



Town of Reading Meeting Minutes

Board - Committee - Commission - Council:

RMLD Board of Commissioners

Date: 2018-10-18

Time: 06:30 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:**

David Hennessy, Chair; David Talbot, Vice Chair; Tom O'Rourke, Commissioner; Philip B. Pacino, Commissioner; John Stempeck, Commissioner

Members - Not Present:

Others Present:

RMLD 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, and Technology; Tracy Schultz, Executive Assistant

Citizens' Advisory Board:
Jason Small, Vice Chair

Minutes Respectfully Submitted By: David Talbot, Secretary Pro Tem

Topics of Discussion:

Call Meeting to Order

Chair Hennessy called the meeting to order and Chair Hennessy read RMLD's Code of Conduct. Chair Hennessy announced that the meeting is being videotaped at the RMLD office at 230 Ash Street, for distribution to the community television stations in North Reading, Lynnfield, and Wilmington.

Public Comment

Chair Hennessy welcomed Mr. Small. There was no public comment. Chair Hennessy noted that Ms. Parenteau would be leaving the RMLD and wished her well in her new position. The Board applauded and echoed Chair Hennessy's sentiments.

Chair Hennessy noted that Mr. Pacino would be arriving late.

Approval of Board Minutes (Attachment 1)

Mr. Stempeck made a motion, seconded by Mr. O'Rourke, to approve the July 19, 2018 and September 20, 2018 minutes, on the recommendation of the General Manager.

Motion Carried: 4:0:0.

Report on Citizens' Advisory Board Meeting on October 9, 2018 – Mr. Stempeck

Mr. Stempeck stated that the CAB meeting was a great meeting with excellent questions. The CAB approved the capital and operating budgets. There was a discussion on the best way to present the budgets. Mr. Small had nothing to add.

Verizon and AT&T 5G – Mr. Stempeck

Mr. Stempeck explained that he read a newspaper article regarding cell carriers wanting to put miniature 5G cell towers on pole tops and stated that RMLD could charge a fee.

Ms. O'Brien explained that if wireless is ultimately classified as a utility then a set fee will be state-mandated. The fee will be split with Verizon because they own half of each pole. There's also the question of who works on the cell equipment: that high up near electrical lines requires a rated worker. There's the issue of multiple carriers. Mr. Talbot asked for a report on carrier requests at the next meeting. Ms. O'Brien answered that there have been no carrier requests. Mr. Jaffari added that there are concerns with operational radio safety.

The discussion on the payment to the Town of Reading was tabled until Mr. Pacino's arrival.

CY 2019 Capital Budget – Mr. Jaffari – (Attachment 2)

Mr. Jaffari explained that he would be presenting highlights of the Calendar Year 2019 Capital Budget. Mr. Jaffari reviewed projects including LED upgrades, the parking lot upgrade at 230 Ash Street, building upgrades, and the installation of electric vehicle chargers. Mr. Jaffari also reviewed the battery storage unit at Station 3, grid optimization and software integration, and the outage management system and IVR. Mr. Stempeck, referring to gas explosions that recently occurred in another town, asked if RMLD can shut off power in specific locations. Mr. Jaffari explained that RMLD currently cannot but will be able to once Interruption switches are installed. It's a 15-year project due to the equipment cost. The switches are being installed in key locations.

Mr. Jaffari discussed costs associated with the new Wilmington substation and stated that RMLD is in negotiations with National Grid for land and should have letter of intent by October 31. Mr. Jaffari explained that RMLD will be reimbursed by the state for the Massachusetts Department of Transportation Main Street widening. The next three projects are new and are an underground line extension on Marion Street, a 5W5 Andover Street upgrade in Wilmington, and fiber line extensions to Substation 4. National Grid is trying to connect their SCADA and RMLD is in the middle. It is cheaper than what National Grid had quoted. This is per NERC and is ISO mandated so RMLD is obligated to do this. It will increase overall area reliability. Mr. Jaffari stated that the next three projects involve the getaways for Station 4. The conduits are filled with cables and the heat builds up. RMLD engineers are moving two lines from underground to overhead. This will increase distribution capacity by 20 megawatts and is a great savings. Mr. Jaffari reviewed the AML mesh network expansion, meter replacements, and equipment upgrades.

Mr. Stempeck asked if RMLD could offer the service of testing poles for Verizon. Ms. O'Brien stated the RMLD can test poles in Verizon's custodial area but cannot charge Verizon for maintenance that they should be doing as it's a Verizon union issue.

Mr. Talbot asked whether the parking lot upgrade is necessary. Mr. Stempeck stated that it had been previously discussed. Ms. O'Brien stated that more spaces and another EV charger are being added. Mr. Talbot stated that he wants to see the building plans.

Mr. Stempeck made a motion, seconded by Mr. O'Rourke, that the RMLD Board of Commissioners approve the Calendar Year 2019 Capital Budget in the amount of \$7,804,373 as presented, on the recommendation of the General Manager.

Motion Carried: 4:0:0.

