



Town of Reading Meeting Minutes

Board - Committee - Commission - Council:

RMLD Board of Commissioners

Date: 2019-03-21

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; Thomas 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 Utility Technology; Tracy Schultz, Executive Assistant

Citizens' Advisory Board: Dennis Kelley, Chair

Town of Reading: Karen Herrick, Finance Committee.

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. Kelley and asked Mr. Pacino to serve as Board Secretary. There was no public comment.

Report of the Citizens' Advisory Board Meeting on February 13, 2019

Mr. Kelley stated that the CAB discussed the minimal outages caused by windstorms that have occurred over the last few months. Maintenance is working. The purchase power agreement motion passed. Chair Hennessy added that the possibility of the four towns purchasing electric uses was discussed.

Adoption of Board Minutes

Mr. Kelley made a motion, seconded by Mr. Stempeck, that the Board approve the meeting minutes for December 20, 2018 and January 24, 2019, on the recommendation of the General

Adopted: 5:0:0.

General Manager's Report – Ms. O'Brien

a. Report on attendance at the NEPPA Legislative Rally in Washington DC, from February 24 to February 28, 2019

Ms. O'Brien thanked the Board for allowing her to attend and asked Mr. Underhill to report. Mr. Underhill explained that it was an opportunity to meet with Representatives and Senators from Massachusetts and convey issues of concern. The voters in their districts are owners of the system and want to be sure the value of their interests is protected. Mr. Underhill stated that the issue he was most responsible for was discussing the wholesale market. ISO New England runs a very complex market and it is also a very volatile market. Prices fluctuate from year-to-year, and every time there has been a capacity auction over the last thirteen years, there has been a different set of rules. ISO is taking the position that it is necessary because buyers are figuring out how to take advantage of the system. Mr. Underhill remarked that the NYSE and Chicago Mercantile Exchange seem to function well in the exchange of stocks and commodities. The volatility in pricing and the instability of the process makes it very difficult for capital-intensive businesses to plan their future. The capacity market has experienced a 500 percent swing over a 10-year period. The reason for that is ISO isn't able to manage the planning process anymore because the market structure is put out to bid. Their job isn't to maintain a stable cost structure; it's to make sure electricity is available. ISO is regulated by FERC. Mr. Underhill indicated that he would have FERC review the market structure and come up with a better approach that is more transparent and removes the volatility. Ms. O'Brien stated that they are seeking the formation of a blue-ribbon committee to apply pressure; there isn't one entity that's responsible: it's a complex concept with many legislative branches that represent stakeholders. At NEPPA a panel of experts in the field explained the changes that have occurred from the late 1980s through the present and how the capacity market has gotten to where it is. Ms. O'Brien stated she has asked NEPPA to have the same presenters at the annual NEPPA conference, so that the Board can understand the history.

Mr. Underhill stated that 5G on poles was also discussed. The FCC has given a 90-day window for review and approval of 5G requests. That's going to be difficult because infrastructure has to be replaced. Ms. O'Brien added that the ruling that states the requests must be quickly addressed doesn't consider logistics and safety. Mr. Talbot asked if there had been any inquiries from carriers. Ms. O'Brien replied in the negative. Mr. Talbot stated that RMLD can design forms and set technical specifications. Mr. Stempeck asked about charging for installation. Mr. Talbot replied that RMLD can charge a fee and recover costs.

b. Report on Select Board Meeting Updates

Ms. O'Brien stated that she has been meeting with the Town Administrators, Town Managers, and Select Boards. On Monday she met with the Lynnfield Town Manager and presented at the Board of Selectmen meeting. Lynnfield asked for help with solar projects, requested commercial auditing for their water pump efficiency, and Green Communities was discussed. Green Communities is a Massachusetts collaborative that Eversource and National Grid have for customer rebates. Lynnfield's Town Manager came from a town that had Green Communities. He wants RMLD to be part of it, but RMLD isn't paying into the program. Ms. O'Brien stated that the RMLD is looking into any potential collaborative efforts. The Director of Green Communities lives in Lynnfield. Ms. O'Brien added that the Board of Selectmen commented on the nice and neat jobs done by RMLD employees.

Mr. O'Rourke asked about potential marketing opportunities for solar. Ms. O'Brien replied that RMLD just ran community information sessions for homeowners that included the benefits of going solar. Ms. O'Brien stated that Mr. Underhill is working on community solar projects. Ms. O'Brien stated she will be meeting with the Reading Town Manager and presenting on the basics of electricity and highlight each of RMLD's divisions at the Reading Select Board in May. Mr. Talbot asked about Green Communities. Ms. O'Brien stated that RMLD has been speaking with the Executive Director of the program and looking at ways to coordinate and access resources and at potential joint ventures.

