



Town of Reading Meeting Minutes

Board - Committee - Commission - Council:

RMLD Citizens Advisory Board

Date: 2021-06-03

Time: 6:00 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. Dennis Kelley (Wilmington)

Members - Not Present:

Mr. George Hooper, Secretary (Wilmington); Mr. Joseph Markey (Lynnfield)

Others Present:

Mr. Robert Coulter, Board of Commissioners

Staff:

Ms. Coleen O'Brien, Mr. Hamid Jaffari, Ms. Wendy Markiewicz, Mr. Gregory Phipps, Ms. Kathleen Rybak, Ms. Erica Morse, Mr. Brian Hatch, Mr. John McDonagh

Mr. Zack Fentross and Mr. Andrew Gordon, Melanson

Public:

Mr. Robert Connor, Reading

Minutes Respectfully Submitted By: Mr. Jason Small, Chair

Jason Small
Jason Small, Oct 21, 2022 01:15 EDT

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 6:00 PM and noted the meeting was being audio recorded.

2. Approval of Minutes – J. Small, Chair

Mr. Soni made a motion, seconded by Mr. Kelley, that the Citizens' Advisory Board approve the minutes of September 16, 2020, meeting as written. Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent) by a roll vote of those present Mr. Soni, aye; Mr. Kelley, aye; Chair Small, aye. Mr. Hooper and Mr. Markey were not present.

3. Report from the Board of Commissioners – R. Coulter, Commissioner

Mr. Coulter reported that the RMLD Board of Commissioners attended the Reading Select Board meeting. The MACP presented on the Green Communities Designation. The presentation discussed how efforts to conserve 20 percent of energy over the

next five years, including DOER fleet compliance. RMLD is already in compliance, based on the existing procedures that have been in place.

4. General Manager's Report – C. O'Brien, General Manager
 - Community Update

Ms. O'Brien reported on the following community events:

Virtual EV Workshop

This event was held on April 27th attended by 75+ people. The roundtable was informative and provided excellent feedback. Some community TV stations will be broadcasting the event. RMLD plans to have another EV Workshop in September during the National Drive Week. The RMLD will likely have an additional heat pump round table before year end.

High School Art Contest Virtual Awards Ceremony

This event was held on May 12th. The RMLD thanked Messrs. Pacino and Stempeck for their attendance, as well as giving out the awards. The winner will be displayed on the front cover of the RMLD Annual Report, which is scheduled to be issues by the end of June.

YMCA's Healthy Kids Day

The RMLD participated in Burbank YMCA's Healthy Kids Day on May 22nd presented electrical safety information to the children in attendance.

Virtual "Electrification" Presentation

This will be taking place on June 7th at 2:30 PM in partnership with the Wilmington, Reading, and North Reading libraries.

Wilmington Farmer's Market

This event will be taking place on June 27th; the RMLD will be at the community table from 10:00 AM to 2:00 PM.

2020 Shred the Peak

RMLD will be making a statement clarifying that the "Shred the Peak" is the overall program; the "Peak Demand Reduction pilot program" is for commercial and industrial customers; "Shred the Peak" is for residential.

Northeast Public Power Association (NEPPA) Annual Conference - August 22-25, 2021, at the Westin Portland Harborview, in Portland, Maine

Ms. O'Brien explained that per the Citizens' Advisory Board (CAB) policy, it requires that a vote be taken for CAB members who want to attend the NEPPA Annual Conference. The consensus was to have four CAB members get approval to attend the conference.

Mr. Soni made a motion, seconded by Mr. Kelley, that the Citizens' Advisory Board approve travel to, and attendance at, the NEPPA Annual Conference to take place August 22-25, 2021, at the Westin Portland Harborview in Portland, Maine, for Jason Small, Vivek Soni, George Hooper, and Joseph Markey. Mr. Kelley will not be attending. Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent) by a roll vote of those present Mr. Soni, aye; Mr. Kelley, aye, Chair Small, aye. Mr. Hooper and Mr. Markey were not present.

5. Presentation of 2020 Financial Audit Findings as Presented to the Audit Committee
A. Gordon, Audit Supervisor, Melanson
Materials: *Board Packet; Annual Financial Statements; Financial Report*
Ms. Markiewicz introduced Andrew Gordon and Zack Fentross from Melanson. This is the first time the auditing findings have been presented to the CAB.

Mr. Gordon presented the financial statements in a comparative basis for the first time in years. The reason for the lack of comparative statements in the past was because the department moved to a December 31 year end as well as the implementation of Governmental Accounting Standard Board (GASB) 74 and 75. The takeaway of the 2020 Audit findings was that the department had positive operating results; a well-funded OPEB Trust Fund; and there was no management letter. RMLD received a clean opinion; the best opinion you can receive from an Independent Audit; and there are no exceptions. This opinion is consistent with prior year with prior years.

