

**CITIZENS' ADVISORY BOARD (CAB)
MEETING MINUTES
REGULAR SESSION**

TIME: 7:00 P.M.
DATE: Tuesday, October 4, 2011
PLACE: Reading Municipal Light Department (RMLD) 230 Ash Street, Reading, MA Spurr/AV Room
PRESENT: CAB: A. Carakatsane, Chairman (Lynnfield), G. Hooper (Wilmington), T. Ollila (Wilmington),
T. Capobianco (Reading);
RMLD Board: P. Pacino
RMLD Staff: V. Cameron, J. Carpenter, W. Seldon, P. O'Leary
ABSENT: J. Norton (North Reading)

1. Call Meeting to Order – A. Carakatsane, Chairman

Chairman Carakatsane called the meeting to order at 7:04 P.M.

2. Minutes of Meetings – April 14, 2011 and April 26, 2011

Mr. Hooper made a motion seconded by Mr. Ollila to accept the minutes of April 14, 2011 and April 26, 2011 meetings.

Motion carried unanimously with those present: 4:0:0

3. Energy Services Update – W. Seldon

Mr. Seldon noted that all of these items are currently "works in progress".

a. Sustainable Energy Policy

Mr. Seldon stated that the Energy Services Division (ESD) is attempting to develop some type of approach to methodically and practically fill the needs of the ratepayers, the RMLD Board, and the CAB by adding renewable energy to RMLD's portfolio, and to do it as economically as possible. The policy is an attempt to come up with some type of guidelines that give the Department a good approach on how to bring renewable and sustainable projects as they become available into the portfolio. Sustainable Energy would include a variety of types such as hydro, solar, wind, geothermal, bio-energy, tidal, etc. He stated that the goal from the Department standpoint is to try to get a policy in place by the end of the year, so there is direction going forward. He noted there are many proposals on the plate right now, and it would be good to have something solid to work from not only immediately, but also into the future. The Board's Power and Rate Committee had met, and big items left open were the total amount of sustainable to be in the mix, the cost, and what to do with the RECs. He noted that solar owners claim they need the solar RECs to make the project viable. He stressed that nothing is cast in stone at the moment, and is looking to the Boards for parameters to make it easier. If a project is out there, and it exceeds a specific cost then ESD would not look at it, but if it meets certain criteria that can be brought to the boards and diversify the portfolio, ESD would evaluate it.

Discussion ensued.

Mr. Carakatsane applauded the Department's effort in drafting a policy, and commented to keep pursuing it.

b. Environmental Policy

Mr. Carpenter stated that this is the Energy Efficiency Policy for the RMLD. This is a quest to figure out what RMLD needs to have, and he offered to put some ideas together. He noted there are many items in the attachment that need direction. Some items are taken from the LEED (Leadership in Energy and Environmental Design) standards, ASHRAE (American Society of Heating, Refrigeration and Air Conditioning Engineers) standards, and the EPA's (Environmental Protection Agency's) Energy Star standards. Long term objectives include reducing dependence on fossil fuels by at least 20% by January 1, 2014 through energy conservation and efficiency practices and reducing pollution, particularly CO2 emissions, by reducing energy from less greenhouse intensive sources.

Mr. Carakatsane clarified that this policy is to do with RMLD's physical plant.

Mr. Seldon noted that this was also discussed at the Power and Rate Committee meeting. The Committee did not know whether or not to split this into a policy as well as an implementation plan. He believed the Committee directed the General Manager to speak to the Town Manager, because the Town may have a similar policy.

Mr. Carpenter stated that often a problem with the Town is that no one monitors the reduction in energy, and he would be willing to teach the Towns how best to do that.

Mr. Ollila stated that he thought measurement and benchmarks are important with a focus on progress and quarterly updates.

Mr. Hooper would like to see benchmarks of improvements. He noted that right now the town (Wilmington) does conservation measures, but don't really see the difference that is being accomplished. They just see the overall reduction. Mr. Carpenter said he could help.

Mr. Carakatsane again applauded the Department's effort, and stated to have something on paper like this is immeasurable.

c. Net Metering Rate

Mr. Seldon explained that in May a Net Metering rate was discussed by both the Power and Rate Committee and the CAB. At the time it was requested to have legal review the rate, and bring it back to the Committee and CAB. Mr. Seldon stated that a few things were changed, and noted that the CAB meeting packet included both a Residential and Commercial Rate identified as Residential Customer Owned Renewable Generation and Commercial/Industrial Owned Renewable Generation. He added that one correction to be made to the Customer Owned Renewable Generation Terms and Conditions is that it should be "Less Than 20kW not 10kW".

