



Town of Reading Meeting Minutes

Board - Committee - Commission - Council:

RMLD Board of Commissioners

Date: 2018-11-29

Time: 07:30 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; John Stempeck, Commissioner; Tom O'Rourke, Commissioner; Philip B. Pacino, Commissioner

Members - Not Present:

Others Present:

RMLD Staff: Coleen O'Brien, General Manager; Hamid Jaffari, Director of Engineering and Operations; Charles Underhill, Director of Integrated Resources; Wendy Markiewicz, Director of Business, Finance, and Technology; Tracy Schultz, Executive Assistant

Citizens' Advisory Board: Neil Cohen, Member

KP Law: Christopher Pollart, Attorney

Melanson & Heath: Zackary Fentross

Town of Reading: Vanessa Alvarado, Select Board Member and RMLD Liaison and Andrew Friedmann, Chair

Minutes Respectfully Submitted By: Philip B. Pacino, Secretary Pro Tem

Topics of Discussion:

Call Meeting to Order

Chair Hennessy called the meeting to order and 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. Cohen, Ms. Alvarado and Mr. Friedmann, who had no comments. Mr. Pacino agreed to serve as secretary. There was no public comment.

Presentation of Fiscal Year 2018 Audit

Melanson Heath & P.C. – Zackary Fentross

Mr. Fentross explained that he was the Audit Manager in charge of the June 30, 2018 RMLD audit. Mr. Fentross explained that the financial statements are not being presented on a comparative basis this year per a recommendation from the AICPA due to the implementation of Governmental Accounting Standards Board (GASB) Statement Number 75. The Department

Presentation of Fiscal Year 2018 Audit

Melanson Heath & P.C. – Zackary Fentross

received a clean opinion with no exceptions, which is the best opinion that can be received from an independent audit firm. Mr. Fentross directed the Commission's attention to the Statement of Net Position. Under Non-Current Assets, Capital Assets Net of Accumulated Depreciation has a balance of \$76,988,531. This is a \$2.1 million increase from prior year. The major capital project item that the Department worked on was the completion of the LED streetlight project, which increased that line item by \$750,000. The Non-Current Liabilities Net Pension Liability is \$10,781,819 and represents RMLD's portion of the total unfunded liability for the Reading Contributory Retirement System. The Department's portion of that liability is about 29 percent. The Reading Contributory Retirement System is approximately 79 percent funded. The average in the Commonwealth is between 65 and 70 percent. Net Other Post-Employment Benefit (OPEB) Liability has a balance of \$7,158,353. This is a big change due to GASB 75 which supersedes GASB 45. This was previously recognized over a 30-year period. This pulls liability that was in the back of financial statements to the front and the liability is now recognized in full. Every municipal in the United States has to implement this reporting method. RMLD has put aside almost \$2.9 million to begin to fund the 28.5 percent portion of the Retirement System. The Department has positive operating results, a well-funded OPEB trust fund, and no management letter. There has been no management letter in previous years which shows that the management of the Department takes internal controls very seriously.

Report of the Audit Committee – Mr. Pacino

Mr. Pacino explained that the Audit Committee for the Town of Reading and the RMLD Audit Committee met before this meeting to review the RMLD audit in more depth. Mr. Pacino stated that Mr. Fentross did a back of the envelope calculation that showed that the Department has enough operating cash for 2.3 months. The industry standard is three months. There was a lot of discussion about the actuarial assumptions and the rate of return. The Audit Committee had three requests: why is the investment rate being used in the actuarial computation is 7.5 percent, whether there is any benchmark data available for the asset mix, and what is the percentage of fees. There was concern that the actuarial report states 7.5 percent and the Town is only earning two percent. Mr. Pacino added that there was no management letter and that Mr. Fentross was complimentary regarding the job done by Ms. O'Brien and Ms. Markiewicz and her staff.

Mr. Pacino made a motion, seconded by Mr. O'Rourke, that the Board of Commissioners accept the Audit Report from Melanson Heath, Fiscal Year ended June 30, 2018 as presented.

Motion Carried: 5:0:0.

