

**READING MUNICIPAL LIGHT DEPARTMENT
BOARD OF COMMISSIONERS REGULAR MEETING
230 Ash Street
Reading, MA 01867
May 11, 2017**

Start Time of Regular Session: 6:10 p.m.
End Time of Regular Session: 7:09 p.m.

Commissioners:

Philip B. Pacino, Chairman	David Talbot, Commissioner
David Hennessy, Vice Chairman, Secretary Pro Tem	Thomas J. O'Rourke, Commissioner
John Stempeck, Commissioner	

Staff:

Coleen O'Brien, General Manager	Tracy Schultz, Executive Assistant
Hamid Jaffari, Director of E & O	

Citizens' Advisory Board (CAB):
Jason Small, Member

Call Meeting to Order

Vice Chairman Hennessy called the meeting to order and explained that the meeting is being taped for distribution in Reading, North Reading, Lynnfield, and Wilmington. read the RMLD Board of Commissioners Code of Conduct. Vice Chairman Hennessey explained that Mr. Pacino was currently absent, but was believed to be on his way to the meeting.

Opening Remarks and Introductions

Vice Chairman Hennessy explained that the Operating Budget was presented the previous evening, and the Board would be reviewing the Capital Budget tonight.

Chairman Pacino entered the meeting and stated that he had been caught in traffic for two hours.

Chairman Pacino welcomed CAB member Jason Volk, who had no comment. There were no liaisons present and no public comment.

Ms. O'Brien explained that herself and Mr. Jaffari, Director of Engineering and Operations, would be presenting the Capital Budget. After, a vote will be taken on both the Operating and Capital Budgets.

Review of RMLD's Fiscal Year 2018 Capital Budget

Mr. Jaffari explained that the presentation this year is different, and that he would start with an update on the status of projects that the Board has already authorized funding for. The review of FY17 projects commenced with projects that have been completed or are scheduled to be completed by June 30, 2017. The first is distributed generation, which was budgeted for \$2.7 million. Due to competitive bidding, the project is under budget. The generator is scheduled for delivery on June 1 and will be fired up the first week of July. Once that is running it will help RMLD get credit on capacity and transmission. The HVAC upgrade project is completed. Various upgrades at Station 4 have been completed, including a 35kV potential transformer replacement, relay upgrades, and SCADA integration for bus. The only thing left to do is the getaway replacement. This is a cable replacement to increase capacity of the feeders and contractors are currently replacing those 2,800 feet of cable. The Station 5 LTC control replacement project and the Substation Equipment Grounding are completed. The RTU Replacement is the communications device between Station 3 and SCADA in the Control Room. That's installed and is being wired and programmed. The Analog Devices Cap Bank was finished a few months ago. The Control Center modification project in progress.

Mr. Jaffari then moved onto the projects continuing in FY18. The LED Streetlight Upgrades are approximately two-

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thirds completed and are on schedule. The Towns should start seeing the benefits and the savings. RMLD committed to changing out 2,450 each year, so the project will be completed by July 1, FY19. The GIS data collection is completed, and now the data is being checked and reviewed. It will be over 98 percent accurate, and that should be done by September or October 2017. There will be some data integration to other systems in 2018. The Grid Modernization, Phase One project will be continued. Four switches were installed as part of a pilot program last year. RMLD is already started to see the benefit of these installs, with an increase in reliability.

The search for land for a new Wilmington substation continues. There is one promising location. Ms. O'Brien is negotiating as to whether the land will be purchased or leased for 99 years. Both options are a possibility. Planning and Zoning may require purchase because RMLD is a not-for-profit. However, there are other issues.

Ms. O'Brien explained that it is a frontage issue. If you buy the land, you take away frontage from the owner, which creates a problem. However, if you lease the property the owner gets to keep the frontage.

Mr. Jaffari added that the land is close to a wetland and may require a permit from the Conservation Commission.

Chairman Pacino asked if leasing the land would become Capital and increase investment in the plant. Ms. O'Brien stated that she would have to check with Ms. Markiewicz.

Vice Chairman Hennessy stated that if you purchased it, that would definitely be the case, but that a 99-year lease is almost like purchasing.

Ms. O'Brien stated that FERC Accounting has a code for Land Assets. However, when you lease it, it doesn't fall under that category.

Mr. Jaffari continued his presentation, moving on to the Padmount Switchgear Upgrade. There are 25 of them and it is a 6-year replacement program. The first five targeted to be upgraded are in River Park, Wilmington. This is the only project that is behind schedule due to the late arrival of the switchgear. It was supposed to be delivered in mid-March. However, it will not be delivered until late June. 95 percent of the projects that were budgeted for last year are completed.

