



## Town of Reading Meeting Minutes

2016-09-22 LAG

### Board - Committee - Commission - Council:

RMLD Citizens Advisory Board

Date: 2022-10-27

Time: 6:00 PM

Building: Lynnfield Town Hall

Location: Joe Maney Meeting Room

Address: 55 Summer Street, Lynnfield MA

Session: Open Session

Purpose: General Business

Version: Final

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

Vivek Soni, Chair (Reading); Ken Welter, Vice Chair (Lynnfield); George Hooper (Wilmington); Dennis Kelley (Wilmington); Jason Small (North Reading).

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

### **Others Present:**

RMLD Board of Commissioners Representative: Marlena Bitá, Chair

RMLD Staff: Gregory Phipps, Interim General Manager; Hamid Jaffari, Director of Engineering & Operations; Benjamin Bloomenthal, Director of Finance & Accounting; Kathleen Rybak, Operational Assistant.

**Minutes Respectfully Submitted By:** Vivek Soni, Chair

  
Vivek Soni (Oct 6, 2023 11:40 EDT)

Oct 6, 2023

### **Topics of Discussion:**

*All meeting materials can be found in the RMLD CAB Meeting Packet on the RMLD website.*

### **Call Meeting to Order**

Chair Soni called the meeting of the Citizens' Advisory Board (CAB) to order at 6:00 PM and noted the meeting was being audio recorded.

### **Approval of Minutes**

*Materials: Citizens' Advisory Board Packet (attachment 1)*

The minutes of the April 4, 2022, and June 1, 2022, meetings were approved as written.

Mr. Hooper made a **motion**, seconded by Vice Chair Welter, that the Citizens' Advisory Board approve the minutes of the April 4, 2022, and June 1, 2022, meetings as written.

**Motion Carried:** 5:0:0:0 (5 in favor, 0 opposed, 0 abstained, 0 absent). *Roll Call: Chair Soni, Aye; Vice Chair Welter, Aye; Mr. Hooper, Aye; Mr. Kelley, Aye; Mr. Small, Aye.*

### **Interim General Manager's Report**

*Materials: Citizens' Advisory Board Packet (attachment 2)*

Gregory Phipps, Interim General Manager, provided an update to the CAB.



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Benjamin Bloomenthal, the new Director of Finance and Accounting, was introduced. Mr. Bloomenthal brings direct experience, external perspective, and knowledge of grant applications and management.

Mr. Phipps discussed RMLD's efforts to attract new customers and encourage load growth, noting that there is particular interest from large load customers in the Wilmington area. Mr. Phipps expressed that an additional two customers near Ballardvale in the Upton area are expected to bring in loads ranging from 10 MWs (megawatts) to 30 or 40 MWs by 2025.

Mr. Phipps emphasized that RMLD's responsiveness, access to key team members, and reliable, low-cost, non-carbon energy offers a competitive value proposition over Investor-Owned Utilities (IOUs) such as National Grid and Eversource.

Mr. Phipps stated that additional load is beneficial for both RMLD and the ratepayers. There will be some additional investment to accommodate the new loads, but increased kWh (kilowatt hour) sales will add more revenue against the fixed cost base.

Mr. Phipps provided an update on union negotiations. Negotiations were completed with all three unions last month. Two unions have ratified MOUs (memorandum of understanding), and the collective bargaining agreements are being updated. The last union contract should be finalized by the end of November.

Mr. Phipps reported on RMLD's recent Mutual Aid activities. The RMLD team assisted the Northeast Public Power Association (NEPPA) in recovery efforts following Hurricane Ian in Florida, receiving positive feedback from the Town of Bartow. Mechanical breakdown issues with RMLD's truck during the trip identified a need to accelerate the replacement cycle of equipment. This vehicle is not included in the current budget.

Chair Soni asked a question about the recent outage in Reading center in the context of the budget and planning. Mr. Jaffari explained that an outage occurred at a gas station due to a loose connection of the neutral wire to the transformer, which caused voltage fluctuations.

Mr. Jaffari added that RMLD's 7-point maintenance program (included in the budget), covers manhole inspections, aged transformer replacement, and secondary maintenance services. The affected equipment was last checked in 2020.

The infrastructure will undergo upgrades as part of a plan to address aging equipment. This includes transformers, cables, and wires. The upgrades are reviewed annually and are prioritized based on information and age.

Mr. Phipps reiterated that there is no change required in the current budget plan because of the outage, and cited examples of relative items in the operating and capital budgets.

### **2023 Budget Presentation**

*Materials: Citizens' Advisory Board Packet (attachment 3)*

Mr. Phipps and Mr. Jaffari presented the 2023 RMLD Budget Presentation to the CAB.

