mr. Jaffari noted this is a fifteen-year program. For 2021 we also added ABB reclosers for \$225k to replace/upgrade

outdated ones; there are currently five reclosers system wide. In subsequent years, we will be adding more reclosers (out to CY25) to increase system protection against fault conditions as we make system improvements.

Mr. Jaffari noted that OMS and IVR modules are installed and being tested. The Malware attack (earlier in the year) unfortunately put us behind the schedule for the full implementation. Crew management software is scheduled for CY21. Using this software during storms will allow us to see the movement of the trucks on the maps and assign trouble tickets to them more easily during system troubles.

Line # 17 – AMI Mesh Network Expansion & Meter Replacement: Mr. Jaffari noted the Itron AMR is outdated and due for replacement. Five years ago, RMLD decided to migrate to the Eaton System, and there are ~13,000 meters in our territory working on the Eaton system – this is the latest technology, which is in line with our smart grid program and road map that was presented in 2014-15. Staff estimates ~\$228k in spending by CY20 year-end, for three to four hundred more of the Eaton meters. Meters for commercial/industrial use will not be delivered until 2021 due to production delays.

Mr. Jaffari reported that RMLD has hired a consultant to do a study to explore options (stay with Eaton or migrate to another AMI system) and see what would be the best moving forward to provide RMLD with all the capabilities for the future demand response programs and demand side management. The study will provide recommendations this year so we can start moving toward that direction next year. The meter replacement project will be a three-year project starting CY21 and ending by CY23. The \$100K in CY24 is for the meters that are going to have to be replaced or added for future.

Mr. Soni asked if we are seeing prices coming down. Mr. Jaffari responded yes and no – the meter manufacturers are bringing prices down, but as the technology advances and more and more features are being added to the meters – those meters, depending on the class of the customer, especially commercial and industrial – are going to go up. Mr. Soni noted, sometimes they provide services, and they may charge it as an operating expense versus capital. Mr. Jaffari respond that meter manufacturers bid low on the meters, but are increasing the cost of the network, software upgrades, and maintenance. Mr. Soni asked if those costs were capitalized. Mr. Jaffari responded that the project will be capitalized.

Line #18 – Meters and Primary Meters (for stock) are annual usage (replacement).

Lines # 21-29 – Getaway Upgrades: We are following the Reliability Study that was done in 2015 by Booth and Associates. In 2021 we are planning to upgrade getaway feeder 3W18 at Station 3.

Line #30 – Transformers and Capacitors Purchase (for stock and projects): All transformers and capacitor devices are budgeted here. The transformers used for the reliability projects (lines 31-34) are drawn from this bucket. Mr. Jaffari noted CY20 estimated spending will be more than what we asked for due to the increased number of storms compared to previous years (unfortunately, some transformers got damaged) and increased costs of underground construction upgrades that we are trying to catch up with more toward the end of the year and delayed due to COVID 19.

Mr. Hooper asked if all of the older transformers had been replaced. Mr. Jaffari responded that it is a moving target – every year we have transformers that are reaching the 25-year mark. As transformers reach 25-years of age, they will be scheduled for replacement based on the age priority. There are transformers 35-40 years old on the list, and those get replaced first. Mr. Jaffari noted that we have replaced many transformers in the system since 2014 and upgraded many areas. As a result, the equipment failure has been going down, which is seen in the reliability report.

Line #31 thru 34 – Long-Term Upgrade Reliability Projects: Mr. Jaffari reminded the CAB that these projects do not include the cost of the transformers used in these projects; the transformer cost is captured in Project #116. Mr. Jaffari noted that some projects (Lines #31 and 32) have gone over budget for CY20, which is attributed to the increased cost of labor and materials. For example, the construction upgrades on North Main Street and Lowell Street (in Lynnfield) were complicated and very labor intensive. We are using contractors for this job, which is why the numbers have gone from \$221k, to \$490k (Line 31), and \$390k to \$526K (Line 32). Mr. Jaffari noted RMLD has completed 13.8kV conversion areas at Thomas Lane (Lynnfield), McDonald Avenue (Reading), and continuing on North Main Street and Lowell Street which is a massive project. Once completed, this will reduce losses of the system further due to conversion from 4.16 kV to 13.8 kV. Mr. Jaffari noted, in 2015 our losses were more than 5% - 5.5% and since then it has come down to 4.5% as a result of all the upgrades and system step down conversions. As we are doing more and more of these (conversions), the losses are coming down even further. The goal is to continue to bring losses down further. Typical utility losses are anywhere between 5-7%. The more system improvements done lower losses will be achieved.