CY 2019 Operating Budget – Ms. Markiewicz – (Attachment 3)

Ms. Markiewicz explained that fixed costs comprise 80.7 percent of the CY19 Operating Budget. 71.44 percent is power supply. Fixed cost decreased by about 4.2 percent from FY19 to CY19

CY 2019 Operating Budget – Ms. Markiewicz – (Attachment 3)

due mainly to a reduction in fuel costs. Semi-variable costs represent about 19.3 percent of the overall operating budget, which is a 2.6 percent increase. The overall operating budget is projected to decrease by 2.94 percent from FY19 to CY19. Fixed costs are comprised of power supply which is 77.44 percent of budget, depreciation expense at a rate of three percent which is \$4,524,000 and 4.83 percent of the budget, the payment to the Town of Reading at \$2.48 million and 2.65 percent of the budget, payments to the other towns which are based on two percent of net plant which are \$1.6 million and 1.68 percent of budget, and disposal of losses on equipment which is about \$100,000. Semi-variable costs are comprised of labor which is 7.12 percent of budget, employee benefits and pension which are 3.83 percent of budget, operating and maintenance expenses which are 2.76 percent of the budget, conservation expenses which are 1.05 percent of budget, overtime which is 1.06 percent, and tree trimming which is almost one percent. All other expenses are less than one percent of the budget. Chair Hennessy asked if the percentage of employee benefits and pension was continually going up. Ms. Markiewicz explained health insurance has been going up and pension costs are going up about \$400,000 per year.* Based on actuarial reports, the Town of Reading is targeting a specific time to be fully funded. Ms. Markiewicz stated that the actuarial reports show a greater rate of return on investment than what the Town has been receiving. RMLD has spoken with the Town about how to better invest funds. Ms. Markiewicz discussed the budgeted net income compared to the budgeted rate of return for the Six-Year Plan and explained that RMLD is staying close to eight percent to fund capital projects. As projects are completed the rate of return will be brought down to six percent. Ms. Markiewicz then reviewed the budgeted kWh sold compared to the budgeted rate of return and stated that RMLD is projecting that sales will drop one percent each year. As sales decrease the rate of return decreases. Ms. Markiewicz then explained the sources of capital funds from CY19 through CY24.

Ms. Markiewicz then reviewed the FY18 financials and explained that there hasn't been a presentation on FY18 yet because RMLD and the auditors are waiting for the actuarial report based on the new GASB OPEB. However, the FY18 actual numbers should not change. FY18 actual came in at \$5.2 million. Real net income was \$4.5 million but because of OPEB there was a \$700,000 decrease in expenses. The rate of return came in under eight percent and RMLD came in under budget.

Returning to the CY19 budget, Ms. Markiewicz stated that it has total operating revenues of \$96 million reduced by \$3 million from FY19. Purchase power, capacity, transmission, fuel and fuel are \$66.8 million. The bottom line number is anticipated to come in at \$3.5 million, which is what the Commission is being asked to vote on. Ms. Markiewicz stated that RMLD will not be raising rates to make net income.

Mr. O'Rourke expressed concerns regarding declining sales.

Mr. Pacino arrived at the meeting.

Mr. Talbot asked about the increase in pension. Ms. Markiewicz explained that was due to OPEB being underfunded. Mr. Talbot asked about the change in labor costs. Ms. Markiewicz explained that a portion of labor comes from capital and a portion comes from operating. The FY19 Budget had anticipated a higher cost of capital projects. Mr. Talbot asked about legal fees and suggested that the Board should set policies as an oversight for legal expenses. Mr. Stempeck pointed out that legal had written a white paper for RMLD's benefit. Mr. Talbot asked what the Town of Reading spends. Mr. Pacino replied that RMLD can't be compared to the Town and Mr. Stempeck stated that he is all for hiring competent attorneys. Ms. O'Brien stated that RMLD doesn't have anyone on retainer: RMLD needs specialists in labor, power supply, FERC counsel, and counsel for insurance claims, purchasing, and policies. Mr. O'Rourke suggested a spreadsheet showing what has been spent on legal over the last five years. Ms. O'Brien stated that RMLD used to pay \$780 an hour for labor and now pays less than half of that. Ms. O'Brien indicated that a spreadsheet would be generated.

CY 2019 Operating Budget – Ms. Markiewicz – (Attachment 3)

Mr. O'Rourke suggested, in the future, approving the budgets after both presentations were complete.

Mr. Stempeck made a motion, seconded by Mr. O'Rourke, that the RMLD Board of Commissioners approve the Calendar Year 2019 Operating Budget with a Net Income of \$3,529,582 as presented, on the recommendation of the General Manager.

Motion Carried: 4:0:1.

Mr. Pacino abstained due to his missing the budget presentation.

*Pension costs are going up \$100,000 a year with the intent of increasing assets and lessening liability. \$400,000 included OPEB.