Chair Soni raised a concern about the increased capital budget this year, and indicated a need for understanding how the budget will be financed. Chair Soni suggested that it would be beneficial to know upfront how the budget will be funded, in addition to what RMLD plans to spend and what has been spent.

Mr. Phipps discussed the context and overview of the 2023 budget, emphasizing that the capital budget for 2023 has increased twofold compared to 2022.



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Taking a broader view, the evaluation of both the capital and operating budgets is intrinsically linked with the commitment to RMLD's Charter of reliable, low-cost, non-carbon energy.

A notable percentage of the capital projects concentrate on reliability, which is RMLD's primary goal. The focus on non-carbon energy mirrors the provisions of the 2021 climate bill, which established non-carbon compliance metrics. There is also a significant variable relating to the volatility of the power supply, which is a large portion of the operating budget.

Mr. Phipps shared insights on RMLD's budget positioning, including the fact that the actual budget rarely matches the projections. RMLD typically has not fully spent the capital budget in any given year. Like 2022, the 2023 actuals will differ from the budget. This is due to various factors such as labor limitations and supply chain issues.

Mr. Phipps noted RMLD is committed to fulfilling the capital projects to the furthest extent possible and the \$24m projected for the 2023 budget is an upper limit of RMLD's planned spending.

In response to Mr. Soni's question about the budget's funding source, Mr. Phipps stated that the budget is funded from existing cash and forecasted revenues for 2023. In 2024, external funding, such as bonding and grants, will likely be necessary according to the current projects and analysis.

Mr. Phipps committed to providing a snapshot of the balance sheet for next year's budget to help the CAB and BoC understand RMLD's financial position better.

### **Capital Budget**

*Materials: Citizens' Advisory Board Packet (attachment 3)*

Mr. Jaffari presented the Capital Budget to the CAB.

### **Wilmington Substation construction** (slide 4; project 105, line 21, page 63)

Mr. Jaffari discussed the need for an additional substation in the Ballardvale area to accommodate load growth. It was confirmed that the RMLD recently purchased the 326 Ballardvale land for \$4m.

Mr. Jaffari reviewed the anticipated substation construction schedule. Substation construction will commence in 2023, the station will be operational by Q3 2025, and the full load transfer will occur by end of 2026.

Mr. Jaffari discussed the project cost and components, as outlined on slide 4. Mr. Jaffari reviewed the pre-construction activities and noted that 2023 is slated for land clearing, excavation, and foundation construction for transformers, switch gears, and the drainage system.

Currently, RMLD is navigating the permitting process, zoning, and planning stages. The Department will present to the Wilmington planning board for zoning approval in November.

Mr. Jaffari expressed appreciation for the support from the Town of Wilmington, particularly CAB members Mr. Hooper and Mr. Kelley.



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Mr. Jaffari discussed the procurement process. Following civil construction, RMLD will issue RFPs. A meeting with designers is planned to facilitate this process. The goal is to send out RFPs for items with long lead times, such as transformers, by Q1 2023.

Mr. Jaffari discussed the industry-wide challenges with supply chain disruptions and cited the example of transformers (30-45 weeks to 50-60 weeks). Market instability and potential cost fluctuations are expected to result in significant cost increases.

RMLD's Regional Network System (RNS) status approval (pending) will result in an estimated annual return of \$300k-\$400k. There is a five-year payback period on the \$2m investment specific to the PTF component of the substation project. Following this period, the credits would effectively cover the cost of the substation over a 10-15-year timeframe.

Mr. Hooper asked if there were concerns about handling additional load before the new substation is operational. Mr. Jaffari confirmed that the Wildwood substation will be maintained and transformed into a switching station to provide system reinforcement. This and other downstream transformers will act as buffers for the additional load.

Mr. Phipps stated that current customer discussions are conservative, especially in relation to the anticipated load in August 2024. A strategy was proposed to manage high load periods, such as asking customers to run 2nd or 3rd shift during high-temperature, high-load weeks, specifically in August.

Mr. Kelley asked a question on how relocating the substation to North Wilmington might impact Analog. Mr. Jaffari clarified there would be no impact as Analog is fed from station 4.

Mr. Jaffari added that an aggressive maintenance program is in place for the existing substation until 2025. The maintenance schedule is now being performed annually instead of every three years.

Chair Soni inquired about the potential for a substation location on Route 125, as discussed during the Board of Commissioners meeting.

Mr. Phipps affirmed that the default plan is to construct the new substation at 326 Ballardvale. Route 125 was evaluated in the past but was not feasible at that time due to various factors. With changes in RMLD's perspective and Wilmington's ownership of the Route 125 land, the location is under reconsideration.

If the property on Route 125 can be secured by next summer, RMLD may relocate the substation construction there instead, while the equipment and interconnect study for 326 Ballardvale will remain valid. If Route 125 becomes the substation site, 326 Ballardvale could be repurposed for a larger battery storage facility, providing financial benefits to RMLD and the ratepayers.