Integrated Resources Division – Mr. Underhill

a. Power Supply Report – January 2019

Mr. Underhill reported that things are going well and discussed the differential between budget to actual for total purchase power expenses for the month of January. Actual is down because January was warmer than average. Sales and load were down. Mr. Underhill then discussed budgeted energy costs versus actual. Energy is most reflective of where the loads are. Price is relatively fixed under RMLD's power supply agreements. Regarding transmission costs, Mr. Underhill explained that if peaks are down RMLD doesn't pay as much. Capacity costs don't change because they are set in the summer and are paid as a flat monthly rate. Mr. Underhill then reviewed kWh purchased by resource. The market has the potential to be the most volatile. In January the loads were less than the energy in the portfolio. RMLD was a net seller into the market.

b. First Light Power Resources

Mr. Underhill explained that RMLD has the opportunity to buy an additional three percent of its load from a hydro resource that is dispatchable. There are two plants in Connecticut that deliver to the Massachusetts hub and have storage capability. RMLD will be getting REQs with it. It will be about \$51 a megawatt hour. Around-the-clock energy prices are between \$45 and \$50 a megawatt hour and are between \$48 and \$50 a megawatt hour during peak times, so this is close to the marginal energy price for a hydro-electric resource. This will improve the non-carbon aspects of RMLD's portfolio on the AK31 report. This is a ten-year deal and will start on April 1 if approved.

Mr. Pacino made a motion, seconded by Mr. Talbot, that the RMLD Board of Commissioners authorize the General Manager of the Reading Municipal Light Department to finalize negotiations and execute a contract with First Light Power Resources for the output of the Shepaug and Stevenson Hydroelectric facilities, on the recommendation of the General Manager.

Motion Carried: 5:0:0.

There was discussion on the meaning of "dispatchable" and Green Communities.

c. Energy New England

Mr. Pacino made a motion, seconded by Mr. Talbot, that the Board of Commissioners approve the Executive Session minutes of September 20, 2018, October 18, 2018 and February 13, 2019, on the recommendation of the General Manager.

Motion Carried: 5:0:0.

Chair Hennessy noted that Ms. Herrick had arrived.

Financial Report – December 2018 – Ms. Markiewicz

Ms. Markiewicz reminded the board that RMLD just closed a 6-month transition period to switch to a calendar year. Ms. Markiewicz explained that can make the financials misleading. When you try and divide a 12-month budget cycle into six months: timing matters. Ms. Markiewicz stated this is a draft and that the auditors will present the final financials. The actuarial report is holding things up, and, therefore, OPEB and pension may change. Ms. Markiewicz reviewed the cash balances. The operating fund is \$18 million. The combined depreciation fund and construction fund are at \$10 million in preparation for upcoming capital projects for 2019. Sick-leave cash has come down to \$2.9 million. The pension trust is at \$5.8 million. Ms. Markiewicz mentioned customer deposits, hazardous waste, uncollectible accounts, and the deferred energy conservation project reserve. The rate stabilization fund is \$7 million. Ms. Markiewicz then reviewed the year-to-date operating and maintenance expenses and explained due to timing RMLD appears under budget for the six months ending December 31 by \$800,000. There are many components to that, including vacancies and the timing of projects. Ms. Markiewicz then discussed how RMLD continually reinvests in capital infrastructure. RMLD is taking its rate of return and adding more. Except for 2015, RMLD has gone beyond the depreciation fund every year between FY14 and FY18 to update the capital infrastructure. Ms. Markiewicz stated that January and February were warmer than anticipated. Mr. O'Rourke asked for a sense of the revenue after the first quarter. Ms. Markiewicz replied that it's too early to determine since it's currently

Financial Report – December 2018 – Ms. Markiewicz

March, but January and February had a 3.5 percent loss of kWh sales. This was due to the weather. Ms. Markiewicz added that it is going to be difficult to compare year-to-year this year due to the change to a calendar year. The auditors won't do comparative financials. Ms. O'Brien stated that the weather is significant and suggested that Mr. Underhill look at the reduction, per class, in use. Mr. Kelley stated that he tracks Wilmington's utility costs and trends weather. It shows that weather drives savings.

