

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

**MINUTES  
Regular Session**

**Time:** 6:30 P.M.

**Date:** Wednesday, May 15, 2013

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

**CAB Members Present:**

Mr. George Hooper, Vice Chairman (Wilmington), Mr. David Nelson (Lynnfield), Mr. John Norton, Chairman (North Reading)

**CAB Members Absent:**

Mr. Tony Capobianco (Reading), Mr. Thomas Ollila, Secretary (Wilmington)

**RMLD Commissioner(s) Present:**

Mr. John Stempeck, Chairman

**RMLD Staff Present:**

Mr. Robert Fournier, Ms. Jane Parenteau, Mr. David Polson, Ms. Kathleen Rybak, Mr. William Seldon, Mr. Kevin Sullivan

**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.

Chairman Norton noted that we would be moving out of order on the Agenda. Item number five will be moved after Approval of the Minutes.

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

Chairman Norton asked for a motion to approve the minutes.

Mr. Hooper made a motion to approve the minutes of the May 18, 2011, meeting, seconded by Mr. Nelson. Hearing no further discussion, ***Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent).***

Mr. Hooper made a motion to approve the minutes of the June 13, 2011, meeting, seconded by Mr. Nelson. Hearing no further discussion, ***Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent).***

Mr. Hooper made a motion to approve the minutes of the October 4, 2011, meeting, seconded by Mr. Nelson. Hearing no further discussion, ***Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent).***

Mr. Nelson made a motion to approve the minutes of the May 9, 2012, meeting, seconded by Mr. Hooper. Hearing no further discussion, ***Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent).***

Mr. Nelson made a motion to approve the minutes of the March 13, 2013, meeting, seconded by Mr. Hooper. Hearing no further discussion, ***Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent).***

Mr. Nelson made a motion to approve the minutes of the April 3, 2013, meeting, seconded by Mr. Hooper. Hearing no further discussion, ***Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent).***

Mr. Hooper made a motion to approve the minutes of the April 10, 2013, meeting, seconded by Mr. Nelson. Hearing no further discussion, ***Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent).***

**3. Station 1 Renovations: Future Use/Recommendation to the RMLD Board – D. Polson (Item Taken Out of Order)**

Mr. Polson presented the report of Menders, Torrey & Spencer who were hired last year to evaluate the condition of Station 1 and make recommendations. Recommendations include repairs to the exterior and interior as well as two options for use - either as storage space or occupied space. Option 1 (storage only) would provide approximately 34,000 cubic feet of storage with use of a rack storage system. Part of the Capital Plan is to build another covered storage area and move equipment out of the leased space (Barbas building). This additional building combined with the Station 1 storage would allow us to eliminate the Barbas building lease. Option 2 would be mixed use combining storage and some type of occupied space, either office or meeting space, but substantially less storage space (3,000 feet of occupied space and 19,000 feet of storage space) than Option 1. Option 2 would provide a challenge in the effort to eliminate the use of the Barbas building. Option 2 versus Option 1 would cost approximately \$1M more because of the amount of interior work and additional exterior work that would be needed.

Mr. Nelson asked if we had out grown the office space. Mr. Polson stated that he did not see a need to use Station 1 for RMLD office space. The recommendation would be to repair the existing exterior structure to prevent further deterioration and evaluate the use of the building as storage, which would reduce our lease costs and increase material and equipment storage within the RMLD owned facilities. Mr. Polson noted that we would explore grants from the Massachusetts Historical Commission to fund some of the work. The goal would be to address the roof and exterior in FY14. We would then hire a design company to provide a detailed design. Mr. Polson noted that this is a multi-year project. The lease on the Barbas building expires in May 2014.

**4. Discussion of Future Handling of Budget Meetings – J. Norton, Chairman**

Chairman Norton stated that he would like to recommend that for future budget meetings that the CAB separate the discussion (from the Board discussions), as was done prior to 2012, with a member from the Board of Light Commissioners attending the meetings (as is usual practice). Any other Commissioner could attend as a member of the public. It is also his recommendations to schedule the 2014 meetings for the first two Wednesdays of April (the 2<sup>nd</sup> and 9<sup>th</sup>). The location of the first meeting (in accordance with the 20-year agreement) would be in Lynnfield.

**5. Review of FY14 Capital Budget Recommendations by RMLD Budget Committee – K. Sullivan**

Mr. Sullivan presented Capital Project 29: Master Site Plan and Photovoltaic Generation Installation included with the Agenda. This project was requested by the Budget Committee and will increase the FY14 Capital Plan by \$150,000. The Committee felt that it was a good idea to look at the campus strategy given all of the proposed projects. Commissioner Talbot was a proponent of expanding the Master Site Plan to include a photovoltaic array installation if feasible. This project does not increase the Capital Budget significantly, but is a new project and hence the approval or entertaining of the project by the CAB.

Mr. Stempeck asked, if it were feasible to install the photovoltaic array (for instance) on the office building, what mega-wattage would be anticipated? Mr. Sullivan stated that he and Ms. Parenteau had discussed the installation of a photovoltaic array on the proposed covered storage building which is approximately 80' x 120' and estimated it would produce approximately 50 kW. A rough estimate would be about the same or a bit more if it were installed on the office building at Ash Street.