Chair Soni sought clarification on the budget, asking if the proposed \$15m would cover both possible scenarios.

Mr. Phipps clarified that the budget assumes the substation will be located at 326 Ballardvale and doesn't include the \$4m land purchase. If the substation is built at the Route 125 location, RMLD would save on construction costs, and the budget would likely reduce by at least \$1-2m.

Mr. Phipps acknowledged that additional land acquisition costs may arise, which are not currently included in the budget. Chair Soni confirmed that such costs would require further approval from Boards.



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Mr. Phipps confirmed that RMLD is not seeking to spend another \$4m for Route 125 and will aim to create a scenario beneficial for both the Town of Wilmington and RMLD.

In response to Mr. Small's query, Mr. Phipps affirmed the need to acquire more land to support network growth, including the addition of storage facilities. If RMLD decides to acquire land on Route 125, a separate request for additional capital funding would be made in 2023.

### **AMI Mesh Network Expansion &, Meter Replacement & MDM** (slide 5; project 112, line 25, page 73)

Mr. Jaffari explained that MDM is a system for housing and processing meter data and conducting data analytics.

Mr. Jaffari discussed the project scheduling and costs, as outlined on slide 5.

A meter evaluation study was conducted in 2020 and found that RMLD's current meter technology is outdated and nearing the end of its useful life. This outdated technology will not support RMLD's future operational needs and cost-saving measures for customers.

RMLD plans to replace all 32,000 existing meters with new technology. To accomplish this, RFPs will be issued for the new technology, with the help of PSE, an engineering firm hired to assist with project management.

Mr. Jaffari referenced the procurement process timeline, outlined on slide 5.

The MDM will be installed first, which will enable business operations to continue while the new metering system is being developed. Once the new system is in place, the old system will be disconnected.

The MDM will provide capabilities for load forecasting and data analytics, enabling RMLD to work towards the goal of being carbon-free by 2050. The new system will improve connection and communication with field devices, meters, and SCADA, leading to better customer service and quicker outage resolution.

Supply chain disruptions may cause a delay of a year or more due to market uncertainties and cost increases. RMLD will attempt to mitigate these disruptions to the best of their abilities.

Vice Chair Welter confirmed the project includes the installation of all-new meters and equipment.

Ms. Bitá asked about a mobile app mentioned in line 10, to which Mr. Jaffari clarified is a separate app. Ms. Bitá commented on the price disparity, and Mr. Jaffari explained that the project app would provide customers with detailed information about their usage, load, outages, etc.

Chair Soni inquired about the existing network, and Mr. Jaffari confirmed that RMLD has a fixed Mesh network, ITRON, and another mesh network with the EATON system. These existing investments will be integrated into the new system until they reach the end of their useful life.

### **Grid Automation, Modernization & Optimization** (slide 6; project 103, line 24, page 65)

Mr. Jaffari discussed the use of smart switches as part of the Fault Detection Isolation and Restoration (FDIR) process. These switches communicate with each other to detect outages, isolate them, and subsequently restore power. This technology could drastically reduce



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troubleshooting time from 40-45 minutes to mere seconds. System reliability will be increased due to this project.

Mr. Jaffari expanded on the technologies used, including software integration. RMLD plans to complete the technology roadmap over a span of fifteen years. Each year contributes to a piece of the roadmap, making the system more resilient.

Mr. Jaffari highlighted the project costs and associated challenges, outlined on slide 6.

Mr. Jaffari detailed RMLD's procurement strategy for the project, which will result in significant time and cost savings.

RMLD has established direct contracts with vendors and manufacturers. This allows RMLD to purchase directly from these entities, eliminating the need for a lengthy bidding process, stabilizing prices (2% yearly escalation), and saving money for the ratepayers. RMLD is committed to increasing such activities to create savings and reduce operational complexities.

### **Reliability Projects** (slide 7; projects 458;107;106;742;668; lines 31-35, pages 83-91)

Mr. Jaffari discussed the annual reliability projects outlined on slide 7. Investments in these projects reinforce the reliability and resiliency of the system and increase plant value. Increasing the plant value also increases the funds for future infrastructure investment through the 3% depreciation rate.

RMLD conducted a system reliability study in 2015, resulting in the creation of a roadmap which outlines infrastructure reinforcement and improvement areas.

Mr. Jaffari noted the total project cost for 2023, and discussed the specific initiatives included (slide 7).

Mr. Jaffari highlighted that The 13.8kV upgrades improve system efficiency and waste reduction, resulting in ratepayer savings. The Underground Facilities Upgrades relate to a maintenance program prioritizing subdivision upgrades based on age and load.

Mr. Jaffari discussed the Aged/Overload Transformer Replacement Program, noting that 1/3 of system transformers have been replaced since its start in 2015.