Mr. Cameron stated that the RMLD has generators on the system, and a rate for the generators has never been filed. He explained that there were configurations as to how customers have to connect to the RMLD. RMLD would only pay the fuel charge, and the Terms and Conditions are fairly standard for the industry. Although the RMLD is not under the State's Net Metering Law, the Department felt that a rate should be filed so that people who want to put a generator in their house could just go to RMLD's rate structure.

Mr. Ollila questioned paying only the fuel charge, not the kW hour. Mr. Cameron responded that the metering is set up so that the RMLD can determine what was generated onto RMLD's system, and whatever kWhs they generate onto the system is multiplied by the fuel charge for the month. That amount would be paid to the customer. The customer is being treated as a generator that the RMLD is buying energy from. Mr. Cameron said the RMLD is formalizing what is already being done.

Mr. Seldon commented that the customer can also apply for a rebate. Mr. Carpenter said the rebate would be about \$5,000 for the installation of a generator.

Mr. Carakatsane asked about third parties, i.e., Solar City. Mr. Seldon stated the RMLD will not deal with a lease company or a third party, only a customer. Mr. Carpenter commented that none have been leases; however, there has been discussion on whether or not to allow lease agreements so as not to inhibit customers. RMLD would have to monitor any lease agreements and adjust the rebates. He noted it is a complicated process to keep it as fair as possible and yet encourage solar.

4. Renewable Energy Certificates (RECs) – V. Cameron, W. Seldon

Mr. Capobianco had asked why the RMLD chooses to allow RECs to expire if there is a secondary market where the RECs would have value. Mr. Cameron responded that the Department has been instructed by the Power and Rate Committee to retire the RECs because under state statute regarding a Renewable Portfolio Standard (RPS), projects that produce RECs are not considered green if the RECs are sold. Mr. Cameron and Mr. Seldon commented that this is the philosophy of some of the members of the RMLD

Board. Mr. Cameron added that what the RMLD should do is sell the RECs until such time as the RMLD has a RPS, which means you cannot sell the RECs after that because a project isn't considered green under the RPS and according to state statute. Mr. Cameron said what the RMLD should do is keep on schedule with whatever the RMLD should be buying for green power, sell the RECs, and use part of the RECs in the Green Choice Program instead of selling RECs and buying more. He added that more discussion with the Power and Rate Committee and CAB is needed.

Mr. Capobianco commented that the RECs could be sold for a significant value and put into the Green Choice Program, and then from there within the communities execute "green" power generation such as solar panels on the high school.

Mr. Carakatsane is concerned that the RMLD is leaving an asset on the table, basically foregoing an asset, and even if it's small it does not make sense since the RMLD is not under a portfolio standard.

Mr. Cameron stated that it is an on-going discussion with the Power and Rate Committee.

Mr. Carakatsane asked if the CAB should invite the Power and Rate Committee to one of its meetings. He stated that since it affects rates and income, the CAB should take a position on it, but would like to hear the other side of it first.

Mr. Pacino stated that the topic has not come before the RMLD Board and is with the Power and Rate Committee.

Mr. Capobianco made the following motion seconded by Mr. Hooper:

MOVE that the CAB request a meeting with the Power and Rate Committee regarding retiring RECs.

Motion carried unanimously with those present: 4:0:0

5. FY11 Audited Financials – R. Fournier

Mr. Fournier explained that RMLD's auditors, Melanson and Heath, came out the week of August 8, 2011 to do their field work. He noted the RMLD Board approved the audited financials at its last meeting 5:0:0. He highlighted the following:

