

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

**MINUTES  
Regular Session**

Time: 6:30 p.m.

Date: Wednesday, April 2, 2014

Place: Lynnfield Town Hall, 55 Summer Street, Lynnfield, MA 01940, Selectmen's Meeting Room

**CAB Members Present:**

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

**CAB Members Absent:**

None

**RMLD Commissioner(s) Present:**

Mr. Robert Soli

**RMLD Staff Present:**

Ms. Colcen O'Brien, Mr. Robert Fournier, Mr. Hamid Jaffari, Ms. Jane Parenteau, Mr. David Polson, Ms. Kathleen Rybak

**Public Present:**

Mr. Dave Miller, Lynnfield

**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 asked that all electronic devices be turned off.

**2. Introductions – J. Norton, Chairman**

*Materials: Proposed (Timeline) Cost of Service Study – Scheduled Rate Adjustment July 1, 2014*

Chairman Norton introduced all CAB, Board and staff members including Mr. Dennis Kelley the newest member from Wilmington. Mr. Dave Miller a member of the public from Lynnfield introduced himself.

Chairman Norton asked if Ms. O'Brien had anything to bring before the Board before moving to the budget presentation. Ms. O'Brien presented a preliminary schedule for the Cost of Service Study and scheduled rate adjustment for July 1. This proposed timeline gives an idea of the milestone dates that must be met. Ms. O'Brien asked that the Board work with staff to finalize dates around those timeframes.

**3. FY15 Operating Budget – C. O'Brien, General Manager and B. Fournier, Accounting/Business Manager**

*Materials: FY2015 Operating Budget Summary Section. Handouts: FY15 Draft 1 Operating Budget Changes (4/2/14); 2015 Operating Budget – Draft 1 (3/28/14); Engineering & Operations Division Budget/Actual Comparison Schedule Draft 1 (3/31/14)*

Ms. O'Brien provided some opening remarks noting that the RMLD is pleased to present the FY2015 Fiscal Year Operating Budget. The RMLD logo is "Reliability for Generations." To insure we remain committed to our logo, the RMLD must incorporate change and incorporate planning in every facet of its operation. I have spoken previously of the 20-year strategic plan, the power supply plan, the reliability plan, and the organizational plan. An initial assessment in each of these planning categories has been completed and impacts to the short-term improvements in the reliability, safety and efficiency of the RMLD have been incorporated into this FY15 Budget. A key productive change to the overall

budget process is the incorporation of a six-year plan, including the FY14 estimate, an FY15 budget, and budget projections for FY16-19. This methodology provides a transparent planning tool that provides ability to overlay kilowatt hour sales projections, revenue, and funding projections, commensurate with planned projects and operating expenses. In addition, it provides a mechanism for our customers, including the municipalities, to budget appropriately for their RMLD electric services. Ms. O'Brien announced that the Energy Services division has been renamed to Integrated Resources and Planning, in accordance with the email that was sent earlier. An excerpt from that email would say that, the new division will be trained to understand strategically how each decision and program developed impacts the customer and the electrical system and the cost of power supply. The replacement position of the Integrated Resources Engineer I, requires an engineering degree and a proven marketing background to specifically target economic development consistent with current short-term and long-term capacity and flexibility of the electric system. We want to insure that our revenue projections and our kilowatt sales are captured on that six-year plan in an accurate manner.

The first page of the Budget delineates the six-year plan that RMLD will utilize to capture the budget-to-actual throughout the year and use as a living template for these revenue projections to meet our expenses. RMLD is allowed by law to have up to an 8% rate of return and must cover its cost of production. The RMLD targets less than 8% at a 5.5 to 7% rate of return to keep rates as low as possible. But, with prudent fiduciary responsibility, we must have a return which provides contingency to augment other funding reserves such as fuel and construction where major events such as a loss a power supply generating unit or a major equipment failure would occur. The Budget presentation will commence with our Chief Financial Officer, Bob Fournier. Ms. O'Brien noted that as we go through the highlights of each of the divisions and groups that the percentage column represents the percent between the FY14 estimate (and not the FY14 budget) as compared to the FY15 Budget. Therefore, if someone was to mention that there is a percentage from last year, it's a percentage difference from what is anticipated to be spent in FY14 (estimate to the end of June) and not necessarily last year's budget. This is, I think, how a previous commissioner had asked for it to be done.

Mr. Nelson asked what method was used to calculate the numbers on the six-year plan. Ms. O'Brien replied that 2015 is the Budget; 2014 is seven months of actual and five months of budgeted numbers. For 2016-19, in Power Supply, we have projections going into the future - forecasted capacity and transmission that we roll into our model. The operating expenses take into consideration any fluctuations in the base and fuel costs along with anticipated operational and maintenance costs. As I said in my preface, we have done an initial assessment on the reliability of the system. We have done an initial assessment on the staffing, on the succession planning, on all of those key elements. Staff will speak to some of the main highlights. Those have been incorporated here because in the Capital Improvement Plan, there is also a six-year budget, so that each of the elements - six year operating, six year capital, six year funding - all overlay so that it is transparent. When you do the reliability, you know what you are going to be doing to your system; you know what we have prioritized for FY15 based on how important it is to reliability, safety and efficiency to get it done, and then the rest has been scheduled out. It will always give you a snapshot of all six years even though we are only focused on evaluating the FY15 Budget.