Line 36 – Substation Equipment Upgrade: This item is higher than budgeted due to some unexpected failures of some PTs and CCVTs at Station 4. In CY20, we replaced three (of seven) 35kv PTs, and the rest will be replaced in 2021. We have purchased all the units, and they are scheduled for replacement in CY21.

Line 40 – Routine Construction: Mr. Jaffari reported there was a big jump in Routine Construction. The Routine Construction category includes miscellaneous unplanned overhead and underground system upgrades, new construction, hazmat, pole hits, underground failure, etc. Mr. Jaffari noted there was an unexpected underground cable failure which was replaced at Station 4. Some projects such as customer in aid to construction (~\$293k) and pole hits (~\$67k) are reimbursable.

Mr. Jaffari noted the total estimated expenditure for CY20 is expected to be \$8.2m, and the CY21 request is \$11.648m for capital improvements. Mr. Jaffari asked if there were any questions.

Mr. Soni noted that it seems that we underspent on the meters because we did not get those supplied, and all of that has shifted by one year effectively. If you compare with number projections for future years, the capital for 2023 was supposed to be less – it is all shifted by the meters going forward. Mr. Jaffari added, the meters plus the substation purchase of the land (\$600k).

Mr. Hooper asked about the failure rate on the meters. Mr. Jaffari responded that we do not have many meter failures; most failures are at the meter sockets (not meters), which can corrode due to rain getting in them. However, the technology of the meter itself is fast moving. Life of the meters, with the technology, is usually anywhere between 10-15 years; meters are going to be depreciated between 10-15 years.

Mr. Soni asked about the process to get Board approval if there is a budget number which you need to go above? Ms. Markiewicz responded that anything that goes through the bid process is brought to the Board and they are told if it is part of the Budget or not. Ms. Markiewicz noted some items (i.e., the roof repairs or the generator failure) were not planned for. However, through the bid process, we brought it to the Board's attention and let them know it was not part of the Budget. Things like the pandemic is not something that we plan for, but we bring to the Boards what we were seeing (for the load forecast/revenue, etc.). We try to prepare as best we can. Mr. Stempeck added, RMLD does have a number of contingency funds as well. If we need to draw from them for any major issue, we have the ability to do that with Board approval.

Ms. Markiewicz noted as an example, if more computers are needed than what we planned for - not necessarily a high-level cost – we would purchase the computers

because it is a necessary item. We would then explain why we are going over budget and that we really did not have a choice because we had failing computers. Very large costs, we would have to bring that to the attention of the Board. Mr. Soni noted part of the broader context (for his question discussed above) is that there have been a lot of discussions around the Green Communities, and he is trying to anticipate how something (with the Town or State) could be accommodated if something needs to be done in the next calendar year that is not in this plan.

There were no additional questions on Mr. Jaffari's presentation. CAB members thanked Mr. Jaffari. Chair Small stated that motions will be considered after both parts of the Budget (Capital and Operating) have been presented so the CAB can see how they fit together.

Ms. Markiewicz began the presentation of the Operating Budget (using slide presentation) by noting that CAB members, in reviewing the line items of the Budget, may have noticed quite a few discrepancies. Ms. Markiewicz noted 2020 was a very difficult and odd year as a whole and there were some areas where RMLD's hands were tied. Even though we had planned and strategized, things such as the ransomware and COVID, resulted in missed opportunities.

Ms. Markiewicz then reviewed the Budget to Actual Discrepancies (Slide 2). Vacancies is a very large portion of why the Budget is ~\$1m under in operating and maintenance expenses. Vacancies exist in multiple areas, due to talent pool, retirees, sudden resignations, etc. Ms. Markiewicz then continued with a review of Slide 2 noting the impact COVID had on spending, as well as unforeseen events which caused an increase in spending.

