

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

**MINUTES
Regular Session**

Time: 6:30 p.m.

Date: Tuesday, June 3, 2014

Place: RMLD, Winfred Spurr AV Room, 230 Ash Street, Reading, MA 01867

CAB Members Present:

Mr. John Norton, Chairman (North Reading); Mr. Tony Capobianco (Reading); Mr. George Hooper, Vice Chairman (Wilmington); Mr. Dennis Kelley (Wilmington)

CAB Members Absent:

Mr. David Nelson (Lynnfield)

RMLD Commissioner(s) Present:

Mr. Phil Pacino

RMLD Staff Present:

Ms. Coleen O'Brien, Mr. Robert Fournier, Mr. Hamid Jaffari, Ms. Jane Parenteau, Mr. William Seldon, Ms. Marianne Fabbri

Public Present:

None

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 stated that Mr. Nelson would not be attending the meeting.

2. APPROVAL OF MINUTES: J. Norton, Chairman

Materials: April 2, 2014, CAB Minutes

Chairman Norton asked for a motion to approve the minutes.

Mr. Kelley made a **Motion** that the Citizens' Advisory Board approve the minutes from the April 2, 2014, meeting as written, seconded by Mr. Capobianco. Hearing no further discussion, **Motion passed 4:0:1 (4 in favor, 0 opposed, 1 absent).**

3. STAFF PRESENTATION AND RECOMMENDATION - COST OF SERVICE

STUDY& PROPOSED RATE CHANGE: C. O'Brien, General Manager and J. Parenteau, Integrated Resources Manager

Ms. O'Brien prefaced the presentation with a reminder about the annual energy peak, which typically occurs during the summer months. The RMLD is working with the four towns to determine if the RMLD can utilize their existing reverse 911 systems as a means of notifying its customers of system alerts, peaks, etc. The motto is Get Greener, Go Paperless and Be Efficient.

Ms. O'Brien stated that in their efforts to collect emails and texts contact information, the Department is also incentivizing paperless sign-up. Ms. O'Brien explained that by this time next year we would be in a better position with the system for peak shaving but for immediate action, under the new RMLD Responsible Communication effort, that public appeal would be the best means of developing a quick cumulative conservation initiative during peak periods. Ms. O'Brien also stated that paperless efforts would include moving the in that direction for the *In Brief* as well as the annual report. Ms. O'Brien then turned the meeting over to Ms. Parenteau for the Cost of Service Presentation.

Ms. Parenteau began her presentation with the results of the Cost of Service Study and Rate Design that was presented to the Board and the CAB on May 8 by Mr. Seavey from PLM. Ms. Parenteau pointed out that included in the presentation were various options that were available regarding rate design. This evening the staff is here to present the CAB with the staff's recommendations. The staff presented to the Board of Commissioners on May 15. .

Ms. Parenteau continued, as presented, RMLD could either meet its 1.3% increase in revenue requirements by implementing a uniform increase or adjustments to each customer class to smooth out the rate of return by class. Staff is recommending that we maintain the rate of return by customer class at the range of the standard municipal practice and the proposed rates would be competitive with other municipalities as well as the private utilities. Ms. Parenteau stated it should be noted that the actual percentage change would vary by customer class and usage so the 1.3% is an average overall increase. Ms. Parenteau stated she e-mailed an overall summary to all CAB members as well as printed extra copies for Ms. Fabbri to distribute. If anybody would like further detailed breakout, Ms. Parenteau be happy to provide that as well.

Ms. Parenteau reported that as part of the scope or the Cost of Service (COS) was to explore adding a residential low-income rate and there were two options that were presented. The first option was to eliminate the customer charge; the second was to increase the discount on the entire bill excluding the purchase power charge. The staff is recommending option 1, which is the elimination of the customer charge, which is what other municipalities use to provide the same benefit for qualified customers, regardless of usage. As discussed on May 8, it is difficult to determine the number of qualified residential low-income customers that would be eligible for this discount. By selecting elimination of the customer charge, RMLD can at least quantify or project a potential decrease in total revenues. The staff took an example of a residential customer charge that is about \$4.00 or \$3.73/month X 12 months, which is about \$48.00/year (or say \$50 for max simplicity) and that if there were about 100 customers who are eligible to receive - that would be a total of \$5,000 reduction in RMLD's revenue. In addition, as RMLD implements the rate and quantifies it, staff will get a better understanding of how many residential low income customers qualify.

