



Town of Reading Meeting Minutes

Board - Committee - Commission - Council:

RMLD Citizens Advisory Board

Date: 2015-04-15

Time: 6:30 PM

Building: Wilmington Town Hall

Location: Room 9

Address: 121 Glen Road, Wilmington, MA

Purpose: Regular Meeting

Session: General Session

Attendees: **Members - Present:**

Mr. George Hooper, Chair (Wilmington); Mr. David Mancuso, Secretary (Reading); Mr. Mark Chrisos (North Reading); Mr. Dennis Kelley (Wilmington)

Members - Not Present:

Mr. David Nelson, Vice Chair (Lynnfield)

Others Present:

Mr. Thomas O'Rourke, RMLD Board of Commissioners
Ms. Coleen O'Brien, Mr. Bob Fournier, Mr. Hamid Jaffari, Ms. Jane Parenteau,
Ms. Kathleen Rybak, Mr. Mark Uvanni

Minutes Respectfully Submitted By: George Hooper, Chair

Topics of Discussion:

1. **Call Meeting to Order – G. Hooper, Chair**

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

2. **Pole Line Upgrade –Lowell Street, Wilmington – H. Jaffari, Director of Engineering & Operations**

Mr. Jaffari provided an update on the Lowell Street, Wilmington project. This project calls for upgrading the pole line from Woburn Street up. This project requires upgrade to approximately 35 poles; fifteen poles have been set and five transfers completed thus far. Mr. Jaffari estimates another seventy days of work to complete the project by the end of June or early July. Winter weather delayed the project. Mr. Jaffari acknowledged the cooperation from the Town of Wilmington, in particular the DPW Director and crews, who provided a backhoe for snow removal, which has resulted in a substantial savings during the project.

Mr. Hooper noted that it is going relatively smoothly given the amount of traffic that flows through that area. Mr. Kelley asked about the time-frame for other utilities (Comcast and Verizon) to complete their work. Mr. Jaffari noted that they will be notified through NJUNS (pole transfer system) once RMLD work is completed.

3. **FY16 Capital Budget – C. O'Brien, General Manager**

Presentation Materials: FY2016 Capital Budget CAB and RMLD Board Presentation

Ms. O'Brien introduced staff present. Ms. O'Brien reported that RMLD is presenting the budget for FY16, which is integral to the six-year capital outlay including the FY15 year-end estimate and potential FY15 to FY16 carryovers. RMLD began using this format last year. With this format, you are seeing what we think we will accomplish in this year and what we have planned out in the future. As the Organizational and Reliability Study and the roadmaps and strategic plans roll

out, you'll start to see that that five-year plan lines up and everyone always has an idea of where we are going so that it's transparent.

The FY15 Budget was an aggressive year of change where a number of projects worked holistically to layout the roadmap for the future of RMLD. This included calling for the full Organizational and Reliability study; the development of the new Technical Services division that now handles all of the substation maintenance and testing, including underground wire testing; asset management maintenance plans and corresponding system equipment that's needed. The FY16 budget continues this path with a master facilities plan, fleet assessment study, major substation and circuit upgrades, LED street light conversion through all the towns, peak shaving and system flexibility functions, GIS overhaul including complete data collection, and SCADA integration. As well, our main finance software (Cogsdale) upgrade, security and spill prevention measures, 500 Club metering. As everyone is familiar, we have a fixed network for all our residential. Those meters were purchased without an ability to provide the parameters back for the data to the SCADA or for engineering modeling. Therefore, we stopped for the 500 Club and are putting in a mesh network that integrates into the fiber loop. This will improve our capability to communicate with all of our customers and will also allow us to provide the new demand response capability program, which is a sharing in the cost-benefit with our customers to curtail load during peak shaving time-frames.

The Capital Budget for FY16 represents approximately \$10.5m, of which approximately \$1.5m was previously approved (with prior budgets) and transferred.