Mr. Gordon reported that the net of accumulated depreciation increased from CY19 by approximately \$2.4m. This increase consists of \$7.3m in additions to capital assets less \$4.7m depreciation expense for the year.

The net pension liability, which is the department's portion of total unfunded liability for the Reading Contributory Retirement System (measured as of December 31, 2019), decreased \$2.5m from the prior year. The primary reason for the decrease is due to the Retirement System's investment results coming in greater than anticipated (\$10.1m); of that, RMLD's benefit was about \$2.9m. RMLD's proportionate share of total unfunded liability is about 28.35%. The Reading Retirement System is funded higher at 78.24% than the average seen in the Commonwealth (66%). The RMLD set aside \$6.6m to fund future appropriations to the retirement system. These funds (Per GASB) cannot be used to reduce the net pension liability. The primary reason for the decrease is due to the Retirement System's investment results coming in greater than anticipated in 2019, \$10.m; of that, RMLD's portion of benefit was about \$2.9m.

Mr. Gordon stated that the net OPEB liability balance increased \$7.2k from the prior year. Mr. Gordon reported on the required supplementary information for the department's other post-employment benefits, which includes health insurance and other health care benefits that the department provides for employees

Mr. Gordon reported on the required supplementary information for the department's Other Post-Employment benefits, which includes health insurance and other health care benefits that the department provides for employees. Mr. Gordon pointed the total OPEB liability for 2020 \$11.6m and the plan fiduciary net position \$4.5m; these figures demonstrate that the department has funded the total OPEB liability at approximately 38.62%. Most towns and cities are between 1% to 10% funded; light departments in the Commonwealth are between 20% to 40% funded. RMLD has a strong position in terms of funding the total OPEB liability.

Mr. Gordon noted there was a decrease of \$2.5m in electric sales, net of discounts, in conjunction with a \$3.7m decrease of purchase power. The decrease in both these items was primarily due to the decrease in cost of power from 2019-2020. The cost savings that RMLD saw as a result passed through to the customer, causing a decrease in both electric sale and purchase power operating expense.

Mr. Gordon stated that as part of the audit procedures, they look at the liquidity of the department. The cash on hand is compared to the department's operating expense to come up with a ratio. He then explained the items used to calculate the cash on hand. RMLD has enough cash on hand to cover just three months of operating expenditures. Typically, a good ratio is to have enough cash to cover three months of operating expenditures. This figure is up from the prior year, 2019 which was 2.97 months.

6. Integrated Resources Report – G. Phipps, Director of Integrated Resources
Materials: *Intergraded Resources Report – dated June 3, 2021 (Presentation Slides)*

Mr. Phipps reported that he will covering a power portfolio addition – a third hydro project, renewable choice update as part of Policy 30, Revision 1, as well as key economic power supply related drivers.

Due to the Climate Bill which has been discussed at prior meetings, non-carbon projects are at a premium. RMLD has stepped up its efforts for non-carbon projects such as solar, hydro or wind. RMLD has the Rox Wind Project that was contracted a year ago. Rox Wind is in the construction phase, likely to come online at the end of this year. However, there are very few solar and wind projects to purchase power from. RMLD in conjunction with Energy New England would likely participate in offshore wind projects if they avail themselves along with other MLPs.

New York Hydro Power Supply Opportunity Slide 3

Mr. Phipps stated that the RMLD is presenting a third Hydro Power Supply opportunity; a Gravity project currently referred to as Plant #4 located in Eastern New York.

This supply opportunity is of interest to RMLD for the following reasons: The project supplies power into ISO New England therefore from a distribution and transmission perspective it is well suited. Upstream is a massively wide watershed area which translates into more consistent power generation. There are no known environmental issues, partly because of age (200 years) and partly because these hydro plants go through extensive regulatory process at the federal, state, and local level. It is an approximately 31,000 megawatt hours per year unit, which represents just under 5% of RMLD's total load. It will have Massachusetts Class II certificates. RMLD's preference is to buy associated certificates with the power contracts. This project is priced a little below RMLD's average for hydro. Given the timing of the market, the value of the certificates, as well as the volume and pricing the opportunity is a good fit for the RMLD.

Mr. Soni asked a question clarifying the length of the contract and the pricing. Mr. Phipps responded that it would be a 25-year contract and the pricing for the most part would be a level fixed cost going forward. The first three years are at a lower level fixed cost and will increase up to a determined fixed level cost which is below RMLD's general average.

Mr. Soni commented that upgrades were performed in 2019 on this project, and asked if there are any FERC associated approvals required? If so, what is the timing? Mr. Phipps stated that there will be another FERC relicensing. Most hydro projects have been around for a long period of time, and most issues have been flushed out during that history. The owner is not expecting any surprises from the due diligence that will be performed for the relicensing process.