Ms. O'Brien clarified that she was assigned the three action items, which will involve contacting the Town. Mr. Fentross offered to assist Ms. O'Brien. Mr. Pacino clarified that the action items were to determine the fees on investments, the reasoning behind the 7.5 percent, and whether there's a benchmark available for the asset mix and what the return on investment is for each major class. Mr. Talbot added there was the question of whether RMLD can lend money. Ms. O'Brien stated that she has already assigned that question to Attorney Pollart.

Report of the Citizens' Advisory Board Meeting on November 14, 2018

Mr. Pacino reported that Mr. Underhill, the new Director of Integrated Resources, was introduced. Mr. Pacino explained that the Sub-Committee meeting was discussed, which segue ways into the next agenda item.

Sub-Committee on the Payment to the Town of Reading and Town Meeting on November 15, 2018 – Mr. Pacino and Mr. Stenpeck

Mr. Pacino explained that when the Sub-Committee met a Select Board member was concerned about what was presented in the study done by Ms. O'Brien and asked that the CAB consider bringing in a mediator. The meeting broke up after that. Mr. Pacino stated that when he attended the CAB meeting on November 14th they discussed using a mediator. The CAB Chair was concerned about the mediator being an additional cost to the ratepayers. There was also confusion about what the mediator would be doing since only Mr. Pacino and Mr.

Sub-Committee on the Payment to the Town of Reading and Town Meeting on November 15, 2018 – Mr. Pacino and Mr. Stempeck

Stempeck have given their opinions about what should be done; there has been no presentation or proposal from the Select Board and the discussion needs to be moved along. Mr. Stempeck stated that in the notes from 1990 it states that a vote of the Sub-Committee is needed to hire a mediator and that the mediator can be hired at a maximum of \$5,000. That number is from 20 years ago and is not realistic now. Mr. Pacino explained that after the meeting there was a request that the Sub-Committee members consult with their respective groups and return with suggestions. Mr. Pacino said that he was hoping for more discussion at the Sub-Committee meeting.

Mr. Pacino made a motion, seconded by Mr. Stempeck, that the RMLD Board of Commissioners propose a recommendation (stress on the word recommendation) to the Sub-Committee on the Payment to the Town of Reading that the RMLD make a constant below-the-line payment to the Town of Reading for two years, 2019 and 2020, at the existing payment made for year 2018 which is approximately \$2.48 million. The payment may be subject to any emergency issues such as severe weather damage or other catastrophic events faced by the RMLD. The payments are to be effective for periods after July 2, 2019 (does not affect any current payments). In addition, move to commission an independent consultant in 2019 to review the RMLD strategic study of May 2018 prepared by the RMLD General Manager and to propose a transition plan for the year 2021 that provides an algorithm for calculating the below-the-line payment to the Town of Reading that is based on kilowatt sales which is actual energy usage or some other applicable formula.

Mr. Pacino reiterated that the idea of the motion is to stimulate discussion in the Sub-Committee. Mr. Stempeck stated that a fixed payment gives the Town a known amount for fiscal planning purposes for two years. The Town has continuously stressed that they want to know how much they're going to receive on a yearly basis. Mr. Stempeck stated that RMLD's revenue* is decreasing and that this proposal won't cripple RMLD's capital investment program and allows RMLD to remain within its charter to the four towns. This isn't just about Reading; there are four towns that RMLD serves. It gives the Town of Reading a head on economic development.

Mr. O'Rourke stated that RMLD needs to be clear on the timing of the four payments, should collaborate with the Town on economic development, and should give the Town notice about the amount in advance once the two years is over. Ms. Markiewicz stated that the payment for next month is already committed. After that it must be decided whether to make three or five more payments to stay in sync with the calendar year. Mr. Pacino stated that's something that the Sub-Committee can decide. Mr. Talbot expressed concerns that the proposed motion wasn't included on the agenda. Mr. Stempeck suggested calling it a resolution. Mr. Talbot stated that there should be a posting and opportunity for comment. Mr. Pacino answered that the motion is not changing anything and there is concern with any delay because the Select Board representative on the Sub-Committee is not running for reelection.