Integrated Resources Division – Ms. Parenteau

Power Supply Report – August 2018 (Attachment 4)

Ms. Parenteau thanked the Board for their support. Ms. Parenteau discussed the ISO coincident peak with RMLD's load from 2016 through 2018. ISO system peak coincident with RMLD's load. In 2016 the ISO's peak was 25,596 megawatts. It was higher this year: preliminary reporting shows that ISO peaked at 25,763 megawatts on August 29 at 6 p.m. RMLD's load 159.643 compared to 163.058 in 2016. In 2018 RMLD's generator was online so there was a 2.3-megawatt reduction. Regarding Mr. Talbot's question of how much Shred the Peak gets involved, when ratios from 2016 and 2018 (with the 2.3 subtracted) are compared, there is a significant decrease in RMLD's peak. Customers have taken an active interest and are working with RMLD to reduce use. Ms. Parenteau stated that her group did a great job in educating customers. Ms. Parenteau then discussed day ahead and real time pricing on August 12, 2016, June 17, 2017, and August 29, 2018 (ISO peak days).

Engineering and Operations Report – July and August 2018 – Mr. Jaffari (Attachment 5)

Mr. Jaffari stated that year-to date routine capital construction totals \$310,295. Year-to-date capital spending is \$910,325 with \$6,660,164 remaining. Mr. Jaffari reviewed the progress being made on routine maintenance programs. Mr. Jaffari stated that Lynnfield has 19 transfers North Reading nine transfers 44 poles to remove Reading 27 transfers 18 poles to remove Wilmington 28 transfers four poles to be removed. Reliability is well under the national and regional averages. SAIDI is a little higher this year due to falling trees. Overall outages are going down which shows that RMLD is on the right track with its maintenance programs.

RMLD Procurement Requests Requiring Board Approval – Mr. Jaffari (Attachment 6)

IFP 2019.03 Cooper Power Systems Meters and Equipment for the AMI Mesh Network System Expansion and Migration

Mr. Jaffari explained that this will strengthen the mesh network. Mr. Pacino asked how much was budgeted for this project. Mr. Jaffari checked the budget and replied \$300,000. Mr. Pacino requested that the budgeted amount always be included with the bid requests.

Mr. Stempeck made a motion, seconded by Mr. Mr. O'Rourke, that IFP 2019.03 for Cooper Power Systems Meters and Equipment for the AMI Mesh Network System Expansion and Migration be awarded to: Cannon Technologies, Inc., an affiliate of Eaton Corporation plc dba Eaton for \$274,380.00, pursuant to M.G.L. Chapter 164 § 56D, on the recommendation of the General Manager.

Motion Carried: 5:0:0.

Sub-Committee on the Payment to the Town of Reading – Mr. Pacino

Mr. Stempeck stated that he has some comments and explained that Ms. O'Brien did a study analyzing the payment to the Town of Reading that included different metrics and variables to be considered along with RMLD's charter. The study is tied to six-year strategic plan and found a convergence due to decreasing kilowatt hour sales and the increasing payment to the Town. The worst case would lead to a shortage of net income and no way to build up capital reserves. Ms. Markiewicz, Ms. O'Brien, and Mr. Jaffari have put together two to three scenarios with projections for the future. The study also contains financial analysis on revenue, costs,

Sub-Committee on the Payment to the Town of Reading – Mr. Pacino

repercussions and assumptions. Mr. Stempeck stated he would like to propose that the study and scenarios be submitted to the Sub-Committee so that the Sub-Committee has a chance to get grounded in what the financials really mean and can understand the background of the study. There is a Sub-Committee meeting on Tuesday, October 23 and the financial implications can be discussed and then Mr. Stempeck and Mr. Pacino can return to the Board. Mr. Stempeck stated that it has to be made sure that RMLD has enough capital for the maintenance of the system and that a consensus will hopefully develop among members of the Sub-Committee. Mr. Pacino pointed out some corrections to the study that Mr. O'Rourke brought to his attention and stated that he agrees with everything Mr. Stempeck said except that he would like to see the payment to the Town stay the same for two years to give the Town time for economic development. That will be worked out by the Sub-Committee.

Mr. O'Rourke reminded everyone that the payments to date were based on a number picked in 1997, which was the CPI, that goes up regardless of the performance of the utility. That's why it's unsustainable: it keeps going up even when revenues are flat. Mr. O'Rourke explained that the RMLD began this process because the Town wanted the payment to increase. Mr. Pacino stated that even though the result is opposite of what was intended it is something that should have been being looked at. Mr. O'Rourke recognized Ms. O'Brien for her work on the study. Mr. Pacino stated that he thought the payment should be reviewed every three years: five years is too long. Mr. Talbot pointed out that, as has been previously discussed and as he understands it, among municipal electrics, RMLD is making the largest PILOT payment in the state.

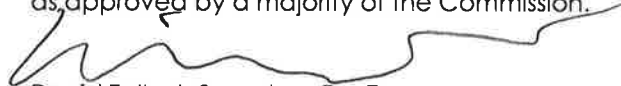
General Discussion

Meeting dates were discussed.

Adjournment

At 8:52 p.m., Mr. Pacino made a motion, seconded by Mr. O'Rourke, that the Board go into Executive Session to consider the purchase of real property and return to Regular Session for the sole purpose of adjournment.

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



David Talbot, Secretary Pro Tem
RMLD Board of Commissioners