Mr. Fournier began his presentation by noting the section of the Budget we are going to deal with is the Summary section, which is the first tab. The other five tabs identify, by division, the detail of what comprises the numbers. Mr. Fournier noted that this is not a line item Budget; we do have line items that help explain what some of the expenses are, but we are not a line item budget.

Mr. Fournier went on to review the 2015 Operating Budget - Draft 1 Summary (first page of the hand out). The FY15 budget has total expenses of a little over \$87m. Mr. Fournier reviewed the Fixed Costs, which we really cannot do much with. Of note, Depreciation is set by the DPU at 3% and is based on gross plant; the Town PILOT payments are set per the 20-Year Agreement; Return on Investments to the Town of Reading is set by Committee; and Miscellaneous Deductions includes loss on disposal of some net assets (based on accounting principles). The fixed costs represent about 84% of the Budget. Mr. Fournier then reviewed the Semi-Variable Costs. Noting the Expense (or operating) portion of the

labor for all the employees is included here; Conservation expenses is all our energy conservation programs which Ms. Parenteau will review in more detail. Energy Conservation has a special rate that is on the bills and revenue generated from that funds these particular programs, which represents less than 1%. Mr. Fournier noted that FERC (Federal Energy Regulatory Commission) requires credit card fees (which we pay for our customers who use credit cards to pay their bill) be captured under Office Supplies. Most of the \$301,000 in this item is made up of those fees. Rent expense is for the Barbas building. Transformer Expense is budgeted in case there is a spill or an accident. Overall, most of our costs are fixed - we are either contractually obligated to them or they are necessary for the reliability and stability of the system, and the safety of the employees.

Mr. Nelson asked about Injuries and Damage. Mr. Fournier replied, if for instance our trucks accidentally hit somebody's fence while we are working in the area, RMLD pays it. Injuries would be third party injuries. Mr. Nelson asked (on page 1 of the Summary) for clarification on Miscellaneous Revenue. Mr. Fournier replied the bulk of that is made up of the MMWEC flush of funds, which usually runs between \$500,000 to \$600,000. It also includes money received from scrap on wire and copper, and third party billing for jobs.

Mr. Hooper asked if Professional Services represented legal counsel. Mr. Fournier replied, yes - legal and outside consultants - mostly legal though. Mr. Hooper asked if there was an increase. Mr. Fournier replied it was a decrease. Ms. O'Brien explained that the allocation of legal expenses has changed (in the FY15 budget). Some of the divisions' budgets may look like it is going up, but only because it is being reallocated into what is consider to be the proper budget and the proper allocation. Outside Services can be engineering services, legal, consultants.

Mr. Fournier went on to review Page 1 of the Summary. In Operating Revenue, Gaw revenue is at zero in FY15. We have recovered all of our costs in the Gaw soil remediation.

Reviewing Operating Expenses, Mr. Fournier noted that Ms. Parenteau will be talking about Purchased Power. Mr. Fournier noted Operating Expenses as compared to 2014 is up about \$1.2m. The main drivers of that increase are costs associated with getting GIS up and running. Also, Energy Conservation programs will have more programs and more money put towards these programs. The biggest increase is under General Benefits - the pension, OPEB and health costs - which have gone up significantly. An actuarial study on the pension plan will be done this year. That has been funded at \$1m, and we have budgeted \$1.5 (for FY15). OPEB also increased - we just got the actuarial study done from the Town and costs have increased significantly.

Mr. Fournier continued with highlights including Maintenance Expense, which increased; there are expenditures that we haven't had in the past - this will help improve reliability through the system. Depreciation Expense is an accounting principle. The PILOT payment to the four towns - is again based on the formula and the projected net plant as of December 31 (our best estimate at that time). Moving to Other Income - Merchandise and Jobbing is our pole rental income and our fiber leasing which makes up the bulk of that total. Interest Income has increased; we have been more aggressive in our investment and long-term investments strategy. Forfeited Discounts is a function of the base revenue; what we project, on a percentage, of what we think people will not be taking advantage of the discount that we offer. Miscellaneous Revenue has already been discussed.

Tony Capobianco asked (about pole rentals) and questioned whether RMLD owns the poles. Mr. Fournier replied that Comcast has some of their equipment attached to the poles. We bill them about \$75,000 a year. Mr. Fournier noted that we own fiber optic cable and lease some of the fiber to Lighttower (about \$150-175,000). The strands are available, so we are trying to expand the revenue stream. Mr. Capobianco asked if the bandwidth was maxed out. Mr. Fournier replied, no.

Mr. Fournier noted that pages 2, 3, 4 and 5 provides detail of what has already been reviewed. He then called on Ms. Parenteau to present RMLD's Power Supply Budget and to begin the division-specific presentations.