- RMLD made \$2.783 million or 6.43% of the allowable 8% return
- kWhs sold increased by 3.63%
- Cash is still strong. Transferred \$650,000 from the Operating Fund to the Rate Stabilization Fund to have the RSF over \$6 million, and the ending balance as of June 30, 2011, is \$6,046,000.
- On the receivable side, the ending balance was \$3.3 million, and of that about 7.5% or \$250,000 was over sixty days, which in this economy is good. Bad debt expense was down, and the Department only had to write off \$37,000 as compared to previous years that were \$180,000 to over \$200,000. More shut offs were done, and the Department is working with the ratepayers.
- Depreciation rate was 3%, which is the standard amount the DPU allows. Last year it was 2% and the RMLD paid off its final bond payable amount so in FY11, the Department is bond debt free.
- The Gaw soil remediation expense came in at \$2,482,000 for two years. Since the new Hazmat rate went into effect in September of 2010, the Department collected \$607,000, which is 25% of the actual expense and leaves about \$1.875 million balance of expense still out there and whether it is all collected over the next few years is still to be determined.
- Pension expense contribution is \$1M so even with the \$1M contribution the Department still made \$2.7 million on the bottom line.
- OPEB (Other Post Employment Benefit) – This is the third year, and there is about \$1.165 million funded based on the actuarial that the Department shares with the Town of Reading.
- Energy Conservation – Began in October 2008, and as of June 30, 2011, \$1.475 million has been collected. \$1.3 million has been spent, and over collected about \$170,000, which Mr. Carpenter is trying to address and come up with energy conservation programs.
- CAB and RMLB Budgets - CAB's budget was \$15,000; only \$4,600 was spent making it 70% under budget. The Board's budget was \$7,500, spent \$3,600 or 51% under budget.

Mr. Fournier noted that Footnote 20 and the Return on Investment to the Town were two major topics discussed during the Board's Audit Committee meeting last Wednesday night.

Mr. Cameron explained there was an issue discovered in May FY2011. NSTAR was billing the RMLD for radial line support, and the RMLD did not realize that back in 2003, NSTAR had changed the designation and configuration of these transmission lines that they own and come across the street over Rt. 93 and connect to RMLD lines. The RMLD paid about \$12,000-\$13,000 a month for this radial line support, which is basically the operation and maintenance (O&M) charges for those lines. When the designation changed in 2003, the RMLD was not notified. Had the RMLD known that NSTAR had made this change, the RMLD could have done one of two things: 1) Stopped paying those bills; or 2) Could have taken those bills and put them into a revenue requirement to ISO New England where the RMLD would have been paid back. He added that when this was discovered, Mr. Cameron spoke to RMLD's lawyers, who said there is relief under the radial line support agreement of 12 months of going back respectively. There is also an 18 month look back in the ISO New England agreement for pool transmission facilities. Mr. Cameron also looked at litigation, because the total amount came to almost \$1.3 million between May of 2011 and July 2003. In looking at litigation, it would cost a lot to fight a case in Washington D.C. He said the 18 month look back would mean \$198,000 worth of credits would come back to RMLD through the Pool Transmission Facility (PTF) between now and 2013. When he looked at it the best the RMLD could get is the credit going back two years. The net amount is \$1.1 million that the RMLD paid between 2003 and 2009 that the RMLD cannot recover. He added that back in 2002/2003 NEPOOL had a big change with respect to transmission. RMLD did not find out nor was it notified that NSTAR changed the configuration and became a PTF. When the auditors were notified, they put a footnote into the audited financial statements. Mr. Cameron stated that there are two changes in the footnote: 1) Page 28 - Seventh line from bottom, the date should read June 30, 2013 not 2012; 2) Page 28- Fifth line from the bottom the figure should be about \$198,000 not \$220,968. He noted that the RMLD has applied for the credit.

Mr. Ollila asked how it was discovered in May of this year.

Mr. Cameron responded that an employee that worked at NSTAR who looked at the invoice brought it to his attention. The employee told Mr. Cameron that he thought the configuration had changed, and RMLD should not be paying this bill. RMLD then contacted NSTAR who confirmed it was changed.

Discussion ensued.

Mr. Pacino stated that the General Manager has been asked to write a report as to how it happened and about the notification to the Board and submit it to the General Manager's evaluation committee. Mr. Carakatsane asked that the report be shared with the CAB.

Mr. Fournier stated that the auditor, Frank Byron, e-mailed him today stating that in regards to the Return-On-Investment payment (Payment to the Town of Reading) no adjustment would be required and no receivable needs to be booked.

Mr. Pacino explained that at the Audit Committee Meeting he realized that between FY10 and FY11 the payment decreased \$14,790, and he had thought that the payment was not supposed to decrease; however, since that meeting he received a copy of the approved formula and realized that the wording is that the payment "changes" by the amount of the CPI index the previous calendar year, whether it is an increase or decrease. He wasn't sure that was the intent, and said a meeting of the Payment to the Town of Reading Committee, made up of one Reading Selectmen, two CAB members, and two RMLD Board members may re-convene.