Mr. Talbot asked if the gas generator that is supposed to be ready on July 1 was initially scheduled to be in operation by June 1, and stated his hope that the peak would occur after July 1.

Mr. Jaffari answered in the affirmative to both. The delay was due to a contract issue, with the performance bond taking longer than expected to be acquired, and permitting.

Mr. Talbot then asked if failure sensors for transformers exist, and clarified that RMLD does not have them.

Ms. O'Brien asked Mr. Talbot if he was referring to a fault detector on a feeder. Mr. Talbot explained that it is a piece of equipment that indicates something has changed and that there is an imminent decline of transformer performance.

Mr. Talbot said the reason he was asking was because one blew up.

Ms. O'Brien stated that was a lightening arrestor. It's an arc shoot and is supposed to prevent damage. Some of the polymer on this particular one melted. Ms. O'Brien asked Mr. Small if he has ever encountered the polymer melting. Mr. Volk answered in the negative, but stated he has lost a few due to animal contact right at the top

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of the arrestor.

Mr. Jaffari stated that earlier he was referring to substation transformers. Some types of pole transformers might have internal fault detectors.

Mr. Jaffari then continued his presentation, stating that the Padmount Switch Gear won't arrive until late June, therefore it may not be completed this year.

Good progress is being made on the Station 3 relay upgrades and SCADA integration. The substation has intrinsic design flaws. The fault current is too high for the transformers that were originally installed. The relays need to be upgraded as well.

LED lighting at 230 Ash Street, carpeting, and Electric Vehicle Supply Equipment are all also projects in progress. RMLD will be installing an Electric Vehicle Supply charging station in each town.

Mr. Stempeck asked how much a charging station costs.

Mr. Jaffari explained that it depends on the construction and RMLD has received grant money. Without the grant money \$20,000, but it could go up to \$50,000.

Mr. Talbot asked if members of the general public would be able to park and charge their vehicles.

Ms. O'Brien explained that it would not be a free service.

Mr. Jaffari then began explaining the new projects for FY18. In order to compensate for the Station 3 Design flaws, and to lower incident or arc energy, RMLD will be installing one set of reactors for each of the two transformers. That is estimated to cost \$561,000 and the Board will be voting on the bid tonight.

The next project is 35kv underground cable upgrade. These are the underground lines that feed Station 5 from Station 4. They are 30 years old. This is a 3-year project. One failed this last year and had to be replaced.

Mr. Stempeck asked if that failure is catastrophic. Mr. Jaffari answered that the cables are in water and small pin holes continue to their failure. However, when one fails the load is transferred to the other transformers, so customers only experience a 10 or 15 second outage.

The design for the Pole Line Upgrade on Woburn Street in Wilmington is underway. The construction starts in the fall.

The 115kv Transmission Line Upgrade is necessary due to aging equipment. Two poles failed this year and emergency measures needed to be taken. Mr. Jaffari stated that he didn't expect the equipment to fail so soon. 6 more poles need to be replaced. These are the lines from Eversource that are feeding the substation. It is a 2 year project.

The pole replacement program is ongoing. Every year we test 640 poles. The poles that fail are immediately replaced. Some poles marginally pass and we're planning on upgrading those. Mr. Jaffari asked residents to be patient and stated that RMLD is doing the best it can to address double pole issues. RMLD is quick to respond to transfers but doesn't have control over Comcast or Verizon. We are trying to expedite the process.

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Another surprise that was encountered last year has necessitated the Secondary and Main Replacement project. Due to aging equipment neutral connectors have started failing. Over the next 10 to 15 years, so many are going to be replaced that contractors will need to be brought in to assist. This was voted on at the April Board Meeting. This is continuous. The contractors will augment RMLD staff. RMLD has dedicated crews that have lists of the oldest to newest neighborhoods.

Miscellaneous projects include a power washer, remote SCADA room, partial roof repairs, lobby insulation, new chairs, and battery storage. These are all one year projects and are estimated to total \$230,000.

Mr. Jaffari then began his presentation on Annually Budgeted and Recurring Projects. For FY17, estimated Miscellaneous Computer Hardware and Software Upgrades were \$152,000 and \$340,000 is being estimated for FY18.

The Rolling Stock Replacement of trucks and vehicles is estimated at \$230,000 for FY18.

AMI mesh expansion for Club 500 that Itron had no solution for is continuing. It is a very smart system that can be used for distribution automation as well as metering. This system will be integrated with Cogsdale.

Smart-Grid Fiber Nodes Expansion will be an asset that will communicate with substations and bring information back to the Control Room. We're going to create more fiber nodes.

