



Town of Reading Meeting Minutes

Board - Committee - Commission - Council:

RMLD Citizens Advisory Board

Date: 2022-06-23

Time: 6:00 PM

Building: Reading Municipal Light Building

Location:
General Managers Conference Room

Address: 230 Ash Street

Session: Open Session

Purpose: General Business

Version:

Attendees: **Members - Present:**

Mr. Jason Small, Chair (North Reading); Mr. Dennis Kelley (Wilmington)
Remote Participants: Mr. Vivek Soni, Vice Chair (Reading); Mr. Ken Welter
(Lynnfield)

Members - Not Present:

Mr. George Hooper, Wilmington

Others Present:

Staff: Mr. Gregory Phipps, Mr. Hamid Jaffari, Ms. Wendy Markiewicz,
Ms. Kathleen Rybak
Others: Mr. Robert Coulter, RMLD Board of Commissioners
Remote Participants: Mr. Christopher Haley, Reading Select Board CAB
Liaison

Minutes Respectfully Submitted By: Jason Small, Chair

Jason Small
Jason Small - 2022-06-23 12:45 EST

Topics of Discussion:

1. Call Meeting to Order – J. Small, Chair

Chair Small called the meeting of the Citizens' Advisory Board to order at 6:00 PM and noted the meeting was being audio recorded. Chair Small asked all members present (in person and remotely) to state their names.

2. Interim General Manager's Report – G. Phipps, Interim General Manager

Talent Acquisition and Talent Management: Mr. Phipps reported that he will be providing regular personnel updates to the CAB. As seen on the RMLD website, RMLD currently has eleven open positions. Mr. Phipps provided an overview of the recruiting efforts noting personal networking as a critical tool for recruitment. Mr. Phipps noted the new Communications Manager, Julie Blackley, has started and reviewed some of the communication initiatives Ms. Blackley will be focusing on. RMLD has hired three summer interns who will be focusing on field-based and database projects. Mr. Phipps noted that RMLD will also be initiating an external salary survey that will help the organization in terms of making sure salaries and recruiting efforts match with the outside world.

3. Update on Town Payments – W. Markiewicz, Director of Business & Finance
Materials: Town Payments presentation slides (dated June 23, 2022)

Ms. Markiewicz provided an update on the payment in lieu of taxes (PILOT) for all four towns, and the return on investment (ROI) to the Town of Reading. Slide 2 illustrates the breakdown for the PILOT payment, which is based on 2% of net plant (\$86M) and is distributed among the four towns based on 2021 kilowatt hour sales. The June 30 PILOT payments have already been made. The second payment will go out at the end of December.

Ms. Markiewicz then reviewed the Town of Reading ROI calculation and payment schedule (Slides 3 and 4). With the vote of the Board of Commissioners on May 21, 2020, the Town of Reading calculation is now based off of 3.875 mils of kilowatt hour sales of the average of the prior three years (audited) kilowatt hour sales, beginning with the payment on June 30, 2022. The chart on Slide 4 shows the calculation; CY2019, 2020, and 2021 are audited numbers, which leads to the three-year average kilowatt hour sales, and results in a \$2,527,442 (annual) payment split between two payments (July and December).

4. Integrated Resources Report – G. Phipps, Director of Integrated Resources
Materials: Integrated Resources Report presentation slides (dated June 23, 2022)

Mr. Phipps began his presentation with review of Slide 2: Power Supply Context, which illustrates the impact rising costs are having on power supply. The chart on the left (of the slide) is a snapshot of the ISO NE on the afternoon of June 17, which shows 64% of wholesale energy being generated by natural gas; on average, over the course of the year, it is typically around 50%. Natural gas has a significant impact in terms of what the wholesale prices are. The lower left-hand corner references historic and predicted natural gas pricing; that (increase) is driven primarily by the Ukraine/Russia war. Mr. Phipps noted the RMLD (2022) budget for power supply was just under \$61M, however, over the next several months (June through the end of the year), staff estimate RMLD wholesale power supply costs could reach \$66M (~9% higher than budgeted), driven by the external wholesale power structure. Typically, RMLD has been ~80-85% hedged (on some sort of fixed contract). Last year RMLD was almost 90% hedged, and the current portfolio is about 88% hedged. The balance is in the open market, which for RMLD is about \$85/megawatt hour (wholesale). Typically, this time of the year, it would be closer to \$60 (or given the temperature outside below \$50). Mr. Phipps noted RMLD is in a good position because of the (contracting) structure but is still looking at a 9% increase.