Mr. Hooper asked if the roofs were getting toward the end of their life expectancy. Mr. Sullivan stated that it would be determined if a viable roof exists on the premises that could handle the installation. If the timing of the lifespan of the roof equals the timing of the lifespan of the photovoltaic array then it's a win-win.

Mr. Hooper made a motion that the RMLD Citizens' Advisory Board accept Draft 2 of the Fiscal Year 2014 Capital Budget in the amount of \$6,102,008 to include, Capital Project 29: Master Site Plan and

Photovoltaic Generation Installation in the amount of \$150,000, as recommended by the RMLD Commissioners Budget Committee, seconded by Mr. Nelson. Hearing no further discussion, ***Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent).***

**6. March 2013 Reliability Report – K. Sullivan**

Mr. Sullivan presented the March 2013 Engineering & Operations report which was included in the Agenda packet. Mr. Sullivan noted that as of this meeting both Project 5 and 6 are coming to a close. In reviewing Routine Construction, Mr. Sullivan noted that the YTD total for Porcelain Cutouts is 153. This project has been ongoing for several years and is winding down.

Mr. Sullivan reported that the CAIDI annual average in March was a bit lower than February due to a feeder outage in North Reading. SAIFI values for the month climbed due to the number of customers affected by the feeder outage (1,266). Mr. Sullivan provided an update on the meter project. At this point in time (May) the residential project is almost complete. The commercial meter upgrade is underway and will be ongoing into FY14. Other updates for March include: number of calls - 74; outage incidents - 10; customers affected by outage(s) - 1,266. There was one feeder outage, five area outages and four service outages.

**7. March 2013 Financial Report – R. Fournier**

Mr. Fournier presented the March 31 Financials which were included in the Agenda packet. Mr. Fournier reported that during the month of May we made our annual pension contribution of \$1M as well as our payment to the post-employment benefit fund of \$150,000. Next month (June) we will be making the payment to the four towns which is based on 2% of the net plant with distribution based on kilowatt hours sold in each town. (Reading, \$143,000; Lynnfield, \$44,000; North Reading, \$126,000; and Wilmington \$383,000) We have about \$1.4M to distribute between June and December.

**8. March 2013 Power Supply Report – J. Parenteau**

Ms. Parenteau presented the March Purchase Power Summary which was included in the Agenda packet. Energy Costs were equivalent to a little over \$0.04 per kilowatt hour; the fuel charge in March was set at \$0.055 and sales totaled 54.3M kilowatt hours. As a result, RMLD over collected by approximately \$473,000, resulting in a deferred fuel cash reserve balance of about \$2.5M. The April fuel charge was decreased to about \$0.05, and May is currently set at \$0.045. Ms. Parenteau went on to review Capacity, RECs, Transmission and Energy Efficiency. As of the writing of the report 207 RMLD customers have received audits totaling \$41,400.

**9. Strategic Power Supply Plan/Annual Power Supply Requests for Proposals – J. Parenteau and W. Seldon**

Ms. Parenteau provided an update on the Strategic Power Supply Plan and overview of the RFP Process. The Plan looks out four years and picks up approximately 25% of the energy that we are going to need. As we do not know the best time to purchase, we developed this layering and laddering approach to the bid. Because the market is so dynamic we have to negotiate power supply contracts prior to going out for final bid; when we receive the bids from the suppliers they usually hold them for about an hour.

Ms. Parenteau reviewed the Proposed Power Contract Timeline which includes preliminary kilowatt amounts for the period from 2014 through 2017. We look at the monthly requirements; for every month we have a portfolio of resources that we currently have to meet our demand - we have energy that we rely on the spot market for and then depending on the time of the year (in the summer time or winter time when prices can be more volatile) we want less on the spot market and we want to lock in or secure more power at a fixed price and for less exposure. However, in shoulder months when prices tend to be lower or less volatile, we take a little greater stance and have about 20-30% open on that market. We are always trying to balance the load with the generation behind it. We look on a monthly basis at an average on-peak and off-peak and structure those blocks so suppliers can give us indicative fixed and heat rate index pricing.

The RFP asks for two types of products: firm pricing, which we lock in the price for and then we also ask for a heat rate index product. We've had some luck with that type of product and that usually is beneficial when gas prices tend to be high. What that does is lock in the heat rate component (a fuel index times a heat rate to get a dollars-per-megawatt-hour price.) In New England, natural gas is what really drives electricity prices currently. So we have developed this heat rate index product where we can tie the indices to the Henry Hub and break that up into tranches. We then monitor the natural gas market and have the ability, based on a strategy that we've developed (a time and price strategy), so that if it hits a certain price, we lock it in and if we get to a certain time within the contract we lock in a portion - it's either value price or time value. Based on that, we look out the four years and secure those four tranches going out.

