



## Town of Reading Meeting Minutes

### Board - Committee - Commission - Council:

RMLD Citizens Advisory Board

Date: 2018-04-30

Time: 6:30 PM

Building: Reading Municipal Light Building

Location: Winfred Spurr Audio Visual Room

Address: 230 Ash Street

Session: Open Session

Purpose: General Business

Version: Final

### Attendees: **Members - Present:**

Mr. George Hooper, Chair (Wilmington); Mr. Jason Small, Vice Chair (North Reading); Mr. Dennis Kelley, Secretary (Wilmington); Mr. Neil Cohen (Reading); Mr. Vivek Soni (Lynnfield)

### **Members - Not Present:**

### **Others Present:**

Ms. Coleen O'Brien, General Manager; Mr. Hamid Jaffari, Ms. Wendy Markiewicz, Ms. Kathleen Rybak, Mr. Bill Seldon

**Minutes Respectfully Submitted By:** Mr. Dennis Kelley, Secretary

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### Topics of Discussion:

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

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

#### 2. Approval of Minutes – G. Hooper, Chair Materials: Draft Minutes from February 28, 2018

Mr. Kelley made a motion that the Citizens' Advisory Board approve the minutes of the February 28, 2018, meeting as written, seconded by Mr. Soni. Hearing no further discussion, **motion carried 4:0:1** (4 in favor, 0 opposed, 1 abstained).

#### 3. FY19 Budget Discussion – G. Hooper, Chair

Chair Hooper noted there were two members absent from the April 18<sup>th</sup> meeting when the FY2019 operating budget and proposed rates were presented. For that reason, Chair Hooper did not entertain a motion on the rate increase at that meeting. Chair Hooper opened the floor for discussion.

Mr. Kelley stated that he would prefer to look at the budget and what we could reduce in the budget to lower overhead as opposed to increasing the rates. Mr. Kelley acknowledged there is a lot of work to be done and being done, however, suggested there may be an opportunity to look at different projects and try to find ways to save costs.

Chair Hooper agreed, noting that he had voted for increases in the past knowing that there is a lot of good work that's coming up such as the new substation in Wilmington,

which will require a lot of capital funding. Chair Hooper suggested we take another hard look at the budget to see if the 2% (increase) could be zeroed out.

Ms. Markiewicz (referring to page 94 of the Budget) noted Fixed Costs represent RMLD obligations and commitments - there's nothing we can do about that portion. Power supply is going down over \$1m, but it is a pass-through to the customers. Semi-Variable Costs are 18.27% (\$17.6m) of the budget and is the only portion that we could even entertain discussion. The FY19 semi-variable costs are budgeted at about \$1.3m higher than FY18. Ms. Markiewicz noted that FY18 year-end is projected at almost \$1m higher than budget due largely to the March storms.

The group discussed the need for, and timing of, some of the capital improvement projects. Ms. O'Brien noted the depreciation expense of 3% is part of the Operating Budget and that doesn't change. What piece could change, would be the transfers (from gross profits from previous years), but that had intentionally been set aside to meet the anticipated capital outlay. For the operating budget, as Ms. Markiewicz has stated, semi-variable costs are the only areas where we could look to decrease the budget. We are carrying some vacancies. However, a recent reorganization study suggested 12 vacancies to be filled and only eight are being filled. Staffing levels are extremely low. We are really talking about whether or not to cut into the rate of return. The Commissioners had voted an up to 8% (DPU allowed) rate of return for several years in order to set gross profit aside to pay for the capital outlay, including the new substation, with minimal bonding necessary. We don't know what is going to happen down the road (with reduced sales, transmission costs and other expenses) so we want to minimize debt. Ms. Markiewicz noted that without the rate increase, the rate of return would be 5.52% (or \$1.9m less).

Ms. O'Brien referenced a prior study looking at whether or not RMLD was investing appropriately into the system. The study confirmed \$8m annually, based on the size of the system, aside from the fact that maintenance was lacking for years. The combination of 3% depreciation, plus previous profits is what is needed to make the capital expenditures as delineated in the 5-10 year plan.

Mr. Soni asked about the history of increases over the past few years, and what is the anticipated percentage decrease in kilowatt hours sales. Ms. Markiewicz reported that right now we are at 1.8% decrease, we're projecting 1%, but currently as it stands we are 1.8% down. Ms. O'Brien provided a brief overview of the rate history since she joined RMLD. Staff now meets with the towns twice a year; once with an anticipated increase, and again as they segue into their budgets.

Ms. O'Brien reminded the group that (as a result of the Cost of Service Study last year) it was voted to mitigate the cross-subsidization among rate classes. This is just a transfer of money between rate classes and does not add revenue to the budget. As a result of this strategy, if a rate increase was not approved, the residential rates would go up slightly and the commercial/school and industrial rate would go down slightly because we are trying to get to a zero rate of return within rate classes.

Chair Hooper noted in comparing the FY18 Proposed Rate Increase spreadsheet to the FY19 Proposed Rate Increase spreadsheet (using the residential 500kWh rate as an example) the proposal was to bring it from \$76.81 up to \$81.89 (in FY18). However, when you look at the FY19 Proposed Rates, instead of \$81.89 (for the present FY18 rate), it is actually \$82.82. Mr. Seldon explained that the fuel charge fluctuates every month; when the proposed rate is calculated for rate presentation, the fuel charge that is current at that time is used to calculate the "present rate".

Mr. Soni questioned the impact of energy efficiency measures on the decrease in sales. Mr. Seldon responded that we don't have any hard data that can pinpoint a decrease in residential usage by "x" amount due to efficiency measures. However, everything is

more energy efficient now. Ms. O'Brien noted that the 1-2% decrease in sales represents more of a cumulative impact from commercial customers.

Ms. O'Brien stated that RMLD is trying to lower the rate of return (gross profits) closer to 6% as soon as the substation is built, which is why there is a convergence as has been noted with discussions around the payment to the Town of Reading. That is why that (payment) can't be sustained with gross profits. We must continue to fund the capital outlay, and it's my recommendation that that be a priority. We should support the Town, but perhaps a calculation that is more indicative of the health of the utility should be considered.

Hearing no further discussion, Chair Hooper asked for a motion.

Mr. Cohen made a motion that the Citizens' Advisory Board recommend to the RMLD Board of Commissioners the adoption of rates MDPU numbers 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, and 290, dated to be effective July 1, 2018, on the recommendation of the General Manager, seconded by Mr. Soni. Hearing no further discussion, **motion carried** 3:2:0 (3 in favor, 2 opposed, 0 absent).

4. Scheduling Upcoming CAB Meetings and Coverage for Commissioners Meetings – G. Hooper, Chair

Scheduling for upcoming meetings and coverage for the Board of Commissioners meetings was discussed. An updated schedule will be distributed to CAB members.

The next CAB meeting is scheduled for May 16<sup>th</sup>.

Ms. O'Brien reported that she has completed the draft report requested by the Subcommittee to Review the Payment to the Town of Reading. That draft will be forwarded to CAB members.

Ms. O'Brien reported that the Board of Commissioners has voted to change the fiscal year to a January start (rather than the current July start). The CY19 Budget will be provided to the CAB by the end of September for review in October.

5. Adjournment – G. Hooper, Chair

Mr. Kelley made a motion to adjourn the Citizens' Advisory Board meeting, seconded by Mr. Small. Hearing no further discussion **motion carried** 5:0:0 (5 in favor, 0 opposed, 0 absent). Meeting adjourned at 7:13 PM.

As approved September 19, 2018.