Ms. Parenteau noted that a narrative description of each of the projects has been provided with the Budget Summary. Ms. Parenteau moved onto the 2015 Budget Summary sheet which looks at the Purchased Power Expenses projected for 2015 for the Operating Budget. Moving down, Capacity represents \$16.3m (or 25% of the overall Power Supply Budget); Transmission \$12.56m or just a little under 20%, and Energy at \$36.3m represents about 56%. The total of \$65m is somewhere between 75-80% of the overall budget – representing our Power Supply Expenses. Ms. Parenteau reviewed some major highlights from this year: Mix 1, which is a small piece of Millstone and Seabrook – the debt service has been paid off starting on July 1. The capacity market from the ISO for capacity market #5 cleared at \$3.21 a kilowatt month, which is a slight decrease than capacity market #4. On the transmission side, the average annual RNS, which is the bulk of the transmission - a socialized cost and we get charged our portion based on monthly peak demand – that rate went to \$94 a kilowatt month or a little over a 9% increase. On the Energy side, as a lot of you are aware, New England has experienced some difficulties with gas transportation, particularly in the winter periods. So, the ISO has been formulating rules to get generators who have dual fuel abilities to have them purchase oil and incorporate that into the energy prices that we see. We are able to capitalize slightly on that - our Stonybrook plant is a dual fired unit. In the winter, it's unable to get the gas, but it has oil as a backup, and that had a significant increase in its generation over this past winter period. That concludes an overview of the \$65m that represents the power supply.

Ms. Parenteau moved to the next page, which shows per project the capacity, transmission, and energy component for each project. The top section represents long-term unit contracts - Millstone, Seabrook, Stonybrook. We have a 30-year contract with the Braintree Watson unit. Beginning at Nextera and to the bottom, are the short-term contracts (anywhere from six months to four years). A lot of those contracts are based on our laddering and layering approach that we have taken advantage of. Integrated Resources is working on looking out to the next calendar year and will be coming to the CAB with that project in the spring following the budget season.

Chair Norton asked if there were any comments or questions.

Mr. Fournier noted that next section Page 1 is the Division Summary and the totals tie back to the budget detail and the six-year plan. Mr. Fournier noted that the Energy Services department name has changed to Integrated Resources and Planning. The final draft will reflect that change.

Ms. Parenteau presented the Integrated Resource and Planning (IRP) division budget (Page 2). Ms. Parenteau noted this area focuses on two sides - the wholesale side, which is the power supply (the \$65 million that was reviewed), as well as the retail side. IRP handles the energy efficiency programs, the conservations, the renewable, and those programs primarily focused on the commercial, the municipal, and the industrial programs. Staffing within this Budget has three Integrated Resource Engineers (I, II, III), which is a restructuring of the prior, existing, and vacant positions. There were two account positions of the 3000 commercial and industrial. We formerly had two Key Account Managers. These will be replaced with two Integrated Resource Engineers. The Energy Efficiency Engineer, who manages the energy efficiency program, will be the Integrated Resources Engineer III. The staffing levels for those positions on the retail side are reflective of existing and vacant positions. These positions will focus on the efficiency programs and will work with our commercial base, our municipal base, as well as our energy efficiency programs. This benefits the customers who are very much interested in doing whatever they can to help them sustain in our communities and help them become more efficient. We work on renewable rebates and with large commercial customers. We are working to structure our rebate programs so that we have peak demand reduction, which translates into wholesale power cost reductions on the capacity and the transmission side. With the forecast of those costs escalating each year going forward in the six-year plan, it's imperative that those programs really be implemented and provide value for the customer, the Light Department, as well our electrical system. One of the key goals is tying together the customer benefit, the power supply benefit, as well as the electrical system benefit. That's something that we hadn't been doing in the past, which will be very valuable to all three entities. Additionally, RMI.D is going to be focusing on economic

development. As we have spoken with many of the selectmen, our kilowatt hour sales have been pretty flat to decreasing over the last three to four years. One of the areas that we are going to try and focus moving forward is to work with the towns and try to attract new customers and retain the customers that we have because we are an electric company and kilowatt-hours is what really sustains our bottom line. If we can develop programs and outreach, to work with each of the towns that we serve, it will provide value to the Light Department as well as customers and the towns. The only other addition is a part-time admin person to support the economic development and to work with Community Relations - make sure that we are meeting with the towns and that we are all on the same page and working collaboratively to try and get those kilowatt hour sales increased. That will allow us to maintain the low rates for all of the customer classes. It is a business model transition that we are going toward.

Chairman Norton asked if there were any questions.

Mr. Kelley stated, I'm glad you brought up the rebate programs, because I came from a different world and that was a great way to get things approved. But, if you are implementing rebate programs and we're decreasing our kilowatt usage, why is the operating revenue going up so much? Shouldn't that not go up so much over the next three to five years because our demand's less, so you may make more money because we're using less and still be around the same cost I guess - if that makes sense. Ms. Parenteau responded, we want our customers to be efficient, and so these rebate programs are earmarked for efficiency. Unlike the investor-owned utilities that give money for kilowatt-hour reductions, what we try and do is target that peak demand - which is different. Right now, I am working with outside engineering firms to assist me (due to the vacancies that we currently have) and it makes a lot of sense for us because all of our charges on the wholesale side for capacity and transmission are related to our peak demand. So, while they do have kilowatt-hour savings (and that has a negative impact on our revenues) we want them to stay in town. If their bills are going up and we're not helping them, there's a chance that they will leave. That's the business retention part of it, but it's really more geared toward that peak reduction as opposed to energy reduction.

