

**READING MUNICIPAL LIGHT DEPARTMENT  
CITIZENS' ADVISORY BOARD (CAB) MEETING**

**MINUTES  
Regular Session**

Time: 6:30 p.m.

Date: Thursday, January 23, 2014

Place: RMLD, 230 Ash Street, Reading, MA, Winfred Spurr/Audio Visual Room

**CAB Members Present:**

Mr. John Norton, Chairman (North Reading); Mr. Tony Capobianco (Reading); Mr. George Hooper, Vice Chairman (Wilmington); Mr. David Nelson (Lynnfield); Mr. Thomas Ollila, Secretary (Wilmington)

**CAB Members Absent:**

None

**RMLD Commissioner(s) Present:**

Mr. Robert Soli

**RMLD Staff Present:**

Ms. Coleen O'Brien, Mr. Robert Fournier, Ms. Jane Parenteau, Ms. Kathleen Rybak, Mr. William Seldon

**Public and Invited Guests Present:**

Mr. David Mancuso, Mr. Philip Pacino, Attorney Christopher Pollart from Rubin and Rudman

**1. Call Meeting to Order – J. Norton, Chairman**

Chairman Norton called the meeting of the Citizens' Advisory Board to order at 6:30 p.m. and noted that the meeting was being audio recorded.

Chair Norton reviewed the format for the meeting with regard to Item 3 – Consideration of Rate Adjustment. Chair Norton recognized and welcomed Commissioner Soli (representing the Board of Commissioners), Commissioners Pacino and Mancuso (attending as members of the public), as well as Mr. Chris Pollart from Rubin and Rudman.

**2. Approval of Minutes– J. Norton, Chairman**

*Materials: December 4, 2013, CAB Minutes*

Mr. Nelson made a **Motion** that the Citizens' Advisory Board approve the Minutes from the December 4, 2013, meeting as written, seconded by Mr. Hooper. Hearing no further discussion, **Motion carried 5:0:0 (5 in favor, 0 opposed, 0 absent).**

**3. Consideration of Rate Adjustment – C. O'Brien, General Manager**

Ms. O'Brien thanked Chair Norton and made some opening remarks. The RMLD is seeking an approximate 5% increase to meet more closely the approved FY14 Budget. The Operating Income for that Budget was approved at \$4.007m and with this rate increase of 5%, Operating Income would be \$3.4m. Ms. O'Brien clarified that when discussions first began on the need for the rate increase staff spoke both in terms of the overall increase to the customer's bill in addition to the percentage portions of the base rate that would be impacted. The 9% to the base portion and the customer charge is integral to the rate, but the effect is a 5% overall rate increase.

Ms. O'Brien noted the Operating Income is based on the kilowatt-hour sales projections, which over the last several years assumed unrealistic load growth - assumptions that were not adjusted in FY2014.

Massachusetts GL 58 does not allow RMLD to have rates that are below production costs - one of the reasons why we want to make sure that our operating income stays consistent - but also to protect our credit rating in order to continue to attract low power costs. RMLD has one of the lowest rates in the State and with this 5% increase will remain one of the lowest rates in the State. RMLD has excellent reliability, and with that, this type of rate increase is consistent with keeping Net Income at a 5.5% to 6.5% rate of return and allows us to meet all of our commitments and obligations.

Ms. O'Brien noted that this problem was found while going through the details of the budgets and preparing a six-year financial plan. To avoid this situation in the future, a six-year financial plan will be created each year. The cost of service study model will be updated, and we will remain consistent in our rate of return. Additionally, RMLD plans to unbundle the rates so as transmission and capacity prices go up it becomes even more transparent exactly where the increases may be coming from. Ms. O'Brien reported that all internal expenses have been reviewed, and there is not much, if anything, that can be changed immediately. Eighty percent of the RMLD budget is Power Supply and 20% is Operating and Maintenance (O&M). According to the American Public Power Association, 20% for O&M is excellent. This rate increase is to ensure that we meet our financial obligations and remain in financial standing until the end of this fiscal year.

Each CAB member was given an opportunity to speak about their experiences in presenting this proposed rate increase to their boards, town managers/administrators, and the public. CAB members acknowledged the efforts of the staff to meet with the various communities. They also acknowledged the excellent staff at RMLD. Some of the feedback CAB members received included questions about why this occurred, and how to avoid a similar situation in the future. There was concern about future rate increases as a result of the Cost of Service Study. Were there any red flags raised in terms of audits or financial reports that could have foreseen this? Questions were raised about the return on investment to the Town of Reading and the method to calculate that payment. Mr. Hooper noted (regarding the payment to Reading) that the benchmark was established by the Board of Commissioners back in 1998. Mr. Soli noted that the 2012 payment did go down when the CPI went down. Suggestions were made to either spread the rate increase out or delay it until the Cost of Service Study is complete. Concern was raised that this rate increase was originally presented without warning; its impact on citizens, both as taxpayers and rate payers.

Ms. O'Brien noted that there were load-growth assumptions that were not tracked closely. Revenue assumptions were made, and the sales were less than anticipated. With regard to the payment to the Town of Reading, Ms. O'Brien noted that in 1998 there was a Board of Commissioners motion to form a committee to look at that. The RMLD can make up to 8% of net plant, but targets to make less - to make the appropriate amount that balances solid financial standing and to meet our obligations and commitments. There must be a sufficient or appropriate amount of money for any type of catastrophic event whether affecting capital infrastructure or some kind of fuel crisis.