Ms. Markiewicz reviewed the Financial Strategy (Slide 3) that goes behind trying to balance everything when making decisions for the Budget. The number one fact is what the impact of the rate increase to RMLD customers is going to be. We have to tow the line with the rate of return between 4% to 8%; we have to fund the below-the-line Town of Reading obligation; we have to fund capital projects outside of the depreciation reserve; we have to add money from the operating fund in order to fund everything especially when you are building a substation or replacing meters which are very large expenses; maintain the operating fund at 2-3 months of monthly operating expenses; balance the rate stabilization fund fluctuation and limits – we had a \$6.5m cap with a half a million plus or minus that we really need to stay around; and of course the impact of the Power Supply fluctuations is a huge impact to the RMLD customers.

Ms. Markiewicz then reviewed the CY21 Operating Budget Fixed Costs (Slide 4) which are 79.10% of the overall Budget noting there really is not much leeway here. RMLD is pinned down by power supply contracts about 68.95% of the power supply, which is a 6.55% decrease from the previous budget. Depreciation expense of 5.45% continues to increase due to necessary capital investments. The voluntary payment to the Town of Reading of 2.75% remains constant until 2022 when the formula changes to 3.875/mil for the three-year average of kilowatt hour sales. The towns' payment (2% of net plant) of 1.83% continues to increase also due to necessary capital investments - as we increase the capital, the 2% net plant goes up. It is a win-win - for the RMLD we continue to keep our infrastructure solid, and the towns continue to gain extra funds.

Ms. Markiewicz then reviewed the CY21 Operating Budget Semi-Variable Costs (Slide 5) which is only ~21% of the Budget. RMLD really does not have a lot of play with the "semi-variable" costs. Labor of 9.26% includes the three unions (contracts) and is set in stone. Of the 9.26%, 1.35% is going for capital projects. Overtime is at less than one and a quarter percent, of which less than a quarter percent is going for capital projects. Employee benefits and pension are less than 5% of which 1% is going on the capital side for projects. Operating and maintenance expenses represent about 2.4% of the Budget; conservation expenses 1.35%; tree trimming 1%; contract services, legal expenses, property insurance, software and hardware maintenance, and

vehicle expense, all represent by themselves each a half a percent of the Budget. Training and tuition, transformer maintenance, rent expense at approximately a quarter percent of the Budget. Ms. Markiewicz noted, when you look at that as a whole (outside of the labor, over-time, and employee benefits) you are looking at maybe 10% leeway if that. So of course, we are very diligent in making sure our insurance costs are being monitored to make sure that we are getting the best. We are very careful with spending; everything goes through an approval process - between the direct supervisor, Coleen, and myself, we look at everything.

Ms. Markiewicz then showed CY21 Actual and Projected Fixed and Semi-Variable Costs (Slide 6) which shows \$90.2m of Operating and Maintenance Expenses for the Budget. This includes power supply, which has decreased as well. Outside of power supply, we are talking about a \$1m decrease in the Budget (under budget). Ms. Markiewicz went on to review the Projected Rate Increase (Slide 7), noting staff had done a reforecast in June and then sent an email out to the CAB, the BOC, the Towns, saying what we believe the rate increase is going to be - we had committed to doing an 18-month projection so that the towns have time to put it in their budget, and we know that goes through 6/30/22, for towns. In CY2021, an approximate 2% to 2.5% overall rate increase for CY21 will be entirely supplemented by the Rate Stabilization Fund, of approximately \$1,750,000 - \$2,000,000. An approximate 3% to 3.5% overall rate increase for calendar year 2022 will be partially supplemented by the Rate Stabilization Fund of approximately 1% or that of \$800,000. Ms. Markiewicz noted, that pending any catastrophic event, the RMLD is prepared to honor these rate increase assumptions because once we pass this off to the towns, we understand that the towns have a budget to answer to as well.

Ms. Markiewicz finished with a review of the Six Year Plan (slide 8). Ms. Markiewicz noted that this is a good picture to see where we think we are going to be - of course these are just assumptions - we do the best we can. We think we are coming in flat with kilowatt hour sales; we thought we were going to have an increase this year - it did not happen. So, we are projecting flat kilowatt hour sales. There are some imbedded rate increases in there in order to carry the expenses. As you can see with that rate of return, we are trying balance that out. We were up around 7% - we came in too high last year and that is why we transferred over \$1m to the rate stabilization, and that is why we are giving it back to our customers. And then we are coming down to 7% for projected for the end of CY20 and CY21 we are at 6%, and then downward into the 5% for the rest of the six-year budget. We are trying to fund all of the capital projects in house, which prevents extra cost to our customers. Of course, we tried to stay around the \$8m, as the study recommended, but with the Wilmington substation and the replacement of the meters, it is very difficult to stay at that number, but we are getting there. Ms. Markiewicz noted that concluded her presentation.