Mr. Chrisos asked for an overview of how projects are selected for FY16 versus future years – what factors (such as return on investment) are considered. Ms. O'Brien responded that we laid out the roadmap of what needs to be done. For example with circuit upgrades, capacity needs in a particular area, or equipment at the end of its useful life, a new substation. There are force accounts with the State, and some projects are added for compliance purposes. Projects such as distributed generation (DG) or the HVAC system consider the return on investment. Mr. Jaffari added, with the long-range planning study, good GIS and system modeling you will identify the weak points in the system and prioritize work (and spending) in a proactive manner.

Mr. Kelley asked if the Organizational/Reliability studies had been completed and if the studies were used to create this budget. Ms. O'Brien responded that the reports had just been received and are under review and revision. When the Budget was put together staff did the analysis and prioritized work. Ms. O'Brien noted that Booth created a GIS model of just the main bones and they did their modeling with the GIS model and came back with 95% match of what RMLD had done manually.

Mr. Jaffari reviewed the FY16 Capital Authorization Major Spending Projects (Slide 3). The projects highlighted in green are projects that were endorsed by the Reliability Study. Project highlights of the presentation include:

- Station 4 Switchgear's Breaker Replacement – the breakers and the gut of the system is antiquated. RMLD will begin to upgrade the equipment to prevent failure.
- Distributed Generation – A unit will be proposed for Station 3 as a mechanism for RMLD to manage anticipated increases in transmission and capacity costs. ROI will be 5-6 years. Mr. Chrisos asked if someone could comment on reports that ISO New England is thinking about changing the way they charge capacity factors. Ms. Parenteau responded that the ISO has talked about that several times. However, should they change the rules, RMLD could always put the generation in front of the meter so that energy could be generated into the marketplace. The preference is to stay behind the meter so we are not subject to generation rules. However, with an investment such as this, there are areas where we can maximize the benefit. Mr. Chrisos noted that as this project advances, RMLD will need to communicate with the North Reading Town Manager so that everyone in Town knows it's coming. Mr. Jaffari agreed and noted that the Town of North Reading would be briefed on the project.
- Substation Equipment Upgrade – RMLD will upgrade the relays to get them ready for the grid modernization.
- LED Street Lights – This project will start this year and run for three years. RMLD has received a \$125,000 grant from the DOER for this project.
- GIS – the foundation for the grid modernization and system upgrade and planning.
- Step-down Upgrades – When Substation 3 was built, RMLD had to convert the area and had to use step-downs. We are working to remove them, which will benefit the system by cutting down the losses.

- URD Upgrades – upgrade to old underground facilities.
- Routine Construction – includes general area build up, and residential/commercial buildings that are being constructed in the communities.
- Transformers and Capacitors – for routine use and to replace aged transformers.
- Rolling Stock - fork lift, spreader, digger derrick truck, and the tech services van.
- AMI Metering for 500 Club – The project will start in April through December. Meters will be installed at the commercial locations.
- MIS – upgrades to servers and software

Ms. O'Brien asked Mr. Fournier to discuss how (since we are going above our depreciation expense) RMLD will fund these projects. Mr. Fournier responded that for FY16, we believe we can internally finance FY16's Capital Budget. Based on our carry-over from FY15 (which is our ending balance or the beginning balance for FY16), then adding in depreciation and our year-end transfer, and if we spend everything we say we are going to in FY16, we may need to use the rate stabilization fund. Mr. Fournier noted that he called the DPU and they said that that is the appropriate for the use of rate stabilization money. If we did all of that, we would be able to internally finance this Capital Budget. If we do not want to borrow from rate stabilization, the ending balance as of FY16 is about \$3m, and we could use that \$3m. As Ms. O'Brien and Mr. Jaffari mentioned, with the Reliability Study a lot of the focus is to get these things done immediately - hence the \$10m. If you look at the rest of the plan, it is hovering around \$7m which is doable

Mr. Chrisos noted this is the highest year we're going to have and questioned, since we have such an excellent credit rating and the cost of money is so reasonable at this point, if we considered taking one or two large projects and bonding them because of the favorable rate of return now versus what we are going to get back. Mr. Fournier responded that the budget is prepared at the beginning of the (calendar) year, and we only have seven months of actual data. Until we get the FY15 numbers finalized, we really won't know exactly where we stand. We might not need to go out to bond. Once we get the FY15 results, we will look at where we stand. Another option is to increase the depreciation rate, but that adds additional expense on the bottom line.