Ms. Parenteau stated that we will go out to probably 10-12 suppliers in the beginning of June and get indicative pricing for both products. Based on that pricing, we'll narrow it down to four or five suppliers. We negotiate PPAs (Purchase Power Agreements) for both the firm pricing as well as the heat rate index with each of those suppliers. We then pick a day as we are monitoring the natural gas market when we go out for final bids. We create a matrix that looks at other factors other than pricing. We spend a lot of time and effort to be sure these contracts really service what we're trying to do - protect our customers from exposure. Every contract that we negotiate has slight variations; some will post more collateral than others, and we weigh that in the matrix so when we're making that final decision it's not just who's providing the lowest cost power to us. We look at contract stipulations, the credit support and rating, their environmental benefits and the financial component. The contracts are evaluated and then we have the General Manager sign the contract the day we go out for final pricing. We are bringing this here to get the authority to do it; we do our due diligence and then we'll come back and tell you what we've done on that.

Mr. Nelson said thank you, from a municipality and representing Lynnfield on the CAB, it sounds like you are really looking out for the customers; we appreciate that.

Mr. Stempeck noted that he was very impressed; there is a lot of work behind all of this and it reflects obviously.

Ms. Parenteau noted that the process is in the seventh year and has worked well. By taking this approach it allows us to look at long-term contracts, incorporate some renewable projects, and it gives us that flexibility instead of that all-or-nothing approach.

Chairman Norton and Mr. Hooper thanked Ms. Parenteau and noted that she does a very nice job. Ms. Parenteau stated it was a team effort.

Mr. Hooper made a motion that the RMLD Citizens' Advisory Board (CAB) recommend to the RMLD Board of Commissioners to authorize the Interim General Manager to execute one or more Power Supply Agreements in accordance with RMLD's Strategic Power Supply Plan for power supply purchases for a period not to exceed 2014 through 2017 and in amounts not to exceed 22 megawatts in 2014, 21 megawatts in 2015, 21 megawatts in 2016, and 21 megawatts in 2017, as presented by the Interim General Manager and staff, seconded by Mr. Nelson. Hearing no further discussion, **Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent).**

Chairman Norton asked Ms. Parenteau for an update on Concord Steam. Ms. Parenteau stated that there had been a couple of emails that we received, probably just within the last two weeks. We have about one-third of the project, NH Electric has maybe 40%, and the balance (30% of the contract) was with the State of New Hampshire. There was an article in the Concord Monitor that indicated the State was pulling out of the contract. We contacted Concord Steam and were told that the State had to get a supplier to act as their agent. They have indicated to Concord Steam that they're willing to continue to sign that contract, but they have to go through the provision of the contract. Concord Steam indicated that by the end of this month they should have some updates on their financing, but in all likelihood this

would push back the commercial operations date. The last addendum was September of 2014 and this might bring it into June 2015. They will be coming to talk to us once they secure the financing.

**10. Update on RMLD General Manager Position – G. Hooper**

Mr. Hooper stated that the GM Search Committee had completed the interview process and is moving forward with recommendations which will be going to the Board of Light Commissioners.

**11. 2013 Northeast Public Power Association (NEPPA) Annual Conference – K. Sullivan**

Mr. Sullivan presented a preliminary agenda for the NEPPA Annual Conference which will be held August 25-28 in Stowe, Vermont.

Mr. Hooper made a motion to allow up to two CAB members to be reimbursed for attendance at the NEPPA Annual Conference, seconded by Mr. Nelson. Hearing no further discussion, **Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent).**

**12. Next Meeting – J. Norton, Chairman**

A tentative meeting date was set for July 17, 2013, if necessary.

**13. Executive Session – J. Norton, Chairman**

Mr. Nelson made a motion that the CAB 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, approve the release of Executive Session Minutes, discuss competitively sensitive issue, and to return to regular session for the release of Executive Session Minutes, and adjournment, seconded by Mr. Hooper. **Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent), by a poll of members present:** Mr. Nelson, aye; Chairman Norton, aye; Mr. Hooper, aye.

**14. Return to Regular Session – J. Norton, Chairman**

Mr. Hooper made a motion to return to regular session, seconded by Mr. Nelson. **Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent)**

**15. Release of Executive Session Minutes – J. Norton, Chairman**

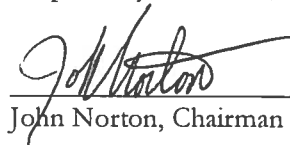
Mr. Nelson made a motion that the Citizens' Advisory Board release Executive Session Minutes from December 8, 2004, March 2, 2005, July 12, 2010, January 19, 2011, April 14, 2011, May 18, 2011, June 13, 2011, October 4, 2011, January 23, 2013, and March 13, 2013, seconded by Mr. Hooper. **Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent), by a poll of members present:** Mr. Nelson, aye; Chairman Norton, aye; Mr. Hooper, aye.

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

Mr. Hooper made a Motion to Adjourn the Citizens' Advisory Board meeting, seconded by Mr. Nelson. Hearing no further discussion, **Motion carried 3:0:2 (3 in favor; 0 opposed; 2 absent).**

**The Citizens' Advisory Board Meeting adjourned at 8:25 p.m.**

Respectfully submitted,



John Norton, Chairman

Minutes approved on: 9-18-13