Mr. Hooper stated, you said for FY21 there is no anticipated increase. And FY22 it is 3% to 3.5%, but the towns can expect 2% to 2.5%, because 1% is being picked up by the Rate Stabilization Fund. Ms. Markiewicz replied that is correct. When we say the 3% to 3.5%, that is all different classes, which is why we are doing the gap there. Yes, we are going to pick up 1% in 2022. For 2021 there is no effect to the bill, so we are going to pick that up, with the Rate Stabilization. For 2022 - we are looking at right about 2% to 2.5%, exactly. Mr. Hooper noted this is important for the communities to know while they are going into their fiscal budget year trying to get ready.

Mr. Soni asked why NYPA shows up as a negative line. On the home bill also, it shows up as a negative 0.005 cents. Mr. Underhill responded that NYPA power that RMLD receives comes to us at below our average or imbedded cost of power, and so we are required, as recipients of the power, to show that as a credit because it is lowering the power cost for all of our residential rate payers. We are able to show the negative value or credit adjustment for the below market preference power costs from those federal projects. Mr. Underhill noted NYPA is an expense (to RMLD), but it is below the

incurred expense of our purchase power portfolio, and we are supposed to show that as a credit or as a reduction to residential rate payers. It is usually between about 4.5 and 5 mills per kWh.

Mr. Underhill reviewed the Power Supply Budget (page 99 of the CY21 Budget). RMLD gets a budget each year that is a projection of the cost of our various contracts, the other power resources that we have, and whatever market power that we need to purchase. Transmission costs from the RTO are reflected in there, and capacity costs that are billed by ISO New England as forward fixed costs responsibility that tries to stabilize the wholesale market.

The Budget is projected to be what it was or a little bit lower for the coming year. We have a small component of ISO market power in the RMLD portfolio at this point, and that power is anticipated to be extremely inexpensive for calendar year 2021. Page 99 is a breakdown of the resource entitlements and how we expect that to play out for the year. We address that number quarterly so that we can set our purchase power and fuel expense charge to be zero at the end of the year. We try to keep as much of the volatility out as possible.

Mr. Underhill noted 2020 was a difficult year (with regard to load). It was the warmest winter on record, and as a result, through March sales were down about 3%. We then went into the COVID period. At this point, we are still running at around 3%-3.5%, which means that the COVID impacts have been minimal. The bulk of the impacts on our power supply budget have been decreases in anticipated load from the warmer than anticipated winter, and that translates directly to an impact on sales. Mr. Underhill noted his presentation was complete.

Chair Small asked if there were any motions.

Mr. Hooper made a motion, seconded by Mr. Soni, that the Citizens' Advisory Board recommend to the RMLD Board of Commissioners the Calendar Year 2021 Operating Budget with a Net Income of \$3,548,598, as presented. **Motion carried 3:0:2** (3 in favor, 0 opposed, 2 absent) by a roll call vote of those present: George Hooper, aye; Vivek Soni, aye; Jason Small, aye.

Mr. Hooper made a motion, seconded by Mr. Soni, that the Citizens' Advisory Board recommend to the RMLD Board of Commissioners the Calendar Year 2021 Capital Budget in the amount of \$11,648,047 as presented. Any significant changes are to be submitted to the CAB for review and recommendation. **Motion carried 3:0:2** (three in favor, 0 opposed, 2 absent) by a roll call vote of those present: George Hooper, aye; Vivek Soni, aye; Jason Small, aye.

4. Scheduling: CAB Meetings & Coverage for Commissioners Meetings – J. Small, Chair

The next meeting was scheduled for November 19<sup>th</sup>; Mr. Soni will cover the BOC meeting.

Chair Small asked if any members of the public had any comment. They did not.

5. Motion to adjourn – J. Small, Chair

Mr. Hooper made a motion to adjourn, seconded by Mr. Soni. Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent) by a roll call vote of those present: George Hooper, aye; Vivek Soni, aye; Jason Small, aye.

The CAB meeting adjourned at 6:46 PM

As approved on July 19, 2021.