

**Reading Municipal Light Department (RMLD) Board of Commissioners**  
**Budget Committee Regular Session Agenda**  
Thursday, September 6, 2012  
7:30 p.m.  
General Manager's Conference Room

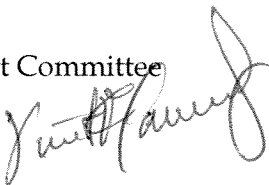
1. Discuss Fiscal Year 2012 Year End Transfers (Memo Attached)
2. Discussion of Budget Process for the coming fiscal year
3. Motion to Adjourn

## READING MUNICIPAL LIGHT DEPARTMENT

To: RMLD Board Budget Committee

August 31, 2012

From: Vinnie Cameron



Subject: FY12 Year End Transfers

The Reading Municipal Light Department (RMLD) has closed its FY12 financial statements and is waiting for the audited financial statements to be completed by Melanson Heath. Based on the draft June, 2012 financial statement, the Change in Net Assets is \$2,930,477. To date, Melanson Heath has made no changes to this figure.

### Net Income/ Allowable 8% Return

According to Massachusetts General Law Chapter 164, Section 58, and Massachusetts Department of Public Utilities (MDPU) Order 85-121, the RMLD is allowed to earn an annual Net Income of not more than 8% of its Net Plant in Service. The RMLD's Net Income for FY12 is \$5,486,846, and is calculated by adjusting the Change in Net Assets to account for Payment to the Town of Reading, Fuel Revenues and Expenses, Loss on Disposal of Assets, and Miscellaneous Credits.

The RMLD calculates its Allowable 8% Return to be \$4,882,851, which is 8% of its Net Plant in Service.

The results show that the RMLD has over-recovered its allowed 8% return by \$603,995. In the past, the RMLD has transferred over-recovered amounts into the Rate Stabilization Fund (RSF), which is also allowed by the Massachusetts Department of Public Utilities (MDPU). (The MDPU Order 85-121 found that money can be put into a RSF with the intent to use it to ameliorate future rate increases.)

### Transfers

I recommend that the over-recovery of \$603,995 be transferred into the RSF, which will result in a balance in the RSF of \$6,679,694 at the end of FY12. The RMLD Board set the RSF amount at \$6.5 million with a bandwidth of \$500,000 around the target.

In addition, I recommend that \$2 million be transferred from the Operating Fund to the Construction Fund, so that the RMLD will begin FY13 with a balance of \$4.6 million. The Capital Budget for FY13 is forecast to be \$6.9 million. The RMLD's Depreciation Expense will add another \$3.6 million to the Construction Fund during FY13, which will be adequate to fund the capital programs for FY13.

The Operating Fund balance for year-end FY12 is \$12,559,930 and the transfers mentioned above will bring the balance down to \$9,955,935.

I am comfortable starting FY13 with this balance in the Operating Fund since it will cover at least one month of RMLD expenses, a benchmark I have used in the past.

c:     Bob Fournier  
       RMLD Board of Commissioners