Ms. Parenteau continued her review of the IRP division. As mentioned earlier, Outside Services included a reclassification of legal expenses so it appears to be an increase, but the overall legal expenses have actually decreased in this Budget. The Conservation budget is pretty much level funded. Our energy conservation charge on bills is one mil or 0.001 per kilowatt-hour, and this results in \$700,000 of funding for the efficiency programs. By law, we are required to spend a quarter of 1% of our total revenue on residential programs, so that equates to around \$220,000 right now and then the balance of that is split between commercial, residential, and any other efficiency programs, including the salaries of those people that are implementing those programs.

Chair Norton asked if there were any questions. Hearing none, Ms. O'Brien presented the General Manager's Division budget. Ms. O'Brien noted that some legal expenses (as discussed earlier) have been reallocated to Integrated Resources and Planning as well as Human Resources, so that number has gone down. The \$55,000 is the GM budget covers dues, American Public Power Association, NEPPA, etc. There should be minus \$15,000 (that will be shown on the revision) under Labor. The Tech Admin that is going to be helping to handle the economic development will be helping Community Relations (and IRP) not GM, so that (\$15,000) will be reallocated to Community Relations.

Ms. O'Brien noted (as an example of what was discussed earlier) under Education it shows \$9,000, up 184%. Last year the budget was \$9,000, but because only \$3,000 is planned to be spent by the end of the year, its 184% of what's going to be spent instead of what was budgeted last year. It appears that it is going up, but it is not.

Reviewing Human Resources, there is the reallocation of legal, which has gone up slightly because that now encompasses all of any employee or union issues. We anticipate going forward over the next several years that that will go way down because we are not going to have any more grievances or arbitrations. With all of our working groups, it is anticipated legal costs will continue to go down.

The cost reductions have been significant and that's an achievement on all of staffs' part. Miscellaneous General covers employee physicals, drug and alcohol testing, job posting and want ads.

Mr. Hooper asked; can I hold you to that comment – no more grievances? Ms. O'Brien noted that she has not had any since she began - that's my goal - none. I've gotten rid of four arbitrations and five existing grievances that were there. It's amazing what communication can do.

Ms. O'Brien continued with Community Relations. \$15,000 will be added for the half of the part-time tech admin mentioned earlier. Last year we did our first annual public power open house. It was a huge success. It's an educational program where we celebrate public power week along with the rest of the nation. It cost about \$12,500 (last year) and we're budgeting \$10,000 (under Miscellaneous General). There are materials that we've used that we can use in the following years. From an educational standpoint, we had an abundance of presentations on what we did have for the GIS, we had the trucks, we had the maintenance programs, we had the linemen doing presentations, Energy Services were doing presentations, and we had an LED light house conversion prize. It was great fun for everyone, all ages, but very educational and a great way for the public to see what we do - the job opportunities and the types of employment that a utility has, and education and safety of the electricity. Supplies covers Rotary, Chamber of Commerce – all of those things where we work to get feedback from the communities. We work with our small commercials, as Ms. Parenteau said, to sustain and have retention in our business community. Moving to the CAB, the 20-year Agreement provides \$15,000 (there is a little bit of an adjustment there) for what the CAB may want - travel, training, consultation, etc. It also includes labor associated with administrative support to the CAB.

Dennis Kelley asked, what travel, or what the CAB might want entails? Ms. O'Brien replied, when you come into talk to me, we'll sit down and go over how the operations of the Department work. With that, we can discuss a number of opportunities where Board of Commissioners or CAB members attend conferences or trainings, like APPA or NEPPA conferences and trainings. There are a number of Board trainings, open meeting law training, that you might be interested in.

Chair Norton called for any questions or comments. Hearing none, Mr. Polson began the Facilities Manager Division presentation. Mr. Polson began with General Benefits (53) account. As mentioned earlier, there is an increase in outside services because of the allocation of funds from the GM to the operating areas. For Property Insurance there is a 5% increase in our premiums, but we are balancing that with increasing our deductibles to keep our insurance costs stable. We don't project that they will rise for next year based on feedback that we're getting. Our budgeted 2014 was \$460,000 and we are at \$453,000 projecting in 2015, so we are keeping those costs stable. The Pension and Benefits is a large driver for our costs increase. Pension is up \$500,000. Post employee benefits are up and health insurance coverage costs are up by 7.8%.

Mr. Nelson, I want to ask the same question about the Injuries and Damages. What's that under your area? Mr. Polson responded, that's actually what Mr. Fournier talked about – that's General Benefits. If we have damages on property, we would cover any expenses. Mr. Nelson asked, and this is third party? Mr. Polson responded, correct, not employees. Mr. Fournier added, it also includes workers comp insurance.

Mr. Hooper questioned Pension and Benefits coming under Facilities. Ms. O'Brien responded, Purchasing is under Facilities – that's the way it has been. Until the Organizational Study is done that's we're it is – it may stay there.

Mr. Polson went on to review Transportation noting the vehicle costs are associated in this budget and then allocated to the operating groups like the Line group, Engineering group, etc. You don't see that break out here. Supplies is vehicle maintenance. We are very focused on making sure our fleet is well maintained and operates when we need them to. In terms of our vehicle maintenance programs, between 2014 and 2015, it's level funded - just really a slight decrease. Some of the things we're trying to do to control the vehicle costs are looking at an 8-10 year vehicle plan - looking at vehicles making

sure that if the maintenance costs are increasing, we eliminate that vehicle. So, we keep down the maintenance costs on the vehicles and improve reliability. Fleet maintenance will be included as part of the Organizational Study to be sure that we are doing things efficiently and the fleet runs well and performs as needed.