Mr. Soni asked a question clarifying the motion phrasing "after completion of proper due diligence,". Mr. Phipps explained that besides RMLD performing its basic due diligence on the site, the Board of Commissioners asked to look at the environmental, and a basic social economic due diligence. Mr. Phipps said that the due diligence on the Dahowa Hydro Project is expected to come back clean. A similar process will be taken by a third party performing the environmental due diligence which is part of RMLD's process. Mr. Phipps noted that hydro projects are heavily regulated at both the federal and state levels including the local level.

Mr. Connor asked a question regarding Gravity's hydro sites, and specifically project #4. Mr. Phipps responded that the department does know the location of the project #4. The reason why it is being called the Plant #4 is because it is in a new contract process. Currently, it is being operated and managed by Gravity.

Mr. Phipps noted that because the existing contract is terminating, Gravity has decided to purchase the project and has not yet submitted a request for license

reassignment. Gravity is currently finalizing their negotiations. Gravity asked RMLD not to disclose with the actual location until the contract is finalized.

Mr. Soni made a motion, seconded by Mr. Kelley, that Citizens' Advisory Board recommend that the Board of Commissioners vote to accept the General Manager's recommendation to execute a contract after proper due diligence, with Gravity Renewables for energy, including associated certificates, from a hydro facility in New York, known as plant #4. Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent) Mr. Soni, aye; Mr. Kelley, aye; Chair Small, aye. Mr. Hooper and Mr. Markey were not present.

Mr. Phipps provided an update on the Dahowa Hydro Project, also located in New York. RMLD received the due diligence report which concluded that there is sufficient information about the facility, positive local and environmental benefits, as well as limited associated risks. Based on the report findings, RMLD will continue moving forward with the contract (previously approved). The due diligence on the environmental and social environmental impacts were requested at the last Board of Commissioners meeting.

Renewable Choice at other MLP's Slide 4

Mr. Phipps reported that there are five MLP's that offer a Renewable Choice Program (Belmont, Wellesley, Shrewsbury, Middleborough, Taunton). Each program is unique to reflect the power portfolio, the rate base characterization, and the size of those individual MLPs. Taunton has a higher concentration of C&I in contrast to Belmont, Wellesley, and Middleton, who are primary residential; Shrewsbury is a mix. Each of these programs are "opt in."

Mr. Phipps started that Wellesley Municipal Light Plant is replacing their voluntary renewable energy program with Wellesley Electric Customers Accelerated Reduction of Emission "WECARE" program. The structure of WECARE is to collect a four percent increase is applied to all rate payers with few exceptions. Customers who do not wish to pay the additional 4% increase must opt out of the program. Mr. Phipps noted only 15% of the WECARE funds will be used to buy renewable certificates. The balance is used to fund current and future projects.

Renewable Choice – update Slide 5

The goal of the RMLD Renewable Choice Program is to offer an option for ratepayers that want to be either 100% renewable or non-carbon. This program allows customers who want to participate the opportunity to do so at an incremental pace and provides an option for ratepayers to participate at a 100% level.

Renewable Choice Program will focus on non-carbon and the ratepayers will be given two options within the program. One level will focus on retiring MA Class I certificates and the other focus on a mix of non-carbon certificates (EFECs up to MA Class Is). The program is being envisioned as a one-year commitment at a fixed rate of dollars per kWh. Funds that are collected will be allocated towards retiring a larger portion of certificates.

The RMLD is looking at the energy portfolio and certificate portfolio changes over time. The department wants to ensure any new programs are easy to administer and are straightforward for ratepayers to make an informed decision.

Renewable Choice - mechanism illustration Slide – 6

Mr. Phipps noted that the since the RMLD is retiring 23% of certificates this year, the goal is offer programs to fund from 23% to 100%, the remaining 77%.

The goal of the Renewable Choice Program is to retire more certificates in RMLD's portfolio annually. Mr. Phipps noted that particularly for the industrial and commercial sector, a buy more than retire model could be explored if there is a

request to purchase specific types of certificates. In all scenarios, the RMLD will be using the incremental funds to retire an additional block of certificates.

Key Financial (\$) Drivers at RMLD – Slide 8

Mr. Phipps reported on the key financial drivers at Reading Municipal Light Department. There are five major blocks in the cost structure at RMLD, one of those being the operating cost (Currently 30-33%); which includes the equipment, all of the distribution network, labor, and anything within the RMLD territory that RMLD will manage and operate. Overtime, this operating cost will go down as a percentage of total costs, partially because of the compound annual growth rate (CAGR) of the other cost blocks is higher. Energy, transmission, capacity, and certificates make up the balance of the costs' categories. Energy is 30% of RMLD's cost structure. The other two big pieces are transmission and capacity; RMLD has active programs to manage those costs.