Project challenges include supply chain issues, implementation of public easements and issues with Verizon's pole ownership, leading to service delays.

It was noted that RMLD and Verizon have 50/50 ownership of the poles in the territory. RMLD has custodial ownership of North Reading and half of Reading, while Verizon has custodial responsibility the rest of the communities are Verizon.

Mr. Phipps and Mr. Jaffari discussed ongoing and long-term negotiations with Verizon to purchase their poles to have total control of the system. Vice Chair Welter asked a clarification question on RMLD pole ownership. Mr. Phipps discussed the process and benefits of purchasing poles from Verizon and leasing them back to enhance responsiveness and cost-effectiveness.

Ms. Bitá asked a question related to the Auburn Street Water Tower Project. Mr. Phipps confirmed that the budget does not specifically allocate funds for the project, but unforeseen projects can be financed from the general construction budget under maintenance.

Mr. Kelley and Mr. Phipps discussed the customer perception challenges associated with system outages due to pole damage where Verizon has custodial responsibility, emphasizing RMLD's commitment to reliability and quick restoration of services.



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Mr. Jaffari explained the three criteria of reliability enforcement. This includes load growth accommodation through larger wires and transformers in anticipation of increased demand due electrification and the increase of electric vehicles.

### **Transformers and Capacitors** (slide 8; project 116, line 30, page 81)

Mr. Jaffari highlighted the importance of transformers and capacitors, referring to them as the "bread and butter" of RMLD's business. There is a separate budget bucket for transformers where all transformer costs are drawn from.

Mr. Jaffari noted the significant cost increase in 2023 from the typical budget amount of ~\$1.5m to ~\$5m. This increase is due to the need for more transformers and the price surges driven by supply chain disruptions, reducing overall availability of transformers for the industry.

RMLD is proposing to increase the inventory now, of pole mount transformers as prices are expected to continue rising. This will secure RMLD's position and meet the Department's need for additional transformers. Mr. Jaffari referenced the items to be bid in 2023 for purchase, outlined on slide 7.

Chair Soni sought clarification about the budget cost, and Mr. Jaffari confirmed that the total cost of ~\$5m includes a bid of ~\$4.4m in 2023 and a carryover of ~\$1.3m from 2022. The \$4.4 million is for new transformers, with the understanding that delivery within the same year may not be possible.

Ms. Bitá asked a question about the recent notice of delivery delays resulting in an additional ~\$1.2m carry-over to 2023. Mr. Phipps clarified that this amount is a carryover from the 2022 budget now shifted to the 2023 budget and not included in the ~\$5m. Mr. Small noted that with the additional ~\$1.2m, the 2023 budget should now reflect \$7 million. Mr. Phipps agreed, but emphasized that the budget is a cap, not a definitive spending plan.

Chair Soni, Mr. Small and Mr. Phipps discussed the possibility of the capital expense increasing to ~\$7m, considering the lead times. Mr. Phipps stressed that the budget is subject to change due to the dynamic nature of business operations and global economic conditions.

RMLD's budgeting strategy is not to spend money for the sake of spending, but to maintain the network and invest in necessary projects. Mr. Phipps confirmed that even if the entire ~\$24m is spent to maintain the network, RMLD would remain cash flow positive due to existing funds in the operating statement and balance sheet.

Mr. Kelley noted that if price increases continue, RMLD might not be able to purchase as much equipment as planned.

Mr. Phipps pointed out that a transformer has a minimum lifespan of 20 years, so the increased budget is a long-term investment. Mr. Phipps further emphasized the importance of maintaining the replacement of transformers, a task that had been neglected in the past.

Mr. Bloomenthal stated that the investments being made are critical for reducing the backlog of necessary repairs and enhancing the reliability of the system. The goal is to hit the ~\$5.7 million budget limit, which is the spending capacity for the fiscal year.

### **Electric Vehicle Supply Equipment (EVSE)** (slide 9; project 099, line 7, page 31)

Mr. Jaffari discussed the EVSE annual budget amount and inclusions for 2023, as outlined on slide 9. There will be a carry-over from the 2022 budget due to supply chain disruptions, especially with rapid technology changes.



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Vice Chair Welter asked about the projection of expenditures in the coming years. Mr. Phipps responded that the budget is forecasted to stay the same, ~\$1m for the next couple of years, and then decrease. By 2028, there will be a total of ~ 80 public chargers across all four towns.

Chair Soni and Mr. Kelley asked why RMLD should own these chargers and if there was a revenue stream. Mr. Phipps explained that the goal is for the chargers to pay for themselves and owning the chargers is the least expensive way to deliver the service to the customers.

Mr. Phipps emphasized that grants are critical to the project. RMLD will pursue grant dollars, especially for the DC fast chargers, which are very expensive. It was noted that this project has been affected by supply-chain disruptions.