Ms. O'Brien added that we took an extensive look at the fleet. We laid it out on the eight and ten year plan and were able to surplus a number of vehicles. Some of the vehicles went to the different towns, but there are a number of vehicles, which will not be replaced. We have taken a hard look at exactly what we need for vehicles for their operational use and we've gotten that down. Mr. Polson noted four trailers, at least two or three vehicles. Ms. O'Brien continued, I think it's upwards of eight or nine rolling stock that will not be replaced. There's the cost of not replacing it and there's the avoided cost of maintenance, etc.

Chair Norton asked what vehicles in particular are not being replaced. Mr. Polson replied, it could be a pickup truck - it could be possibly a line truck, if we think we can get by with one less vehicle. We are really looking at the usage of the vehicles. If we have a vehicle break down, we want to have a vehicle available - we don't want to impact the operation. But, it's all different types of vehicles that we are looking at - extra trailers that are not used that often - we will surplus those.

Mr. Kelley asked, on the vehicles, going through the Capital Budget, its more around the years - and not the mileage - I noticed some had 45,000 miles, but it was ten years old. Is that because of the age of the boom or whatever is on that truck? Mr. Polson replied, we look at everything; depending on the boom, there's significant maintenance after five years (to replace the chains on the boom); it gets a lot of run time - we might not have a lot of miles on it, but a lot of hours; the body could be worn; maintenance costs keep increasing - so we will look at the maintenance costs as well. It's not just about the age of the vehicle - it's really an assessment of the vehicle to make the decision if it's something we should surplus and replace, and we look at the usage. There are many different aspects.

Mr. Polson moved on to the Building Maintenance group. We've been focusing on heating expenses and have driven that cost down significantly. We are looking at our systems and making sure that we are not wasting energy - taking advantage of turning back our thermostats at night - making sure that the temperature are kept cool in storage buildings, unless someone is working there - so we are really trying to manage the costs down. HVAC maintenance is projected to be \$28,000 lower. A couple of reasons for that is we are really trying to evaluate the way we do our maintenance. We had a lot of scheduled maintenance. We are trying to have a managed maintenance program. Because we have a capital plan for our HVAC, we are trying not to spend a lot of money on our HVAC system when we are replacing in the short term. In turn, when we get a new system, the maintenance costs will be a little bit less as well. For rubbish removal, we've gone from scheduled pickups to will-call pickups and that's really driving our costs down. For Miscellaneous Supplies, we've looked at our spending in those categories and for different projects we have cut the budget. So, we're able to drive down the spending and the Building Maintenance account to a point where I feel comfortable with it. But, we are always evaluating it.

Chair Norton asked for any questions. Hearing none, Mr. Polson continued with Materials Management which is basically level funded from last year. There's a slight increase over last year in some of the Labor Overtime because of storms- employees in that group that have responsibility for snow clearing, snow removal, shoveling. This year we had a significant amount of overtime and next year we just increased the budget. For Educational expenses, an employee will continue with school and we're managing those costs and keeping the funding approximately the same.

Chair Norton called for any questions. Hearing none, Mr. Fournier began the Business Division review. Overall, there are no significant changes or any unique situations being forecast for FY15. In the Accounting group, the big-ticket items are under Supplies - the Town Hall services, the postage for the mailing of the bills and the outside service used to mail all invoices. Office Supplies, as explained earlier, includes banking and credit card fees, which is a service to our customers that really works out

well for the RMLD. The change in labor regular is due to an individual who was out on leave and is back to full-time.

In Customer Services, there was very little change. In Labor, a part-time employee was working more hours, which increased Labor. All the other expenses pretty much stay the same.

Mr. Fournier moved to the MIS group. An individual is retiring and there will be overlap. The replacement is going to have a strong background in database administration. Rather than hire outside consultants to help with software applications, we'll have this expertise in house - we will be able to train additional people - avoiding the need for costly third parties. Maintenance General Plant includes service contracts for software and hardware. As we automate more in our practices, we get more applications and we try not to house them in-house because we don't have the expertise or a big enough IT staff. We'll outsource it to people with certain expertise. In the long run we save money because we are not on the phone asking people how to do certain back-ups or procedures when things don't work - this is what these people do.

Miscellaneous Deductions, including Depreciation and PILOT payments which are based on the anticipated net plant, and Return on Investment to the Town of Reading which is pre-set.

Chair Norton asked if there were any questions. Hearing none, Mr. Jaffari began the Engineering and Operations (E&O) presentation. Mr. Fournier noted that he has provided a replacement page for Page 7 of the book.