Ms. Herrick noted that the capital plan varies year-to-year and asked what Ms. Markiewicz thinks the number for FY19 will be. Ms. Markiewicz stated that FY 19 is over as of December 31 due to the transition to the calendar year and the number shown is for six months. Ms. Herrick asked if the capital will be significantly higher for the twelve-month period. Ms. Markiewicz replied that it will be about \$9.3 million. Ms. Herrick asked how often the cash rate stabilization fund is dipped into. Ms. Markiewicz replied that it has not been utilized in the eight years that she has been working at RMLD. Mr. Pacino added in his 33 years on the Board it has been used seven or eight times. Ms. Markiewicz pointed out that if RMLD were to suffer a catastrophic event, such as the loss of a substation, it could cost \$7 or 8 million to recover. RMLD wouldn't want to burden customers with that cost; in that case the stabilization fund would be needed. Ms. Herrick asked referred to the Municipal Statement of Revenues and stated that legal fees were significantly more. Ms. Markiewicz stated that is due to legal issues with FERC. Ms. O'Brien explained that FERC implements changes and the forty-one municipalities in Massachusetts aggregate counsel to represent their interests. Most often, the case is settled, and money is received back. Mr. Underhill explained that the large increase was due to unanticipated FERC litigation. The municipalities were trying to keep Mystic 8 and 9 up and running. It resulted in a \$250,000 legal expense, however, the affirmation of the running of the plant will save RMLD \$2 million a year beginning in 2023. Ms. Herrick asked if "fuel revenue" is the same as the "fuel charge" item on her bill. Mr. Underhill and Ms. Markiewicz affirmed.

Engineering and Operations Report – Mr. Jaffari

Mr. Jaffari reviewed major construction projects that are underway or recently completed, including 4WS/4W12 getaway improvements at Station 4, 3W13 repairs due to a motor vehicle accident, 5W5 Andover access road upgrade, the Station 3 battery storage project, and Station 4 getaway replacements. Mr. Jaffari then discussed area upgrade projects, including secondary and main upgrades and underground facility upgrades. Maintenance programs were reviewed. Lynnfield has 30 poles awaiting transfer, Reading has 30 transfers and 18 pull poles, North Reading has 3 transfers and 20 pull poles, and Wilmington has 28 transfers and 1 pull pole. Reliability indices are below national and regional averages. Causes of outages are well below the 5-year average, but it is only reflecting two months into the year. Incidents of motor vehicle accidents have been high. The February 25 windstorm as a cause of outages was mentioned.

RMLD Procurement Requests Requiring Board Approval – Mr. Jaffari**IFB 2019-09 One (1) Class V Fork Truck with 12,000 lb. Load Capacity with Trade-In**

Mr. Jaffari explained that the invitation to bid was sent to eight vendors; there were two bidders and the lowest took exception. RMLD wanted a limited fork truck and the vendor offered a full. This would impede movement inside the storage area. The bid was therefore awarded to the next lowest and most responsible bidder. Mr. O'Rourke asked how many total bids were received. Mr. Jaffari replied: two. Mr. O'Rourke remarked that he would have expected more respondents.

Mr. Pacino made a motion, seconded by Mr. Stempeck, that bid 2019-09 for One (1) Class V Fork Truck with 12,000 lb. Load Capacity be awarded to Northland Industrial Truck Company, Inc., as the lowest and most responsible bidder, for \$60,500.00, pursuant to M.G.L. Chapter 30B, on the recommendation of the General Manager.

Motion Carried: 5:0:0.

IFP 2019-10: Pole Mounted Transformers

Mr. Jaffari stated this bid is for pole top transformers for new service and for maintenance upgrades. Mr. O'Rourke asked if it was possible to do a longer-term blanket order. Mr. Jaffari explained RMLD did that with the smart grid switches, but the price of metal is volatile. Mr. Jaffari stated he doesn't know of anyone who has done that, but it might be possible to have the delivery staggered.

Mr. Pacino made a motion, seconded by Mr. Stempeck, that proposal **IFP 2019-10 for Pole Mounted Transformers** be awarded to: **Graybar Electric Company, Inc.**, for a total of **\$68,2241**, pursuant to M.G.L. c. 164 Section 56D, on the recommendation of the General Manager.

Motion Carried: 5:0:0.

IFP 2019-11: Pad Mounted Transformers

Mr. Jaffari explained that this bid is for pad mount transformers.

Mr. Pacino made a motion, seconded by Mr. Stempeck, that proposal **IFP 2019-11 for Pad Mounted Transformers** be awarded to: **WESCO Distribution, Inc.**, for **\$206,755.00** and **Howard Industries, Inc., c/o Power Sales Group, Inc.**, for **\$87,120.00**, for a total of **\$293,875.00**, pursuant to M.G.L. c. 164 Section 56D, on the recommendation of the General Manager.

Motion Carried: 5:0:0.

General Discussion

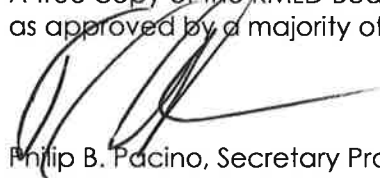
Mr. Pacino stated that the pole problem in Wakefield that he had previously mentioned was solved: the pole was moved two feet. Mr. Pacino noted that the business that had resided in RMLD's Haven Street building has moved out and stated that he hopes another business moves in.

Meeting dates were discussed.

Adjournment

At 8:59 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.



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