Mr. Mancuso asked about the budget for transformers and what the \$668k covers in terms of the 20-25 year plan to replace aged transformers; how many will we actually be able to get done. Mr. Jaffari responded that we have prioritized the transformers by age. Last year, we replaced approximately 250 transformers. We estimate 200 maximum per year. This budget number is for both the transformer replacement and some of the other projects including new business. The majority will be used for the transformer upgrades. The group discussed the transformer replacement schedule and what is being spent to replace aged transformers versus the monetary and environmental risk of failures. Mr. Jaffari noted that we are proactively upgrading and replacing transformers that we think need to be replaced in the order of priority based on age and condition. This is a 10 to 15-years program and we can expect to see this kind of expense in the Capital Budget for the next 10 to 15 years.

Mr. Jaffari continued review of the remaining presentation slides addressing Operational Efficiencies and Purchase Power Savings (slide 4); Organizational and Reliability Study and Reliability Study Deficiencies (slide 5); RMLD's newly developed programs and plans (slide 6); Reliability Study Recommendations (slide 7); RMLD Organizational Study Deficiencies and Recommendations (slide 8). Ms. O'Brien noted that these are all recommendations or best practices at this point. Staff will talk about these recommendations more to see what actually could work within RMLD's current staffing structure. Mr. Jaffari noted that these are the highlights of the reports, more detail will follow once the full reports are provided.

Ms. Parenteau continued the presentation with a Distributed Generation (DG) Cost Benefit Analysis (slide 9-11). In order to give the Boards some numbers behind the \$2.1m of distributed generation, a cost-benefit analysis was prepared that looks at three alternatives including natural gas fueled distributed generation (DG), battery-based energy storage and solar-photovoltaic (PV). To make a base case, RMLD assumed a \$2.1m budget (the cost for two megawatts of DG) and apply that to each technology. Staff used very conservative numbers, and looked at variable costs, fixed costs, and debt service as outlined on Slide 11.

Ms. Parenteau reiterated that we are looking at this as a pilot for peak reduction (for both capacity and transmission reduction). Capacity is currently at \$3 and projected to go to \$15 by 2017. Transmission is around \$8 and is escalating at an average of over 6%. Ms. Parenteau noted that RMLD is trying to implement programs to off-set those increases. Ms. Parenteau

noted that all of these applications are great in a portfolio approach. However, what RMLD is trying to do is take the value, in terms of our customer revenue, and utilize the best option in the current time. RMLD supports solar and battery storage initiatives (right now battery storage is a little bit cost prohibitive). RMLD is currently working with customers on solar and we think this would be a natural progression in terms of implementing ways to manage our peak demand. The current peak reduction programs are voluntary. RMLD is working with commercial customers, but we rely on them to take an action. If they don't take that action, we don't get that reduction. By installing an application like this, we achieve that savings and that savings gets rolled out to everybody. Typically, RMLD's average kilowatt hour sales are about 700m kilowatt hours. That annual savings divided will correlate (for an average residential customer who uses 750 kilowatt) to a little over \$5.50 savings for that customer (26,000 residential customers). For our large commercial customers, this would provide significant savings in terms of the amount of energy that they utilize on an annual basis.

Mr. Mancuso asked if there was any capacity to run beyond peaking? Ms. Parenteau responded that it could, depending on gas availability, and permitting of the resource and how it is dispatched. Mr. Mancuso asked about the ongoing operating expenses and projected life cycle of the unit. Ms. Parenteau responded, that there's not much (operating expense) because it's based on run time; an annual inspection of the unit at approximately \$12,000. Life cycle is dependent on the run hours. These units can last well over 25 years. It is capital, which increases our net plant.