Mr. Phipps moved on to review Slide 3: Customer Cost, which illustrates the impact of these increases on customer billing. The average residential bill was about \$118 in 2021, but there is a lot of variability month to month (driven primarily by weather). The (billed) amount shown reflects all costs that are included on a typical residential bill (usage, power supply and operating costs). Mr. Phipps noted two take aways from the data. First, there is a lot of variability month to month driven by usage, but the shapes (year to year) are the same. Second, 2022 (cost) is higher than 2021. On average when you take into account our base cost (with the rate change in January of 2021), plus the best estimate in terms of power supply costs (the area under the curve between those two lines) it is roughly a 12% increase. Mr. Phipps noted, RMLD had communicated that the base cost increase would be less than 5% (on the total bill), driven primarily by operating costs. Staff forecasted (between 2021 and 2022) that power supply costs would not go up significantly (just under 6/10th of a percent). The graph on the right side, shows the projected increase by component. Mr. Phipps

reported that the charts will be posted on the RMLD website so that customers are aware of this potential increase.

Mr. Welter asked at what intervals RMLD reviews rates. Mr. Phipps responded that there are two components. First, power supply, which is a pass-through and is adjusted every month; it is primarily driven by usage and then by the open market. The open market (for RMLD) is roughly 12% (of the portfolio) for 2022. There are two major variables to power supply - PPCT and fuel. PPCT is basically capacity (20% of cost) and transmission (20% of cost), which is not volatile but steadily increasing. Fuel (or the energy piece) is roughly 30% of the total cost structure. The other component (of the rates) is the "operating costs" or base cost. Traditionally, RMLD looks at the base costs every three years, but will probably start looking at it either annually or every two years. This is driven by the state mandate for electrification and the implications of supply chain issues, which are dramatically increasing equipment costs. Supply chain issues is a smaller piece of the cost structure, but it has some influence.

Mr. Soni asked what the IOUs and other MLPs are seeing. Mr. Phipps responded that the IOUs are probably in the range of a 35% increase (because of their power supply contracting structure and much higher overhead), but other MLPs are similar to RMLD depending on their power supply portfolios. RMLD tends to be in the middle for residential and on the commercial/industrial at the very low end. Ms. Markiewicz noted RMLD dampened the first quarter increase (and last year's increase) with use of rate stabilization funds.

Mr. Coulter asked relative to the projected increase, if the upward pressure was based on summer costs or was it based on fall costs (increased in fuel supply costs). Mr. Phipps responded that the forecast is based on the open market forward price curve; it is driven by fuel and is pretty predictable unless something happens. Fuel is currently driven by what's happening in Europe, primarily to LNG prices. The group discussed the messaging to customers in order to help them to understand what is within RMLD control and what is not. Mr. Phipps noted the message should include that bills vary month to month due to seasonal usage. The second part of the equation is that on average only 10-15% of our portfolio is exposed to the open market (\$109-\$240 per MWh), and RMLD is looking at different opportunities to try and fill that open market piece at lower costs (\$60-\$70 MWh). Mr. Phipps noted staff may end up going to 100-105% hedged, because the market is so volatile. In summary, from a customer perspective, the bulk of the cost structure is power supply (a pass-through), and it is very predictable because of the long-term contracts RMLD has in place. While a net increase of ~12% is not trivial, it is in the context of the outside market of 100 plus percent energy changes.

Mr. Phipps then reviewed Slide 4: Renewable Choice – June 2022 Update. Mr. Phipps reminded the CAB that the program was put in place earlier in the year (February for residential and April for commercial) as a means to allow customers who want to be more "non-carbon" to be able to buy or to contribute additional dollars that RMLD will then use to retire additional class one certificates from the portfolio. Mr. Phipps reviewed the participation numbers and the promotional activities that have taken place to date. With the new Communications Manager, RMLD will be accelerating communication around this program.

5. Supply Chain Update – H. Jaffari, Director of Engineering & Operations

Mr. Jaffari provided an update on the impact of supply chain disruptions focusing on three categories that are impacting the utility industry: transformers, wires/cables, and poles.