Ms. Parenteau commented that one of the recommendations of the COS was to unbundle the rate. Currently, a portion of the purchase power costs, capacity and transmission costs are embedded in the base rate charge so the recommendation is that the purchase power cost be removed from the base rate and that would become a distribution charge. The purchase power charges recover all capacity, transmission and energy charge that are a pass through to RMLD customers in which the Department does not make any return. Whatever the Department's purchase power costs are, the goal is to cover that through the rate structure. The prompt discount will apply only to the customer charge and the distribution charge; those are part of what the Department will collect for operations and maintenance. By taking out that portion of the

purchase power charge from the existing Base Rates this will lower the distribution charge which will reduce the ten percent (10%) discount on customer's bills. It is two-fold of the effects of the unbundling. Staff is currently recommending that the prompt discount payment be increased from ten percent (10%) to fifteen percent (15%). There was some feedback that staff heard at the May 8 presentation to try to stabilize customer's bills and get a 1.3% overall increase in an appropriate manner. Since the amount is smaller and the distribution amount is essentially cut in half, increasing the overall prompt payment discount to the customer achieved the average overall increase of 1.3%. It is important to note RMLD will be very clear there won't be any miscommunication that the customers will be getting an even bigger discount, it will be very clear that the discount is on a smaller amount and that is the rationale for the discount from 10% to 15%.

Ms. Parenteau stated that one of the other directives of the COS was to examine an alternative methodology for the New York Power Authority (NYPA) Credit. There were two acceptable methodologies that were confirmed by Melanson Heath back in 2009. The staff is currently recommending the NYPA credit be calculated by taking the difference between RMLD's average cost of energy, excluding NYPA, and the average cost of NYPA energy and multiplying that difference by the amount of energy received by NYPA. This will result in a dollar amount that will be distributed per kWh for residential customers only, as is required by Federal Regulations. Utilizing this methodology has the potential to reduce a residential bill because the credit could go up as the average cost of energy increases. Therefore, RMLD would like to implement this change and will monitor it, going forward.

Lastly, Ms. Parenteau stated that the final directive of the COS is to examine both the existing streetlight rate and the LED streetlight rate. The Staff is recommending that the RMLD adopt the formula streetlight rate in Chapter 164 Section 58 for Municipal Streetlights. That formula rate takes the total operating expenses plus any interest and outstanding debt plus depreciation expenses and divides that by the total kWh sold by the Department including the streetlights. This rate would be calculated based on the fiscal year budget and is estimated to be around 12.2 cents. That would be a flat rate and charged to all streetlights. Ms. Parenteau reported that she, Ms. O'Brien and Mr. Smith met with each of the four Town Managers/Administrators to discuss the LED Pilot Program as well as the LED street lighting that would be in place as well. Private streetlights would have a separate cost of service rate; this is only applicable to municipal streetlights. Ms. Parenteau concluded her presentation.

Mr. Capobianco asked, "How would the prompt payment discount decrease be advertised?" Ms. O'Brien stated that this would fall under the communication plan she explained earlier and if approved RMLD would need to release a statement addressing the change(s). It would be made clear that the discount is a higher percentage on a lower amount as a result of the unbundling. Ms. O'Brien and Parenteau are planning a presentation via cable TV of "How to Read Your New Bill", and welcome customers to call in.

Mr. Capobianco asked about Community Connection that the Town of Reading send out which details everything that is going on in Town, for example, the Senior Center or The Town Faire, etc. He wondered what medium RMLD would use to communicate, and how the effectiveness of this would be measured. He expressed his concern for those customers who do not read the paper, and whether RMLD is effectively using communication dollars in the most efficient manner.

Ms. O'Brien reiterated that is part of why RMLD is evaluating these e-mails and text - as a way to create, a "responsive communication plan." RMLD is evaluating the most cost effective means of reaching each of its customers to provide prompt information regarding system status, including peak appeals and possibly outage updates in the future. As Ms. Gottwald grows RMLD's own constant contact database, currently at about thirteen thousand (13,000) e-mails, between those and the reverse 911, RMLD is taking advantage of all existing communication systems. . Mr. Talbot spoke and wrote a few articles in the paper on Residential Time of Use, and not much was gained through that form of media outreach, therefore, the Department realizes there are better ways that RMLD can communicate. When RMLD does their presentation on cable TV, the intention would be to let it run for a month so that it is available for customers to reference. The presentation will probably be under fifteen minutes. Ms. O'Brien stated this would give customers information on what the Department is doing, why it is doing it, how to read the bills and to call with questions.