The group discussed the challenges of addressing the increases in transmission and capacity costs while balancing the portfolio with green/renewal energy, which tends to be expensive. As RMLD considers this gas-generated source, we need to be sensitive to the public concerns and be prepared to address those concerns. The group agreed that DG would be the right way to go as a pilot and then re-examine it in a year.

Mr. Jaffari noted that the presentation portion of the meeting was completed and asked if there were any questions.

Mr. Chrisos referenced recent press releases in the North Reading Transcript about the community solar and asked if there was a plan for press releases moving forward that is going to continue the story? Ms. Parenteau responded that there is a series of articles planned to address various topics (an introductory article, transmission costs rising, energy and capacity, and community solar). Mr. Chrisos asked for an update on the community solar project that's advancing through the Reading Climate Advisory Board. Ms. O'Brien responded that they are helping RMLD to try to locate facilities that might be willing to look at the structural integrity of their roof. Ms. Parenteau noted that community solar in general gets a higher SREC value, but because we are limited with land in this area, we are trying to tap municipal buildings first, so that the towns get a benefit in terms of the lease payment or payment in lieu of taxes, as well as visibility in the community. Ms. Parenteau reported that RMLD met with members of the Reading Planning department, and the MAPC and they are going to do some structural evaluation of some facilities that are options in Reading. Mr. Chrisos asked about the North Reading High School. Ms. Parenteau noted that RMLD is inundated with solar developers that come talk to us on a weekly basis. However, another solar developer had a proposal to North Reading that was brought to the selectmen who were not ready to consider it due to the timing (just after completion of the High School).

Mr. O'Rourke asked about the plan for spending with the capital expense - is it front loaded in the fiscal year; what does the cash flow look like? Mr. Fournier responded that the funds would be available and referred to Mr. Jaffari for a timeline. Mr. Jaffari noted that funds were going to be spent through the year. If the distributed generation is approved by the Board, we would like to get that started as soon as possible in order to get it completed before next year's peak so that we can start seeing the benefits. For some of the projects, such as AMI, the funds are needed right away.

Mr. Mancuso asked that the CAB have a conversation at some point about the budget review process moving forward. Mr. Mancuso noted he does not like the process of approving the Capital Budget before looking at the revenue side and load forecasting to completely understand what the money coming in is as we are making these decisions. Mr. Mancuso noted that he would like to see a unified budget because it's very difficult to go back and forth and really understand the capital expense side and then the operating side. Chair Hooper noted that he agrees on the operating budget and would like to have that presented first. Mr. Kelley suggested delaying the

Capital Budget vote until after the Operating Budget presentation. Mr. Mancuso indicated the he was not inclined to hold off the vote, what he would like is a different process in the future. Chair Hooper asked if there were any suggested motions.

Mr. Mancuso made a **Motion** that that the Citizens' Advisory Board recommend to the RMLD Board of Commissioners the FY16 Capital Budget dated March 27, 2015, in the amount of \$10,596,000 as presented. Any significant changes are to be submitted to the CAB for review and recommendation. Motion was seconded by Mr. Mancuso. Hearing no further discussion, **motion carried 4:0:1 (4 in favor; 0 opposed, 1 absent).**

The group continued the discussion about the budget process and presentation moving forward, as well as, the impact on RMLD revenue of economic development within the communities.

4. Next Meeting - G. Hooper, Chair

The next CAB meeting will be held April 22, 2015, at 6:30 p.m. at RMLD.

5. Motion to Adjourn – G. Hooper, Chair

Mr. Mancuso made a **Motion** to adjourn the Citizens' Advisory Board meeting, seconded by Mr. Chrisos. **Motion carried 4:0:1 (4 in favor, 0 opposed, 1 absent).**

The Citizens' Advisory Board Meeting adjourned at 8:17 p.m.

Minutes Approved On: 9/19/19