RMLD's retirement of certificates will add to RMLD's overall cost structure. In 2025, certificates will be approximately 5%, growing at a rate of about 15% CAGR driven primarily by the number of certificates that RMLD has to retire annually.

Mr. Connor clarified that Mr. Phipps said that it would be 23% of the 39%, you meant 23% of the total. Mr. Phipps responded he corrected himself 23% of the total.

7. Policy 9 - Procurement Request – B. Hatch, Director of Information Technology Materials: *RMLD New IT Production Environment with Disaster Recovery (DR) Backup Solution*

Mr. Hatch reported on the importance and time sensitivity of implementing the new RMLD IT Production Environment with Disaster Recovery (DR) project. Mr. Hatch stated that an upgrade and replacement of RMLD's production environment, as well as a new backup solution (utilizing the latest and greatest technology) having a disaster coverage site that is outside of New England will provide a better, safer, and more responsive atmosphere if there are any issues, problems, or concerns with RMLD's data assets.

RMLD performed a comprehensive assessment for the upgrade to its IT production environment. The backup solution and identifying where disaster recovery colocation should be with the connectivity to that location. The ability to perform essential backups, more importantly the ability to provide restoration of those backups when needed if we have an issue, problem, or concern as did last year were addressed. The goal is to upgrade the production environment, in order that it is future proof and ready to take on the issues of tomorrow.

Mr. Hatch then addressed some of the specifics for the costs associated with this project, cognizant of the information being put presented is guarded to circumvent RMLD from an attack, hack, ransom war, etc.

RMLD will be putting in a new production environment and then would repurpose the current environment in disaster recovery. This new environment would last approximately four to five years. This could be depreciated each year after that or after the entire five years and we would need four of the products that we had be using that are considered industry top notch.

Mr. Hatch explained all phases of the new IT Production System with Backups Disaster Recovery and their associated costs. RMLD has put a cap on this as it is unbudgeted, but we would be using the state contract of a maximum of \$420,000. But as we see it today, we are looking at \$414,000. (Slide 4)

Ms. O'Brien explained that this is not in the existing RMLD capital budget, therefore this is being presented. This is part of our assessment, analysis and hiring Brian to look at RMLD's IT environment. Both the CAB and RMLD Board will be voting on this.

Mr. Soni asked because of what RMLD experienced last year in terms of backup, is part of RMLD's strategy is to spend funds on cyber security? Mr. Hatch responded that cyber security is part of this. Ms. O'Brien interjected that any further conversation needs to be discussed in executive session to ensure the integrity of RMLD's IT infrastructure is not compromised. Ms. O'Brien added that RMLD presently has backups and upgrades consistent with NERC and cyber security requirements.

Mrs. Markiewicz added that for CY 21 budget over half a million dollars is for hardware and software upgrades in addition there is half a million in the operating budget for continued maintenance and licenses.

Mr. Kelley noted that the redundancy and disaster recovery with having offsite places would be of benefit not to be at the mercy of somebody if something was to happen. Chair Small agreed with Mr. Kelley it would be consistent with NERC standards this should be done.

Mr. Soni made a motion, seconded by Mr. Kelley, that the Citizens' Advisory Board recommend that the Board of Commissioners authorize the General Manager to move forward with the RMLD New Production Environment with Disaster Recovery Project, as presented. Staff will solicit quotes from the State contract and award contracts for the project, not to exceed \$420,000 in CY2021. This un-budgeted project will be paid from the Depreciation and Operating Funds. Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent) by a roll vote of those present Mr. Kelley, aye; Vivek Soni, aye; and Chair Small aye. Mr. Hooper and Mr. Markey were not present.

8. Scheduling – J. Small, Chair

Next CAB Meeting

BOC Meeting Coverage Tentatively Scheduled for July 22.

Ms. Rybak will send out an e-mail to confirm BOC meeting date.

Mr. Kelley asked if the meetings will be in person or continue with Zoom? Ms. Rybak responded that the Governor has extended it until September 2021, but the RMLD will be providing guidance in the meantime.

Ms. O'Brien mentioned that she has reached out to the Town of Lynnfield about representation at CAB meetings. There has not been a Lynnfield representative at the meetings. Ms. O'Brien is waiting to hear from the town.

9. Adjournment – J. Small, Chair

Mr. Kelley made a motion, seconded by Mr. Soni, that the Citizens' Advisory Board adjourn regular session. Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent) by a roll vote of those present. Vivek Soni, aye; Dennis Kelley, aye; and Chair Small, aye. Mr. Hooper and Mr. Markey were not present.

The CAB meeting adjourned at 7:07 PM.

As approved on October 20, 2021.