Mr. Jaffari presented the Engineering and Operations Division. Mr. Jaffari noted that based on 30 years of experience in distribution, reliability and system planning, he has identified a number of areas that RMLD needs to focus in FY2015 in order to maintain a safe, efficient and reliable system. These areas are; number one - completion of the GIS database which provides the foundation for developing a sound engineering model for forecasting load growth, designing systems, and developing appropriate maintenance programs in order to maintain the system. The Organizational and Reliability Study in order to develop a road map to maintain the reliability and increase the operational efficiency, and developing appropriate cost-effective, energy efficiency programs, improving operational safe practices, and finally evaluating organizational needs in order to meet the industry's future challenges by developing appropriate resource allocation plans and succession planning. There is also a need for developing appropriate proactive maintenance programs in order to maintain a reliable system and ensure a safe operational environment. In the Budget, in every category, you are going to see an increase or a change in training, as well as system planning, maintenance planning, and maintenance programs. Under maintenance, we've identified a number of key maintenance ideas that are going to be implemented in 2015 that are vital to maintain the reliability of the system. This includes the substation maintenance program, tree trimming, pole inspections, transformer load management (TLM) to phase out the old transformers that are overloaded or are aged, porcelain cutout replacements, and infrared scan of distribution system and substations in order to identify faulty equipment. Mr. Jaffari went on to note that the latest reliability analysis revealed that 27% of RMLD's outages are caused by tree issues. Therefore, we are revamping our tree-trimming cycle and tree-trimming program, which means we are going to have to work to develop a plan that is more efficient in order to maintain the system reliability and make it more cost effective.

Our initial assessment is that as a minimum, RMLD needs the following resources in order to be able to maintain the reliability and take a proactive, rather than reactive, approach with respect to some overdue required maintenance issues. We need to form a tech services group. This is vital to maintain the system. They will be trained to perform testing on the substation equipment, which are overdue as we speak. In the GIS area, we need somebody who is engineer/GIS with expertise to build engineering models, and be able to do the analysis, and build models for making the system more efficient, cost effective and minimize losses. There is also a temporary Assistant General Foreman position that is consistent with succession planning. There was a publication by APPA that over 60% of the workforce in the public sector is retiring. It is essential to have some succession planning. As



our people are getting closer to retirement age, we need to make sure that we have people who can slide into those positions and make sure that they can function in the same capacity.

At every category, you will see the changes are either due to a new staff or for training. For instance, under Engineering (65) Labor the change is with respect to an engineer or GIS person to be hired to build the model and maintain the GIS system. In Education - increased training. Outside Services is for NERC auditing. As you know, we are mandated by NERC to self-report on a number of issues on the protection of the system - cyber security - security of the infrastructures, sabotage reporting, which is done by one of our consultants. More changes are about to come because more requirements are added recently. These requirements grow day by day. Under the Line department (66), Education for increased training to meet the future industry challenges because we have an aggressive maintenance program that we are going to have to implement. The Tree Trimming cost came up slightly because we have to revamp the program. Other areas have decreased, and overall there is a 4.67% decrease (in the Line department).

Ms. O'Brien asked to address the CAB. Under tree trimming, last year was budgeted \$614,000. Is that correct? Mr. Jaffari replied, that is correct. Ms. O'Brien stated that we are making a change to reduce this \$757,000 to \$640,000, correct. Mr. Jaffari, yes that is correct.

Chair Norton called for any questions or comments groups 55, 65 or 66.

Mr. Kelley asked, about the tree trimming. Out of the \$614,000, how much of that did you spend last year? Ms. O'Brien responded, as noted on the summary (and confirmed by Mr. Fournier) \$529,411 is going to be spent in Tree Trimming by the end of June. Ms. O'Brien reported that the existing tree trimming program is not working. It's not efficient, and the trees are not being trimmed. Our reliability indices (percentage-wise) of what causes the outages should not have the percentage that is allocated to trees. We are redoing the bid and are restructuring the entire program including the cyclic layout. The reason for the decrease is that two ineffective crews were removed and replaced, and a third crew we let go.

Mr. Kelley asked if they were contractors or worked for RMLD? Ms. O'Brien responded, they are contractors. Right now that company is on probation.

Mr. Kelley, inquired if there is a way that RMLD could work with towns and give them some kind of rebate if the town works with them to trim trees in areas. Ms. O'Brien noted that tree trimming is one of the largest expenses for a utility and requires training in ANSI Standards, EHAP, etc. There's a lot that goes into cutting within ten and four feet of high voltage. You have to have chippers and cranes. We work with the town tree wardens, with our vegetation maintenance plan, and we work with dead tree removals - things that could impact the lines. There's communication in working with the towns, but you wouldn't be able to aggregate those types of resources - it's too big of a function. We want to make sure it's more efficient and that we're getting the reliability indices increase that we need - that is appropriate for this size utility.

Chair Norton asked if there were additional questions.

Mr. Soli commented, on Line (66), I see a lot of fairly significant pluses and minuses. Overall, does that change the line crews that will be working? Ms. O'Brien responded that the Line division has been restructured into two-man crews. We have existing two vacancies from retirements, and one person who got injured that's been on workers' comp. Those positions are intended to be replaced. We have restructured to two man crews, which is one of the reasons why we were able to decrease some of the bucket trucks. There's going to be two men in each crew, but it's consistent with career development. We have a new RMLD, journeymen-linemen certificate program. We are not adding any linemen - we just have two vacancies from the injury and a recent retiree. Mr. Soli asked, so those are going to be filled. Ms. O'Brien responded, yes. We are also planning to eliminate - not go back out

for our underground contractor at the next cycle for that contract. The underground work will be done by the existing linemen under the career development training program.