Mr. Small asked if the budget included any grant money. It was clarified that the ~\$963K does not include the \$100K grant, which will be reflected in a different line item on the summary page, titled Bond Proceeds and Other Funding Sources."

### **Rolling Stock Replacement** (slide 10; project 118, line 6, page 27)

RMLD's annual budget includes upgrading trucks and vehicles that have reached ten years in service. Mr. Jaffari discussed the project inclusions and carry-over from 2022, as outlined on slide 10.

Mr. Kelley asked if the electric pickup trucks would be able to hold their charge during a storm throughout the night. Mr. Phipps confirmed that the trucks are expected to hold a charge for long periods, since the average mileage driven is relatively low.

Mr. Kelley asked a follow-up question about the battery drain from auxiliary operations like heating and lighting. Mr. Phipps acknowledged this concern but pointed out that such loads are relatively small, but we need to learn first-hand, hence, the purchase of these initial EV trucks.

Mr. Phipps added that since the Town of Reading is trying to be part of the Green Communities initiative, RMLD must electrify its light duty fleet over many years. The Department needs to move towards more electric vehicles and gain experience with them.

Chair Soni asked about potential monetary returns from the Green Communities program. Mr. Phipps confirmed this and stressed the importance of RMLD learning from this transition to electric vehicles.

Vice Chair Welter asked about the manufacturer selection process. The delivery schedule, among other factors, will be key considerations in the selection process. The use of different power sources for truck functions, and how this might evolve with time and technology changes was discussed.

### **Security Upgrades – all sites** (slide 11; project 11, line 5 page 25)

Mr. Jaffari discussed the NERC (North American Electric Reliability Corporation) cybersecurity and physical security mandates. In 2021, a study was initiated by the consulting firm, Burns and McDonnell, to ensure compliance with these requirements. The total estimated cost is ~\$1m over the next few years.

The initial review and final recommendations are slated to be discussed next week, with the implementation schedule provided thereafter. Mr. Jaffari noted examples of specific recommendations and the RFP timeline as outlined in slide 11.

Chair Soni confirmed that the project timeline spans two years, with ~ \$650K allocated for technology upgrades and physical security enhancements between 2023 and 2024.





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Vice Chair Welter inquired about potential impacts of building upgrades at 230 Ash Street, considering the Town of Reading's interest in the property. Mr. Phipps responded that the goal is to minimize investments in the current facility as a potential relocation would occur no sooner than five years out. The investments made in the existing facility are being considered with this timeframe in mind, especially in terms of the video gear lifespan.

Mr. Jaffari noted that RMLD will aim to fully utilize the technology lifespan. Compliance with NERC mandates is required and not optional. The aim is to ensure a seamless security audit without over or under spending, while meeting all necessary compliance requirements

### **Other 2023 Budget Items** (slide 12)

Mr. Jaffari referenced the proposed budgets for the various departments and projects as outlined on slide 12.

The 2023 IT budget item is to cover expenses related to software upgrades, licenses, hardware upgrades, communications, switches, and other infrastructure elements that require updating (lines 8-12).

The 2023 Facilities budget item is for office upgrades and rearrangements (lines 1-6).

The Force Account budget item will be credited for a project with the state. Mr. Jaffari highlighted several project examples, including upcoming work on Wilmington Route 38. It was clarified that the total budget amount would be reimbursed upon actual costs of the project, even if the actual costs differ from the budget (lines 27-29).

The Routine Construction budget item is the financial reserve for unanticipated and unforeseen items. Mr. Jaffari discussed examples of such events, including a pole getting hit causing subsequent damage to other wires and poles (line 40).

### **Budget Summary** (slide 13)

Mr. Jaffari presented the budget summary for CY2023-CY2028 as outlined on slide 13.

The budgets for CY2023 and CY2024 are significantly higher than normal. This is due to 2023 and 2024 being peak years for building the new Wilmington Substation, the AMI MDM project, and annual maintenance projects such as transformers and reliability upgrades. The majority of the funds for these two years are directed towards the new Wilmington Substation and MDM AMI Mesh network.

Mr. Jaffari discussed the Force Account Credits expected to be received from CY2023 to CY2026, noting that Force Accounts facilitate upgrades and reinforce the systems.

In response to Chair Soni's inquiry, Mr. Jaffari confirmed that Force Account credits are credits received from the State. Line items 27, 28, and 29 are for the state projects.

When asked about grants, Mr. Phipps clarified that grants are separate from Force Account Credits. About \$100K worth of grants are projected from the 2023 budget.

Mr. Phipps emphasized the proactive role of the engineering and purchasing teams in pursuing grant applications. An additional role will be added to the purchasing team to accelerate the process.