6. August 2011 P & L Financials – R. Fournier

Mr. Fournier noted that the books are not closed for the previous fiscal year until the final audit and Board approval, but the P&L statement can be produced, and when the first quarter report is ready everything will be back on schedule. The first two months of FY12 are before the CAB tonight. Highlights include:

- Change in Net Assets - A positive change in net assets with \$770,000 bringing the year-to-date income to \$1.4 million. The budgeted amount is about \$1.9 million, the difference being about \$425,000 or 22% under budget. On the fuel side the year-to date fuel expenses exceeded fuel revenues by \$84,000.
- Revenues - Year to date base revenues are under budget by \$450,000 or 4.75%. The actual base revenues came in at \$9 million compared to the budgeted amount of \$9.4 million.
- Expenses - Year to date purchased power base expense was \$291,000 or 5.82% under budget. Actual purchased power base costs were \$4.7 million compared to the budgeted amount of \$5 million. On the Operating and maintenance (O&M) expenses combined were over by about \$14,000 or less than 1%. Actual O&M expenses were \$1.94 million compared to the budgeted amount of \$1.926 million. Depreciation expense and voluntary payments to the Towns were on budget.
- General Information – Year to date kWh sales were 138,858,489, which is 1.1 million kWh or .77% behind last year's actual figures.
- Budget Variance – Cumulatively, the five divisions were over budget by a little less than \$4,000.

7. Engineering and Operations Update – V. Cameron

Mr. Cameron highlighted the following:

- Gaw substation is complete. It came in about \$1 million under the original budget.
- Soil remediation is complete. It came in about \$2.5 million. The ratepayers are being assessed a hazardous waste charge of about a mil per kWh, and it will be in place for about three years.
- The total construction project, as of August, was \$252,000 most of which was in Routine Construction. The actual amount for July and August was about \$463,000, where \$400,000 was in Routine Construction. He noted some of the Routine Construction projects were carry overs from the previous year.
- Reliability Report – The 12 month system average outage duration is about 56.75 minutes. The four year average is about 50.98 minutes, so it means the RMLD customers experience an outage less than an hour on average. The system average interruption frequency index measures how many outages each customer experience on an annual basis. The RMLD is at .47 outages a year for the 12 month average and for the four year average, .82, which means that the average customer experiences an outage a little over every two years. If more than 15% of the system is out at one time, it is not included in these indices, i.e. Hurricane Irene is not included.

He noted that an \$8 million project was done with \$7 million internally generated. There is no debt.

The CAB thanked the department for its restoration of power after Hurricane Irene, and Mr. Carakatsane noted that the municipal response is so much quicker than the IOUs.

8. Other Items for Discussion

a. NEPPA Conference – A. Carakatsane

Mr. Carakatsane stated that three CAB members went, and he discussed interesting points made by the speakers. Mr. Carakatsane congratulated Mr. Pacino on a 25 year award he received from NEPPA.

b. Approving Executive Session Minutes in Regular Session – V. Cameron

Mr. Cameron explained that he had spoken to Peter Hechenbleikner, the Reading Town Manager, and he had seen one of the RMLD's agendas, and he told Mr. Cameron that when the Town approves minutes for executive session, if there is no discussion or edits to the minutes, they can be approved in open session. He said it can be done according to Open Meeting Laws. The RMLD Board did that at the last meeting, and it worked out well. He said the CAB could do this at future meetings.

9. Schedule Next Meeting

Scheduling a joint meeting with the Power and Rate Committee.

Mr. Carakatsane asked if a CAB member could substitute for him at the RMLD Board meeting on October 26, 2013. Mr. Hooper will let Ms. O'Leary know if he is available.

Mr. Carakatsane asked about a tour of the Pepperell Hydro facility. Ms. O'Leary said the next possible date is Saturday, October 22, 2013. She will send out an e-mail relative to the new date and time.

Mr. Carakatsane brought up the Time of Use Rate and the marketing thereof that was discussed at the last RMLD Board meeting. Mr. Carpenter noted that there are currently 229 users, and that there was a rise this year probably due to advertising.

Discussion ensued.

10. Executive Session

Mr. Hooper made the following motion at 8:36 P.M. seconded by Mr. Ollila:

MOVE 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 discuss power supply strategy, renewable energy projects, approve minutes, and return to regular session for the sole purpose of adjournment.

Motion carried by a poll of the Board: 4:0:0. Mr. Carakatsane – Aye; Mr. Hooper – Aye; Mr. Capobianco – Aye; Mr. Ollila – Aye.

11. Adjournment

A motion was made at 8:53 P.M. by Mr. Hooper and seconded by Mr. Ollila to adjourn the meeting.

Motion carried unanimously with those present: 4:0:0.

Respectfully submitted,



George Hooper

/pmo

Minutes approved on: 5/15/2013