Mr. Talbot asked Mr. Pacino to read the motion again. Mr. O'Rourke suggested making a chart of scheduled payments, which Ms. Markiewicz offered to prepare. Mr. Talbot expressed his concerns about taking a vote and reiterated that he thought the motion should have been on the agenda. Mr. O'Rourke stated that there can be public comment after the Sub-Committee meets. Mr. Cohen stated that there were only three members at the last CAB meeting. Mr. Cohen added that the last Sub-Committee meeting was brief, and it has been difficult to get the five members to meet. There is a CAB meeting on December 17.

Ms. Alvarado asked for clarification on what happens at the two-year mark of the proposal. Chair Hennessy replied that the motion provides that a formula would be determined over the next few months. Ms. O'Brien clarified that it's not RMLD's revenues that are decreasing; it's sales.* Revenue could remain the same, but that would mean raising rates. The mission is to stay competitive. Mr. Pacino pointed out that raising the rates makes economic development less attractive.

Sub-Committee on the Payment to the Town of Reading and Town Meeting on November 15, 2018 – Mr. Pacino and Mr. Stempeck

Mr. Talbot stated that hearing from a member of the CAB and Select Board had lessened his concerns. Chair Hennessy invited Mr. Friedmann to comment. Mr. Friedmann stated that he would be speaking as a resident and that the same people who elect the Board of Commissioners elect the Select Board and that he knows that both groups want to do right by the residents. Mr. Friedmann stated that it's unfortunate that there has been a delay but that he is looking forward to working together for what is best for the Town and the ratepayers.

Mr. Pacino added an amendment to his motion that the RMLD Board of Commissioners "adopt a resolution" to propose. The Commissioners agreed to the change.

Motion Carried: 5:0:0.

General Manager's Report – Ms. O'Brien

a. Review of Board Policies

This item was tabled for a subsequent meeting.

b. AP Process Review

Ms. O'Brien explained that there would be a new AP form for the Commissioners. There is a section to request clarification without the need to pull an invoice, and a section in which an invoice would be pulled should insufficient clarification be provided. If, in the unlikely event an invoice must be pulled, the warrant (without that invoice) still must be signed. In either case, staff works diligently to provide clarification to any question. Ms. O'Brien stated that some Commissioners have been asking about signing online. Ms. Markiewicz stated that only a copy of the invoices are sent to the Town; none of the back-up information is scanned. To sign online, Accounting would have to scan in everything which would be quite time-consuming. Mr. Talbot stated that it would be better to have an iPad rather than a piece of paper; then the actual question that was asked could get relayed to all the Commissioners via direct email. Ms. O'Brien stated that RMLD would look into that. Ms. Markiewicz reiterated that the Town needs the warrant to be signed otherwise they will not cut a check.

c. Introduction of Mr. Underhill

Ms. O'Brien introduced the new Director of Integrated Resources, Charles Underhill.

Integrated Resources Division – Mr. Underhill

Mr. Underhill explained that about a year ago the Commissioners received a presentation on a NextEra program that was being implemented to help reduce power supply costs. It was called a Transaction Facilitation Agreement (TFA) and its objective was to mitigate risk, stabilize rates, and to secure lower pricing. The program defined and executed price triggers. In 2018 roughly ten triggers resulted in purchases of blocks of energy and the net reduction in power supply cost was \$1.9 million. RMLD has received a follow up proposal from NextEra to do physical load following. There are two types of risk in the wholesale market: forecasting errors that differ from actual results and market volatility. NextEra's proposal looks at eliminating load forecast. By load following they guarantee to meet the exact load and eliminates volatility with a fixed price. It maintains RMLD's renewable resource portfolio and allows RMLD to meet its strategic objectives, whether renewable or non-carbon. NextEra picks up the balance. Mr. Stempeck verified that NextEra reduces their risk by buying large blocks of energy. Mr. Underhill affirmed, and explained that NextEra is serving as an aggregator to RMLD and other entities and taking the market out of play. Mr. Underhill stated that RMLD looked at its 2019 energy budget, which was projected to be \$28.9 million. With all of NextEra's fees the cost will be \$27.7 million, for an expected net savings of \$1.2 million. There is one risk: RMLD is part of NEMA and NextEra transacts at the Massachusetts hub; there may be slight differences in energy pricing during the first year. 2019 is a pilot and a quarterly review has been negotiated. There will be tweaking to the program as needed and at the end of 2019 RMLD will examine both programs that NextEra has provided and evaluate whether one or the other (or both) can provide savings and how they will work going forward.