In response to Mr. Small's question about the high grant value, Mr. Phipps explained that the entire AMI MDM system qualifies for grants, constituting a large portion of the grant amount.

### **Operating Budget**



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*Materials: Citizens' Advisory Board Packet (attachment 3)*

Mr. Phipps presented the Operating Budget to the CAB.

### **2023 Operating Budget Context** (slide 15)

Mr. Phipps discussed the operating costs and power supply of RMLD. Power supply forms approximately two-thirds of RMLD's operating costs. In contrast, for typical IOUs (Investor-Owned Utilities) in our region like National Grid or Eversource, the ratio is usually 50/50. This shows that RMLD is more efficient from an operating cost perspective, evidence that RMLD operations cost are 25%-30% of the total cost stack.

RMLD actively manages operating costs, which include salary, building, labor, trucks, fuel, and other daily expenses. Operating costs are primarily labor-driven.

Mr. Phipps emphasized that RMLD pays very close attention to managing its power supply as part of its strategic objectives. Power supply components include energy, transmission, capacity, and certificates.

Transmission costs, paid to operators like National Grid and Eversource, are rising significantly. Capacity charges are currently flat but are projected to rise again in 2026-2027. RMLD only incurs capacity and transmission costs for power purchased outside of its territory, not power purchased within territory.

RMLD is exploring opportunities for within-territory generation, to avoid additional capacity and transmission charges. Currently, 8 MW of solar PV within the RMLD territory contributes to ~2% of total purchases. The goal is to dramatically increase this amount over time.

Mr. Phipps emphasized that a single peak hour of load in a year drives 20% of RMLD's cost structure. The aim is to reduce the load during these peak hours using storage systems and existing generators. Every MW reduction during the peak hour is equal to ~\$150K savings in capacity and transmission costs.

Mr. Phipps discussed RMLD's carbon-neutral approach to power supply. RMLD is committed to purchasing non-carbon energy and associated certificates. Approximately 50% of RMLD's power supply was non-carbon in 2023, and the Department retired certificates equal to 29% of its kWh sales. It was confirmed that the ~\$4m from certificates sales in 2023 is not included in the current budget.

### **2023 Power Supply** (slide 16)

Mr. Phipps discussed RMLD's 2023 power supply. Power supply remains a moving target, with RMLD budgeting for 0.6% load growth while striving to maintain a conservative stance to avoid unwarranted expenditure.

The net \$/kWh line on slide 16 provides a sense of what customers are charged on average, with ~15 cents per kWh for the calendar year 2022.

Mr. Phipps provided a brief analysis of a 10%, 13%, and 15% rate increase scenarios.

- 10% would result in a \$14 increase per month for the average residential customer bill (from the current \$135) with a total of \$958K to the bottom line.
- 13% would result in a \$18 increase per month for the average residential customer bill (from the current \$135) with a total of \$3.2m to the bottom line.



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- 15% would result in a total of \$5.2m to the bottom line.

A forecasted 10% rate increase is included in the presented 2023 budget, which remains much more beneficial for RMLD customers as compared to IOU customers that are witnessing 30%-70% rate hikes.

The objective to avoid 'rate shock' for customers and reduce the need for a \$12m bond in 2024 remains. RMLD's intention is to apply for grants for the AMI / MDM system.

RMLD's energy costs are now being influenced by international events, particularly in Europe and Asia. Energy costs were budgeted at approximately \$25m for 2022, but the estimate now stands around \$32.5m-\$34m due to current market conditions.

Despite the volatile market, RMLD continues to aim high on the cost side and low on the revenue side to benefit the Department's financial strategy.

Mr. Phipps discussed power supply adjustments and hedging. Monthly power supply adjustments are made based on forecasted kWh and costs to avoid significant fluctuations for customers. In 2023, 86% of energy is hedged through long-term contracts, providing a cushion against the volatile open market prices. Despite only a 14-15% non-hedged portion, due to the stark difference in contracted and open market prices, the ~15% of MWHs purchased in the open market could account for 1/3 of the total energy cost.

The key driver for the 12% increase from the CY2022 estimated amount to the CY2023 budgeted amount relates to the rise in transmission costs. Although the budget currently assumes a 10% increase in rates, a higher increase might be suggested in December to manage costs effectively.

### **Statement of Budgeted and Actual Revenues and Expenses** (page 107)

Mr. Phipps referenced the key column titled "CY22 Budget/Actual % Change".

Mr. Phipps highlighted the following:

- The 9.02% total purchased power change represents the difference of the total power supply at the end of the year, largely driven by events in Russia and Ukraine.
- The total operating and maintenance expense was 5.14% lower than budgeted with a probable year-end spend of \$6.2m.
- The general and administrative expenses were lower by 15.28% against a budgeted \$15.5m, amounting to \$13.2m spent.

