

**READING MUNICIPAL LIGHT DEPARTMENT  
BOARD OF COMMISSIONERS MEETING  
230 Ash Street  
Reading, MA 01867  
April 5, 2018**

**Start Time of Regular Session: 7:30 p.m.  
End Time of Regular Session: 8:01 p.m.**

**Commissioners:**

**Phillip B. Pacino, Chair-Secretary Pro Tem  
Dave Talbot, Commissioner  
Tom O'Rourke, Commissioner**

**Staff:**

**Coleen O'Brien, General Manager  
Hamid Jaffari, Director of Engineering and Operations  
Jane Parenteau, Director of Integrated Resources**

**Wendy Markiewicz, Director of Business/Finance  
Tracy Schultz, Executive Assistant**

**Public:**

**Dave Hennessy, Commissioner-Elect  
John Stempeck, Commissioner-Elect**

**Call Meeting to Order**

Chair Pacino called the meeting to order, stated that the meeting is being filmed, and read the Board of Commissioners' Code of Conduct.

**Discussion of Return on Investment, Disposition Thereof, and Effect on Funding of the RMLD Capital Needs  
Adjournment**

Chair Pacino stated that there is only one agenda item and explained that the Board of Commissioners needs to make a public statement on what is being said to the Sub-Committee.

Chair Pacino explained that two members of the Board are currently Commissioners-Elect. They have been reelected but the final vote has not been certified yet, so they have not been sworn in. They will be allowed to participate in the meeting as citizens of the Town.

Chair Pacino asked Ms. O'Brien to provide the public with instructions on how to access the White Paper. Ms. O'Brien stated one has to start on the RMLD Homepage, click 'Meetings' on the left side, then click 'Board of Commissioners' and then select 'Quick Links' on the left-hand side.

Chair Pacino recommended that anyone following the Payment to the Town of Reading read the White Paper.

Chair Pacino stated that the Commission has sole control over the bottom line in terms of what to do with the Town. Chair Pacino explained that tonight he is looking for a public statement on what the Board wishes to do going forward.

Mr. O'Rourke suggesting providing background for those who may be unfamiliar with the situation.

Chair Pacino explained that the issue initially arose in April 2017 in Town Meeting as an Instructional Motion to the the Selectmen. Chair Pacino stated he raised the idea of assembling the Sub-Committee, which was conceived in the 1980s, but had never met. Following the 2017 Motion, the Sub-Committee was formed, consisting of two members of the Citizens' Advisory Board, two members of the Board of Commissioners, and a member of the Board of Selectmen.

Chair Pacino stated that RMLD is allowed to earn eight percent. That eight percent goes to two places: capital funds and return on investment to Town. Chair Pacino stated that number is around \$2.7 million.

## **Discussion of Return on Investment, Disposition Thereof, and Effect on Funding of the RMLD Capital Needs Adjournment**

Ms. Markiewicz clarified: RMLD is allowed to earn eight percent of net plant and it is at RMLD's discretion to distribute that however the business deems fit. RMLD has always used that money to add to the capital infrastructure. However, RMLD is not required to spend the money on capital funds or the payment to the Town of Reading.

Chair Pacino stated that if RMLD doesn't spend on capital, the system can't be maintained properly. The Commission has concluded that the present formula is not sustainable: RMLD will be giving too much money to the Town, with not enough going back to the capital. Chair Pacino stated one of the options is to leave the present formula in place. However, there needs to be a study on how to resolve eventually not having enough to give to capital. That may mean freezing the payment to the Town if necessary.

Ms. Markiewicz clarified, for the past five years RMLD has spent more than the rate of return on capital infrastructure.

Chair Pacino stated that the Board should focus on the next two years, have a study done, and then adjust the payment formula in year three according to the study results. Chair Pacino stated that he continues to endorse what he presented: using the Consumer Price Index, with two and a half percent as the floor and a ceiling of five percent, only for the next two years.