Mr. Nelson asked about the substation side – do you use contractors for that? Ms. O'Brien responded, no, because there hasn't really been much maintenance, which is what Mr. Jaffari spoke to. The only real smoking gun that we found when we did these initial assessments, other than the fact that all of RMLD has to change to this key word of "planning" thus the six-year plan, is the lack of maintenance. You can call a contractor in if they're putting out a fire, but regular maintenance and inspections have not been done. With the creation of the Tech Services group, we're only planning, as Hamid spoke, only adding two positions. The rest are being filled in-house to take the existing maintenance people and train them in a journeymen certificate program, the same as the linemen, so that you will have journeymen substation maintenance technicians. It takes five and a half to seven years, but that training will augment with the contractor coming in and getting our substations up to the point where we load it into this new maintenance program. Mr. Nelson comment, the testing of equipment such as transformers and dissolve gas analysis is very beneficial to life and the reliability of the system. Ms. O'Brien agreed; we use the industry standard for predictive maintenance so that we can stay ahead of the curve for replacement, so that we don't have any more issues like we had in Wilmington. We want to make sure that the transformers are inspected and maintained before they rust out and leak. Having that type of environmental impact is not good. So, we're ahead of the curve on creating this program. We want to be able to make sure that we get the people trained and the maintenance done before any more issues come about, but it has been lacking, if you will. But, there will always be a certain amount test equipment or a certain amount of testing that always makes sense to send out. They will be trained so that the majority of the testing and maintenance will be done inside. So you do the gas testing, you send the gas out. There are certain things that you'll do and still send out. I'd like to be able to say that when I create this group, I can offset it by getting rid of this contractor that we've been spending a half a million dollars on, but I can't do that because it's not there. So unfortunately, I don't have an offset. I can only tell you going forward, predictive and preventative maintenance is the way we are going to maintain that logo on the side of our truck.

Mr. Jaffari, added, training the new employees with the new testing equipment is going to take a few years. They are not going to be ready right away to do the testing, and take over the entire program. So, we need to be augmented probably by an outside contractor for a while.

Mr. Norton asked about the trouble crew. How many troublemen do we have now? Ms. O'Brien responded, two – one day troubleman and one night troubleman (7-3 and 3-11). Chair Norton stated that at one time, we used to be 24/7 and asked what happens between 11 and 7? Ms. O'Brien responded, we have Station Operators that are on three shifts and then we have a call man who has to report back to the station within 30 minutes for on-call. The percentage of outages that occur in that timeframe wasn't enough to justify a full time position, so it was eliminated. Now you have call lists so the Station Operator will call in a leader and a first class lineman depending on what the outage situation is. But, the response time should be within 30 minutes – I think that's what the contract says. Chair Norton stated, that was one thing I was never in favor of, that elimination, but if works it works. Ms. O'Brien noted that it's going to be looked at by the Organizational Study. We are incorporating the changes that were obvious to 30 plus years of experience doing this type of reliability and planning studies. We are hoping that the Organizational Study will support the changes that we've made. There might be other changes, especially, to help prioritize and layout the long-term reliability. Mr. Norton, replied, but we would never go less than two? Ms. O'Brien and Mr. Jaffari responded, no.

Mr. Jaffari continued with Group 67. Of note Meter Tech expense changed 80%. Those are the tools and also the meter temp calibrations, and equipment that the techs need in order test the meters and do their job. Education – again that's training that we provide for them. Other than that, there is not much in that section.

For Station maintenance, we are hiring two people, as we stated. Supplies includes cost of the fire repellent clothing, vegetation, infrared testing. Transformer maintenance, which is the hazardous waste and transformer disposal. The vehicle maintenance, some labor, and basically, that is going to do it.

Chair Norton called for any questions. Hearing none, thanked Mr. Jaffari.

Mr. Fournier noted that concludes the presentation of the five divisions within the operating budget. The remaining pages in the Summary section are the monthly details, which we've already gone over in the previous pages. Mr. Fournier reviewed the Draft Operating Budget Changes (third page of the handout). With Draft 1 there are two adjustments that needed to be made and we just added a third with the tree trimming (down to \$640,000 from \$757,000, for a net increase in income of \$117,000). The revised motion will be for \$2,652,997 (net income).

Chair Norton asked if there were any questions or comments on what was presented.

Mr. Nelson said that he was very impressed with the direction the RMLD is going. This budget, I think is a good sound budget. You're accomplishing a lot of things that I see that you want to do in this Budget, and I think it's a reasonable Budget. I wrote a couple of questions down and I think you can answer this. Do you feel this budget meets the ability to ensure the proper maintenance for this next cycle? Ms. O'Brien and Mr. Jaffari said that it did. Mr. Nelson responded, I think the staff and everybody at the RMLD has done a great job. I think it's actually a very sound budget. Ms. O'Brien thanked Mr. Nelson, and asked if he liked the six-year lay-out – that concept? Mr. Nelson responded, yes.

Chair Norton recognized Mr. Miller a member of the public. Mr. Miller noted that he was from Lynnfield and trying to reflect on some things from their perspective. Mr. Miller asked whether RMLD was a corporation, or is it a department of the Town of Reading, or something different.