### **Statement of Budgeted Revenues and Expenses** (page 109)

Mr. Phipps highlighted the following:

- There was a 17% increase in total operating revenues from CY22 to CY23.
- The total operating and maintenance expenses show an expected 9.88% increase in 2023 compared to 2022. The chart does not account for the fact that RMLD spent 5% less in 2022.

Mr. Phipps emphasized that even if RMLD spends the entire budget, there will still be ~\$1m in net income after accounting for all capital revenue and expenses. Historically, RMLD has not spent the entire budget.



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Vice Chair Welter asked if capital expenditures show up on the depreciation line. Mr. Phipps replied yes and elaborated on the interconnection between the operating and capital budget.

Mr. Phipps reiterated the impact of rate increases on revenue, as noted on page 10 of the meeting minutes.

Mr. Phipps discussed the increase in the mix of non-carbon power supply in 2023, leading to a rise in costs. This is normal and expected, and not solely due to geopolitical issues such as the Ukraine-Russia war.

### **2023 Operating Costs and Rates** (slide 17)

Mr. Phipps highlighted the drivers of the 2023 budget increases, as outlined on slide 17.

The increase in the total general and administrative expense as well as the operating and maintenance expense for CY2023 is primarily driven by personnel costs, such as the costs associated with hiring for all 99 positions.

A labor-related cost increase is due to the new union contracts that decrease the non-sick time buyback provision but increase the cost-of-living allowance (COLA) in 2022 and 2023.

RMLD continues to improve network reliability, with a focus on investing in design work roles, additional personnel, and filling open positions. Twelve new hires have been made in the past four months.

Mr. Phipps highlighted the key initiatives around labor and staffing for 2023.

- The implementation of a Geographic Information System (GIS) to maintain and update a digital footprint of field operations, aiming to reduce dependency on a few individuals.
- The introduction of a new senior role, the Director of Enterprise Data, with two subordinates. This role is important as the company is becoming more data-intensive with ongoing load growth and the introduction of time-of-use rates.
- Plans to use data analysis for predictive alerts in the network, like heating transformers or out-of-circuit amperage, for preemptive maintenance.
- Strategies for sourcing intermittent non-carbon energy (wind, hydro, and solar).
- Large projects like the Advanced Metering Infrastructure (AMI) program will allow more efficient operation of the network.

The increase in employee-related expenses constitutes the largest part of the overall budget, with a roughly \$1m increase between 2022 and 2023.

Chair Soni asked about the increase in Admin Gen Salary and noted that the rise would be closer to 50%, not 30% as predicted in the 2022 actuals.

Mr. Phipps acknowledged that if all positions are filled, the increase could be as high as 50% from 2022 actuals to 2023 budget. The intent of these new roles is to improve operational efficiency and align with the company's goal of reliable, low-cost, non-carbon energy provision.



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The company is currently in growth mode, undergoing a major transition in network operation and supply, and aiming to heavily automate various processes while recognizing the continuing labor-intensive nature of the business.

Mr. Phipps discussed the budget changes related to energy efficiency and electrification.

- Increased activity in efficiency and electrification, such as a push for more within-territory generation, resulted in a significant increase in the 2023 budget compared to 2022.
- Efficiency and electrification represent ~ \$1m spend in the budget, with expected spending reaching ~ \$3m and a projected ~\$2.1m in collections.
- RMLD is anticipating an adjustment to the Energy Efficiency Charge (EEC) potentially reducing incentives for either solar installations or heat pumps.

Mr. Phipps discussed customer bills and rates.

Mr. Phipps emphasized the importance of framing discussions on rates within the context of overall customer bills (rate x usage). Usage varies among customers and seasons. Monthly rate adjustments, such as the Capacity and Transmission (PPCT) adjustments, are communicated in the context of their impact on customer bills.

Mr. Phipps reiterated that if the full budget is achieved, the company expects to generate approximately \$930k in net income, which can be allocated to capital investments.

Mr. Phipps stressed the need for future planning, considering the \$24m capital budget for 2024 and the necessary \$12m funding. Some of this funding may be secured through certificates, additional collections, and grants. RMLD is trying to avoid relying on bonding for the 2024 budget. Instead, the Department is looking to use grant dollars and funding already within the 2023 budget.

As of September, \$4.7m has been spent out of the \$13m capital budget for 2022, plus \$4m for land, totaling \$8.7m. It is estimated that \$12m will be spent by the end of the year, with \$1.2m rolling over to the next year.

Mr. Phipps emphasized that the 2023 budget, as proposed, requires no external funding and holds together internally consistent.

Chair Soni asked a question about the ~\$22.8m capital spending and its source. Mr. Phipps explained that \$8m would be pulled from the operating fund (from the balance sheet) and advised checking the updated balance sheets at the back of each monthly board book.