Mr. O'Rourke stated that this process was started to find ways to increase the payment to the Town. However, a lot of issues were found along the way. RMLD realized it was making the largest payment to a Town in the Commonwealth. RMLD needs to continue to invest in capital infrastructure. RMLD has a lot of commitments it needs to honor and doesn't want to jeopardize reliability or raise rates. Mr. O'Rourke suggested a short statement to the Sub-Committee on why we aren't in position to make increased payments. RMLD can make the already-scheduled payments for the next two years while a study is undertaken.

Mr. Talbot stated if this was going to be the evening's topic of discussion then the agenda should have been clearer, so other involved parties would have attended. Mr. Talbot stated that we all learned a lot from the White Paper. One thing that stood out is that RMLD is making the largest payment to a municipality in the region. RMLD capital needs are great and it's hard to see why we would go up in the payment to the Town.

Mr. Stempeck said that before the current General Manager RMLD had not reinvested capital into the plant and was beginning to feel the full effects of that. We're playing catch up. Consultants laid out a 6-year plan. We're implementing it; these are things that are needed to ensure safety and reliability. The last thing that we want to do is go negative on the bottom line.

Vice Chair Hennessy agreed and asked for clarification on when the study would start.

Chair Pacino stated that's a reminder to bring up transitioning to a calendar year again and answered that the two years would start July 1, 2018. Chair Pacino stated two years is a reasonable time to let towns digest what's going on.

Mr. Stempeck stated that RMLD needs to be flexible, and there should be language in the statement that if unanticipated catastrophes and acts of nature occur RMLD will not be able to make payments.

Ms. O'Brien clarified, RMLD is allowed to make up to eight percent of net plant, but you would need to justify raising the rate to obtain that eight percent. A lot of other Town payments are decreasing because typically the payments are tied to sales. Some do net plant. Our net plant will be growing, but because sales are going down the only way to make the eight percent is to raise the rate. We're investing approximately \$8 million a year in capital infrastructure and trying to keep the rate of return eight or less to be fair to public, and we're paying the Town; a convergence is coming very quickly.

Mr. Talbot stated that we don't want to raise rates or hurt economic development just to add money to the Town budget. The override passed so there is a lot less pressure.

## **Discussion of Return on Investment, Disposition Thereof, and Effect on Funding of the RMLD Capital Needs Adjournment**

Chair Pacino stated that he visualizes this as a starting point. This is something to bring to the Sub-Committee and state this is what we think we can do. The floor for the increase, for the next two years only, will be two-and-a-half percent and the ceiling will be five percent. In the case of a major event, adjustments would have to be made. When the study is done the formula will be reexamined. The present formula is not sustainable in the long term.

Mr. O'Rourke clarified that FY 2018 would use the current formula. Chair Pacino answered that this would be effective July 1, 2018.

Ms. O'Brien stated that RMLD needs to talk about crafting the scope of the study and what questions need to be looked at.

Mr. Talbot asked how many municipals guarantee a set payment versus how many are flat or declining? Ms. O'Brien answered that there are different methodologies

Mr. Talbot stated that, arguably, RMLD's status quo is very generous.

Chair Pacino stated that this should have been dealt with several years ago; it never occurred to the Board that it would become unsustainable. Mr. O'Rourke stated that he understands the two-year window but there should be a sense of urgency to the topic.

Chair Pacino replied that they must give the Town two years to adjust.

Mr. Stempeck stated that the study could be conducted much faster than a year and recommendations should be implemented as quickly as possible. This is happening to all utilities. There has been a decrease in power usage due to technology and efficiency enhancements. But we're a fixed cost organization. These payments that are continually going up? At some point they can't be maintained. Mr. Stempeck suggested not guaranteeing two years.

Chair Pacino stated that would be discussed at the Sub-Committee meeting.

The dates of the next meetings were clarified and having a Commission member go to the Board of Selectmen meeting on April 10<sup>th</sup> was discussed.

Mr. O'Rourke made a motion, seconded by Mr. Talbot, to adjourn the Regular Session.

**3:0:0.**

**Motion Carried.**

A true copy of the RMLD Board of Commissioners minutes  
as approved by a majority of the Commission.

  
Philip B. Pacino, Secretary Pro Tem  
RMLD Board of Commissioners