Mr. Hooper suggested an explanation of the Time of Use Rates might also benefit customers especially with all the changes and they might just not know or understand the Time of Use Rate.

Ms. O'Brien stated that the presentation would explain the existing rates. The Department wants more customers to sign up for the Time of Use Rate, but also understands that people would have to commit to habit changes to make a conscious effort to shift their usage off of peak hours. . Customers generally do not want to make the change for the value that is saved.

Clarifying relative to the prompt payment discount, Mr. Kelley questioned that RMLD has removed purchase power from the base rate, so rather than getting the ten percent (10%) discount on the bundled amount it has been increased to 15% on an unbundled amount to provide the same discount. Ms. Parenteau agreed noting that the overall effect is that 1.3% increase that RMLD is trying to capture. Mr. Kelley continued that by increasing the fifteen percent (15%) and removing the purchase power from the base rate, the average person would have a 1.3% increase if they pay on the early payment. Ms. Parenteau agreed and pointed to the summary sheet that the CAB members can review for further clarification, and it varies by class, but it gives RMLD the overall revenue requirements to meet budget requirements.

Mr. Hooper called for a motion to move that the RMLD Citizens' Advisory Board recommend to the RMLD Board of Commissioners the overall net increase of 1.3% in revenues for all customer classes based on the recommendation of the General Manager, as presented, seconded by Mr. Capobianco. Hearing no further discussion, the *Motion Passed 4:0:1 (4 in favor, 0 opposed, 1 absent)*.

Mr. Hooper called for a Move that the RMLD Citizens' Advisory Board recommend to the RMLD Board of Commissioners to accept a Residential Low Income Rate that eliminates the customer charge for customers who meet eligibility for Low Income Home Energy Assistance Programs (LIHEAP) or its successor program based on the recommendation of the General Manager, as presented, seconded by Mr. Kelley. Hearing no further discussion, *Motion Passed 4:0:1 (4 in favor, 0 opposed, 1 absent)*.

Mr. Capobianco called for a move that the RMLD Citizens' Advisory Board recommend to the RMLD Board of Commissioners to increase RMLD's prompt payment discount from 10% to 15% based on the recommendation of the General Manager, as presented,

seconded by Mr. Hooper. Hearing no further discussion, the *Motion Passed 4:0:1 (4 in favor, 0 opposed, 1 absent)*.

Mr. Capobianco called for a Move that the RMLD Citizens' Advisory Board recommend to the RMLD Board of Commissioners to accept the format of an unbundled rate structure for the RMLD on the recommendation of the General Manager, seconded by Mr. Hooper. Hearing no further discussion, the *Motion Passed 4:0:1 (4 in favor, 0 opposed, 1 absent)*. *Motion Passed 4:0:0*.

Mr. Capobianco called for a Move that the RMLD Citizens' Advisory Board recommend to the RMLD Board of Commissioners to accept that the RMLD change its NYPA calculation to equal the difference between the average cost of energy excluding NYPA and the average cost of NYPA energy multiplied by the total kWh of NYPA received based on the recommendation of the General Manager, seconded by Mr. Hooper. Hearing no further discussion, the *Motion Passed 4:0:1 (4 in favor, 0 opposed, 1 absent)*. *Motion Passed 4:0:0*.

Mr. Capobianco called for a Move that the RMLD Citizens' Advisory Board recommend to the RMLD Board of Commissioners to adopt the formula rate in Chapter 164 Section 58 for municipal street lights on the recommendation of the General Manager, seconded by Mr. Hooper. Hearing no further discussion, the *Motion Passed 4:0:1 (4 in favor, 0 opposed, 1 absent)*.

4. **NEXT MEETING:** J. Norton, Chairman
Next meeting of the CAB will be Wednesday, August 13 at 6:30 pm.
5. **MOTION TO ADJOURN** – J. Norton, Chairman
Chair Norton made a *Motion* to Adjourn the Citizens' Advisory Board meeting, seconded by Mr. Hooper. Hearing no further discussion, *Motion Passed 4:0:1 (4 in favor, 0 opposed, 1 absent)*.

The Citizens' Advisory Board Meeting adjourned at 6:55 p.m.

Respectfully submitted,



George Hooper, Pro Tem

Minutes Approved On: _____

8/13/14