Mr. Small suggested considering raising the depreciation rate from 3-5%, which would give back net income, though not as much as 10% rate increase.

Mr. Phipps acknowledged the various levers that could be pulled for financial adjustments and emphasized support for the conservative case currently presented. Adjustments could be made to be more aggressive, if required.

Chair Soni asked a question about the payment to the towns, which Mr. Phipps confirmed is included in the operating budget.

Mr. Kelley and Mr. Phipps discussed potentially changing this arrangement in the future, acknowledging the difficulty of amending the existing 20-year agreement. Ms. Rybak



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mentioned that the agreement had been renewed for another ten years. Mr. Phipps acknowledged the need to revisit the agreement and emphasized RMLD's charter to take care of all four towns.

Mr. Small recommended looking at alternative ways to make up the \$12m gap in 2024 and reiterated the suggestion to adjust the depreciation rate to 5%. Mr. Phipps mentioned that this suggestion could be applied in 2024, but not for 2023.

Mr. Phipps expressed support for the necessity of a 10% increase in rates, noting that this seems to be a reasonable approach based on customer feedback.

Vice Chair Welter and Mr. Kelley requested comparisons of RMLD rates to other communities. Mr. Jaffari shared that his bill in an IOU area is going up by 35%.

Mr. Phipps explained that RMLD's residential rates are mid-range, while commercial and industrial rates are the least expensive. However, any rate adjustments should reflect actual costs, not comparisons to other MLPs.

Mr. Phipps provided a breakdown of the \$22.8m capital spending for Chair Soni and summarized that the 2023 capital budget could result in a dramatic drain from all capital fund balances but expects the situation to remain positive under the conservative case presented.

In planning for 2024, Mr. Phipps projected a need for \$12m in bonds or grants to fund the budget but clarified that the meeting was only voting on the CY23 budget. Mr. Phipps emphasized the importance of budgeting up front to set up potential projects, as funds must be budgeted before bids can be sought.

Mr. Phipps acknowledged the board's right to take 30 days to digest the information before making a recommendation to the Board of Commissioners. Ms. Rybak clarified that the 30-day period commences on October 1, and the CAB is required to make a recommendation by the start of the fiscal year, November 1.

Mr. Hooper commended RMLD's presentation and expressed confidence in the estimated expenditure.

Mr. Phipps agreed to provide three different rate numbers and run analyses in the coming weeks.

Mr. Kelley acknowledged the high quality of the presentation and the information provided. Mr. Kelley noted that he isn't fond of rate increases but recognizes them as a business necessity.

Mr. Small clarified that the budget includes a proposed 10% increase and asked if RMLD will present a final proposal to the CAB in November or December. Mr. Phipps confirmed Mr. Small's understanding and stated the increase would be at least 10%.

Discussion occurred relative to the need for a vote on the 10% rate increase implied in the budget. It was decided that the suggested motion would be revised to approve the budget as presented, including the tentative 10% rate increase, so the rate increase can be formally approved when presented in December.

Mr. Hopper made a **motion**, seconded by Vice Chair Welter that the Citizens' Advisory Board recommend to the RMLD Board of Commissioners the Calendar Year 2023 Operating Budget with a Net Income of \$958,514 as presented, to include a tentative 10% rate



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increase. **Motion Carried:** 5:0:0:0 (5 in favor, 0 opposed, 0 abstained, 0 absent). *Roll Call: Chair Soni, Aye; Vice Chair Welter, Aye; Mr. Hooper, Aye; Mr. Kelley, Aye; Mr. Small, Aye.*

Vice Chair Welter made a **motion**, seconded by Mr. Kelley, that the Citizens' Advisory Board recommend to the RMLD Board of Commissioners the Calendar Year 2023 Capital Budget in the amount of \$22,849,979, as presented. Any significant changes are to be submitted to the CAB for review and recommendation. **Motion Carried:** 5:0:0:0 (5 in favor, 0 opposed, 0 abstained, 0 absent). *Roll Call: Chair Soni, Aye; Vice Chair Welter, Aye; Mr. Hooper, Aye; Mr. Kelley, Aye; Mr. Small, Aye.*

### **Scheduling**

There will be no CAB meeting in November 2022.

The next CAB meeting will be held on December 8, 2022, at 6:00 PM.

The CAB discussed potentially looking into new iPads to be utilized at future meetings.

### **Adjournment**

Vice Chair Welter made a **motion** to adjourn, seconded by Mr. Kelley. **Motion Carried:** 5:0:0:0 (5 in favor, 0 opposed, 0 abstained, 0 absent). *Roll Call: Chair Soni, Aye; Vice Chair Welter, Aye; Mr. Hooper, Aye; Mr. Kelley, Aye; Mr. Small, Aye.*

The CAB meeting adjourned at 9:23 PM.

As approved October 5, 2023