Delivery time for transformers has increased from 18-22 weeks up to 60-102 weeks; prices have increased from between 104-528%. RMLD is taking the following steps to address transformer supply issues. First, maintaining inventory as long as possible, and only replacing those transformers that absolutely need to be replaced. The second strategy relates to transformer size; 25 kVA transformers are in high demand and the price increase was 528%. Therefore, RMLD will push the minimum standard up to 37.5 kVA; the price increase on these transformers was ~275%. This increase in size will also benefit RMLD's electrification program. The third strategy is to order early. As soon as the Board approves spending staff will prepare the bid. Mr. Jaffari reported that nothing is firm (pricing or delivery); transformer companies report that moving forward they can't give a fixed price; the day of the shipment they are going to provide the cost. If RMLD does not accept the cost, the transformers will go to the next utility that wants them. Mr. Welter asked how pricing is tied to the bid. Mr. Jaffari responded that we will get a (current) base price and then there will be an escalating (and deescalating) factor. The group discussed the volatility of the pricing (steel, gas, delivery, labor) and the impact on bidding and delivered pricing.

Mr. Jaffari noted staff have been exploring options to refurbish transformers but have found that the refurbishment prices are almost close to the new transformer costs. Delivery time for new transformers is a little bit longer, but there is some kind of warranty associated with those.

Mr. Jaffari then reviewed the current issues with wires and cable. Cable has gone from fourteen weeks delivery to up to 9-12 months. Price increases range from 15-32%. Poles (the third category) went from 5-7 days (delivery) to 6-8 weeks and the price has gone up 57%, with added fuel charge on the day of shipment. RMLD has sufficient stock for poles through the rest of the year; inventory has been increased by 25-30%.

Mr. Jaffari noted that RMLD is looking for any opportunity available to obtain inventory items before conditions worsen. Staff is watching and cautiously using inventory items. Maintenance programs have slowed a bit, but staff is being proactive rather than reactive and doing the maintenance work that needs to be done rather than what we would like to get done.

Mr. Soni noted that he had requested a discussion around the escalation in some capital costs and how management is handling the impact it is having on the Capital Budget (specifically, cash flow). Mr. Phipps noted staff is just getting started with planning for the 2023 Capital Budget. RMLD spent significantly more (than budgeted) on the land for the substation and for transformers; these items get depreciated over time. From a rate perspective, the impact is fairly small; from a cash perspective, it is significant. Currently, RMLD is in good shape from a cash perspective. To accommodate that within the existing budget, staff has looked at moving projects around so it will not affect incremental cash near-term.

Mr. Coulter asked (relative to transformer purchases) why RMLD went with 35.7 instead of 50 KVA. Mr. Jaffari provide an overview of the analysis that is done when determining appropriate transformer size for both overhead and underground. Staff is cautiously watching the trend of electrification and EVs, and adjusting the sizing and loading of transformers appropriately

6. Northeast Public Power Association (NEPPA) Annual Conference – J. Small, Chair
Materials: Conference Information and Agenda

Chair Small noted he was interested in attending the NEPPA Annual meeting in August and asked if any other members were interested. Mr. Soni expressed interest.

Mr. Kelley made a **motion** that the Citizens' Advisory Board approve travel to and attendance at the 2022 NEPPA Annual Conference to take place August 14-17 at the Snowflake Mountain Resort in Stowe, Vermont, for three members of the Citizens' Advisory Board. The motion was seconded by Mr. Welter. **Motion carried** 4:0:1 (4 in favor, 0 opposed, 1 absent) by a roll call vote of those present (both in person and remotely): Mr. Soni, aye; Mr. Welter, aye; Mr. Kelley, aye; Chair Small, aye.

7. Scheduling – J. Small, Chair:

The next meeting of the CAB was scheduled for July 21 at 6:00 PM.

Chair Small asked Mr. Haley if he had any comments. Mr. Haley apologized for being late to the meeting and asked if there was any information regard EV chargers presented. Mr. Phipps responded that there was not.

8. Adjournment – J. Small, Chair

Mr. Kelley made a motion to adjourn. The motion was seconded by Mr. Soni. **Motion carried** 4:0:1 (4 in favor, 0 opposed, 1 absent) by a roll call vote of those present (both in person and remotely): Mr. Soni, aye; Mr. Welter, aye; Mr. Kelley, aye; Chair Small, aye.

The CAB meeting adjourned at 7:05 PM.

As approved on February 23, 2023