Ms. O'Brien noted that the Cost of Service Study will include both an LED street light rate and a low-income rate. Ms. O'Brien committed to continued education about what is anticipated noting that Transmission and Capacity increases are expected for 2017 and 2018. Ms. Parenteau explained, because RMLD is located in the NEMA load zone, capacity for that forward option cleared at \$15 a kilowatt month - right now, we are paying \$3 a kilowatt month. As a load entity in this area, we need generation in this area to meet that requirement. Therefore, we will be paying, on a net basis, around \$6 to \$7 a kilowatt month, which is doubling what we are currently paying for Capacity. Transmission is estimated to be increased at a rate of 10% per year for transmission upgrades that are regulated by FERC. Without a mechanism to manage our peak, there is no other way to hedge that. RMLD is working to get some programs in place to hedge some of these increases.

Ms. Parenteau spoke to past rate adjustments. Since the last rate increase in 2008, our power supply has decreased by \$9.5m. Those costs have been credited to our customers. Looking at RMLD rate comparisons over the last years, we were able to secure long-term contracts and those benefits were funneled all to our customers.

Chair Norton recognized Mr. Pacino and Mr. Mancuso who were present not as Commission members, but as members of the public. Each made statements.

Chair Norton opened the meeting for further discussion; hearing none asked for a motion.

Mr. Capobianco made a **Motion** that the RMLD Citizens' Advisory Board recommend to the RMLD Board of Commissioners the adoption of the rates MDPU numbers 228, 229, 230, 231, 232, 233, 234, 235 dated to be filed on January 30, 2014, on the recommendation of the General Manager, seconded by Mr. Ollila. **Motion failed 2:3:0 (2 in favor, 3 opposed, 0 absent).**

Chair Norton asked if there were any other motions.

Mr. Hooper made a **Motion** that the CAB recommend no increase in rates to the RMLD Board of Commissioners at this time until other options have been explored and identified, seconded by Mr. Nelson. **Motion carried 3:2:0 (3 in favor, 2 opposed, 0 absent).**

Chair Norton noted the three to two vote. Those in favor, Mr. Hooper, Chair Norton and Mr. Nelson. Those opposed, Mr. Capobianco and Mr. Ollila. The motion we will forward to the Board of Light Commissioners.

#### 4. Review of CAB Policy #1 – J. Norton, Chairman

*Materials: CAB Policy No. 1 Revision No. 1 (included in Packet) and Mr. Nelson's Edits (distributed).*

Chair Norton turned discussion over to Mr. Nelson. Mr. Nelson reviewed the suggested changes as outlined on Revision 2 of Policy #1, which includes wording, issues as outlined in the 20-Year Agreement, some reference the 20-Year Agreement, applicable laws, using respect, and conducting ourselves in a business-like manner. Chair Norton asked for comments.

Mr. Ollila noted inconsistent references to the RMLD Board and the RMLD Commission. This should be consistent throughout. In addition, when using the word Board it is not clear who it references - the CAB or RMLD Board. Mr. Ollila questioned the language in III, Paragraph D, noting that the CAB sometimes looks at projects that are less than 10 megawatts. Do we need to change 10 to something else or address that? Also, it is not clear what the second two items are –six months in duration or one year in length. Chair Norton asked Ms. Parenteau to speak to that. Ms. Parenteau noted that she believes it is tied directly into the 20-Year Agreement and questioned whether it can change here and supersede the 20-Year Agreement. Mr. Ollila noted it states "all of the following conditions" or should it be, "or." Mr. Ollila suggested (in Item E) after, "The CAB shall review the proposed budgets for both their ability to assure the proper maintenance..." – add "and reliability." Mr. Soli suggested "subcommittees" be changed to committees. There were no other comments or suggestions. Chairman Norton asked that the revisions suggested be made and the Policy be put on the agenda for a formal vote. Mr. Nelson asked (regarding Page 1, I. Purpose, C and D) if anyone had any feelings about keeping that in there or taking it out. Chair Norton stated he had no problem with it staying in there. There were no other comments.

#### 5. Next Meeting Date – J. Norton, Chairman

The next meeting of the CAB will be the Budget meetings: April 2 to review the Operating Budget held in Lynnfield, and April 9 to review the Capital Budget at RMLD.

#### 6. Executive Session – J. Norton, Chairman

Mr. Hooper made a **Motion** that the Citizens' Advisory Board go into Executive Session based on Chapter 164, Section 47D exemption from public records and open meeting requirements in certain instances to approve Executive Session Minutes of December 4, 2013, to discuss competitively sensitive issues, and return to regular session for the sole purpose of adjournment, seconded by Mr. Nelson.

**Motion carried 5:0:0 (5 in favor, 0 opposed, 0 absent), by a poll of members present:** Mr. Capobianco, aye; Mr. Hooper, aye; Chairman Norton, aye; Mr. Nelson, aye; Mr. Ollila, aye.

**7. Motion to Adjourn – J. Norton, Chairman**

Mr. Capobianco made a ***Motion*** to Adjourn the Citizens' Advisory Board meeting, seconded by Mr. Hooper. ***Motion carried 5:0:0 (5 in favor, 0 opposed, 0 absent).***

The Citizens' Advisory Board Meeting adjourned at 7:59 p.m.

Respectfully submitted,



George Hooper, Vice Chair

Minutes approved on: \_\_\_\_\_

9/19/19