Ms. O'Brien added that when she started at RMLD five years ago, RMLD was essentially purchasing power once a year. The NextEra pilot changed that, and it was a success and now

Integrated Resources Division – Mr. Underhill

Mr. Underhill will lead RMLD into the second pilot. The TFA will be continued to lock in beyond 2019. The market keeps changing so programs need to be annually reviewed. Chair Hennessy asked how Mr. Underhill figures out how much RMLD saved with the TFA. Mr. Underhill answered that the contract provides for marks, which are points of comparison with the market. NextEra provides the data and it's a cumulative savings for the purchased power tranches since they have been in effect. Chair Hennessy verified that the Board would be asked to vote on the second NextEra program during the next Board meeting. Mr. Underhill affirmed and stated that he would be doing a more formal presentation at that time.

Mr. O'Rourke asked for a synopsis of Mr. Underhill's background. Mr. Underhill summarized his education and professional experience.

Engineering and Operations Report – September 2018 – Mr. Jaffari

Mr. Jaffari stated that the total spending on routine capital construction for the month of September was \$143,130, bringing the year-to-date total to \$453,426. Total capital spending in the month of September was \$302,913, bringing the year-to-date total to \$1,213,238, leaving \$6.4 million remaining in the approximately \$7.6 million budget. Mr. Jaffari reviewed the progress being made on routine maintenance, including transformer replacements, pole and feeder inspections, and tree trimming. There were no hot spots found during infrared scanning. Mr. Jaffari reviewed the ongoing subdivision upgrades including Turner Drive. Regarding the latter, Mr. Jaffari thanked the Select Board and Town Administrator in North Reading for allowing RMLD to set a pole that avoided having to dig on Route 62. Mr. Jaffari stated that Lynnfield has 16 pending pole transfers and one dispute. North Reading has eight pending pole transfers and nine pending pull poles. Reading has 16 pending pole transfers and nine pull poles. Wilmington has 27 pending pole transfers and four pull poles. RMLD is below the national and regional averages for outages but tree-caused outages have been increasing due to the high water table causing uprooting.

RMLD Procurement Requests Requiring Board Approval – Mr. Jaffari

RFP 2019-02: 750 MCM 15kV Power Cable

Mr. Jaffari explained that MCM stands for thousands of circular mils, which is the cable size. The cables for the underground getaways out of Stations 4 and Station 3 are being upgraded per the recommendation of Booth & Associates. \$97,403 of the \$124,488 belongs to capital improvement projects and the balance of \$27,085 is what the Commission is voting on.

Mr. Pacino made a motion, seconded by Mr. O'Rourke, that proposal **2019-02 for 750 MCM 15kV Power Cable** be awarded to: **Arthur J. Hurley Company, Inc.** for **\$124,488.00**, pursuant to M.G.L. Chapter 164 Section 56D on the recommendation of the General Manager.

Motion Carried: 4:0:1. Mr. Pacino abstained due to a conflict of interest (client).

IFB 2019-06: Electrical Utility Excavation including Emergency Excavation and Construction Services

Mr. Jaffari explained that this is to hire a contractor for emergency excavation work for anything under \$50,000. If the job is over \$50,000 it will need to be formally bid.

Mr. Pacino made a motion, seconded by Mr. O'Rourke, that bid **2019-06 for Electrical Utility Excavation including Emergency Excavation and Construction Services** be awarded to: **Tim Zanelli Excavating, LLC**, for a **not to exceed amount of \$100,000 per year** (without written approval) pursuant to M.G.L c. 30 Section 39M, as the lowest responsible and eligible bidder on the recommendation of the General Manager.

Motion Carried: 5:0:0.

General Discussion

Meeting dates were discussed.

Adjournment

At 9:00 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 to discuss confidential, competitively-sensitive and proprietary information in relation to making, selling, or distributing electric power and energy, 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.

A handwritten signature in black ink, appearing to read 'Pacino', written over the text of the signature line.

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