Ms. O'Brien, stated that RMLD is a Massachusetts General Law Chapter 164 Municipal Light Plant. It's categorized as a municipal light plant and a department of the Town of Reading. That means that there is an autonomy with the budget process separate from the Town. But, there is commonality in that we affect credit ratings – the Town of Reading takes on the liability of the Department. RMLD reports its Budget separately to the Department of Public Utilities and is not included in the Town Budget. Mr. Miller asked about the investment that Reading has in RMLD if in fact, it is a separate/unique entity – the ROI is a couple of million dollars - what is their investment? Ms. O'Brien responded, that Reading Municipal Light Department is owned by the Town of Reading. The investment is the origination of the Light Department. All 41 municipalities in the State are the same. They are enterprises, similar to a Water Department. They are enterprise funds in which they self-sustain - that's the concept of a municipal light plant being a benefit. The original calculation (on the ROI) was 1.25M back in the early ninety's and then it was based on the CPI increase. The American Public Power Association has standards of what all the municipalities use for calculating payment in lieu of taxes and return on investments - it can be, for example, 2% of kilowatt hour sales – there are a number of different formulas. Ms. O'Brien noted that she was not around when this was derived, but when you look at all of the 41 municipalities it can vary, but there are standards that most of the municipalities across the nation use. Discussion ensued about various methods for determining ROI.

Mr. Miller agreed with Mr. Nelson – I think a six-year plan is a super thing, and looking at Mr. Nelson, I think a lot of people should have that, and he knows what I mean by that.

Mr. Miller noted that in some communities the credit card charge is passed along to the customer when they pay their bills with a credit card. Maybe the same thing is appropriate for RMLD. What you (RMLD) are doing by paying this, you're subsidizing somebody's bill for that. I don't know why I should subsidize somebody for paying with a credit card. I understand the collection problem, but I pass it on as a thought, other communities do it. I don't know whether you can do it in Massachusetts

or not – just a thought – it happens – I pay it – I wince but I do it. Maybe the same thing is appropriate – that's \$300,000.

Mr. Miller also asked how the PILOTS to the towns are derived or proportioned; is it based on customers in the town, dollar value, kilowatt use per town? Ms. O'Brien responded that it is 2% of net plant divided by the usage per town - percentage usage by town – kilowatt hours sold. Discussion around the PILOT payments ensued. Lynnfield's payment is the smallest, obviously, because they are the smallest of the four towns served. Reading's is approximately 20-25%. Mr. Miller thanked the group.

Chair Norton thanked Mr. Miller for attending. Chair Norton wanted to remind everyone that Lynnfield appears to be the smallest, which it is, but Lynnfield is not totally served by Reading Municipal Light. South Lynnfield is Peabody Light and Power, which is part of where that smaller percentage works its way in.

Mr. Nelson stated, if we can come up with a different formula for all this that might be something to think about too.

Chair Norton called for a motion for this portion of the Budget. Next week we will take up the Capital Budget and there will be a separate motion for that. It then goes to the Board of Light Commissioners with their movement up or down. And then, we take a final vote, but this will give the Board of Light Commissioners our recommendations as to what we want to do.

Mr. Hooper made **Motion** to recommend to the RMLD Board of Commissioners the FY15 Operating Budget with an adjusted net income of \$2,652,997 as presented, seconded by Mr. Nelson. Hearing no further discussion, the **Motion Passed 5:0:0**.

Mr. Soli commented that the motion made and the way the Board has been looking at financials for many years is that, like corporate enterprises, we have one bottom line; and that got us into trouble, because there's actually two bottom lines - one is the fuel and the other is non-fuel. If I can, between now and the time of the Board meeting I want to see if I can change your motion that has the same substance, but it makes it clear that there are two bottom lines that the Board must manage – that here's the fuel and here is the non-fuel. I don't have it in hand, but will let you have it for your information.

Chair Norton asked who was the newly elected member of the Board. Mr. Soli responded, Tom O'Rourke.

Chair Norton thanked the Department heads that were present at the meeting. As always, you ladies and gentlemen do an excellent job – I want to thank you for that. Overall, all the employees of the RMLD do an excellent job.

Mr. Capobianco asked to address the CAB. I felt this was a little outside of the Budget and maybe it is something we can discuss at a future CAB meeting. One reason I asked about the fiber – if we own the poles and we own the fiber and there is significant band-width that is being underutilized, can that band-width be sold to the RMLD customers? Has that ever been explored as a revenue model? I don't know how complex it is? Maybe it's a discussion for another meeting, but it's a question I wanted to ask.

Ms. O'Brien responded that the Organizational Study and the Reliability Study are both looking at the fiber loop, both for its intended use for present and future needs of the reliability and any type of automation with SCADA systems or the flexibility of the system in order to do this economic and peak shaving. As mentioned earlier, there are sections of the fiber that are currently leased to Lighttower. Ms. O'Brien noted she would be very cautious to allow anybody else on the pole. Discussion ensued about the capacity and possible uses of the fiber loop. Ms. O'Brien stated that Commissioner Talbot

has also asked about this issue. Ms. O'Brien is providing a map of the fiber loop to Commissioner Talbot and will also provide a copy to Mr. Capobianco.

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

Next meeting of the CAB will be Wednesday, April 9th at 6:30 pm at the RMLD building. The Agenda for that meeting was distributed to all CAB members.

Ms. O'Brien asked the CAB for input on the proposed schedule (discussed earlier) in order for the sequence of events on the cost of service to come to fruition. Chairman Norton agreed to take that up at the next meeting.

**5. 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 5:0:0 (5 in favor, 0 opposed, 0 absent).**

The Citizens' Advisory Board Meeting adjourned at 8:12 pm.

Respectfully submitted,



David Nelson, Secretary

Minutes approved on: 6/3/14