13,8kV upgrade many of the step-down areas from 13,800 to 4,160 voltage.

Mr. Jaffari stated that Underground Facilities is an area of major concern for him. Last year there were a few areas where we did not expect such catastrophic failure. This was due to aging equipment. In one case, we wanted to replace one transformer and ended up having to replace the entire neighborhood (about 10 or 15 transformers). It wasn't planned but it was necessary.

Spending on Routine Construction was forecast for \$1 million last year. Unfortunately, \$1.6 million had to be spent due to unpredicted failures in multiple old neighborhoods that needed attention.

New Customer Services cost \$140,000 in FY18 and are projected to cost \$156,000 in FY18.

Miscellaneous Purchases transformers substation equipment going up due to transformer load management and upgrades. Every year we replace at least 150 to 200 aging transformers to avoid oil leak. We're trying to catch up.

Mr. O'Rourke asked what the New Customer Services entailed. Ms. O'Brien explained that was hooking up new customers.

Mr. Jaffari continued, stating in summary, in FY17 \$9,406,000 was budgeted and spending is estimated to be \$9,695,000. The spillover is due to the unexpected equipment failures. The planned spending for FY18 is \$7,696,000.

Mr. O'Rourke asked if there is a formula that the RMLD uses to arrive at a range of depreciation.

Ms. O'Brien referred to page 19, which is the Six Year Plan-Capital that the Board saw last year. There's a chart on the bottom that lines up with the columns above. It starts with capital plant service, additions, adjustments for retirements, accumulated reserve, net plant and service, maximum allowed return 8 percent, depreciation

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fund, beginning balance, and interest earned. We have all this maintenance and all these projects to do, and we could tell the DPU we're going to go to a 4 percent depreciation rate. But, our strategy is to keep it at 3 percent and instead of putting a typical \$1.5 million in the operating fund, we transfer \$2.5 million in and use that money at the end to prevent from having to go to bond. The ending balance is low, but we're doing a lot of work. FY21 is targeted to be back up \$4 million, when we'll be done with the lack of maintenance and will only be spending what we put in. This has been quite a process to completely rebuild parts of the system. The amount of equipment and long and short term planning is a huge amount of work.

Mr. O'Rourke replied that he thought we would be spending more in FY18. Are we funding the Capital Expense Budget sufficiently?

Ms. O'Brien replied that it is starting to go down. The \$5.7 million bonding for the substation is almost even with what we're putting in.

Mr. Jaffari added that he is hoping that there are no surprises and we don't have to keep spending.

Mr. O'Rourke stated that the last Capital Expense Budget was tied to the study. Is there anything recommended in the study that we didn't get to or didn't do?

Mr. Jaffari answered yes, doubling up the underground getaways out of Substation 3 and Substation 4. Booth & Associates recommended doubling up feeder cables. However, the heat index in the conduits is not going to buy us much. We've decided to go an alternate route and build a new substation. That will transfer the load so that the feeders go into normal range.

Ms. O'Brien added the answer is yes, but we're meeting the intent of the recommendations but using a more holistic approach.

Mr. O'Rourke asked when the next summary of progress on both studies would be. Ms. O'Brien reminded Mr. O'Rourke that RMLD has been providing quarterly updates.

Mr. Talbot asked for further information on Project 98 Office Renovations. Ms. O'Brien read: carpet, remodel Accounting area, replace broken office conference chairs: \$92,000.

Mr. Talbot explained he has a question specifically about the remodeling of the Accounting area and whether it is necessary. Ms. O'Brien replied that it's a privacy issue; keeping people out of Accounting is becoming a problem. There's confidential information. The design is still pending.

Mr. Talbot asked how much would a wall be? Ms. O'Brien replied maybe \$30,000; sprinklers, electrical, and HVAC will need to be moved. It's not clear yet how to meet the objective. It could cost less.

Mr. Talbot stated that he is questioning the need to build a wall in an underutilized building with empty space.

Mr. Stempeck stated that he is not sure that he agrees. You need to provide good working conditions. If employees leave due to things getting shabby, recruiting costs would far outweigh the cost of wall.

Ms. O'Brien asked Mr. Talbot to show her an area that is under-utilized. IT needs to be designed so that it's only Accounting. You need an area where people can discuss Payroll. You can't have people walking around; it must be a semi-confidential area. Ms. O'Brien asked Mr. Talbot where else in the building he would suggest.

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Mr. Talbot answered that he was just questioning the need to build more partitions.

Chairman Pacino stated that you need to keep people out of Accounting. We have to spend money to make money. If we don't spend money in Capital then we don't make the 8 percent. If you want to devastate the 8 percent, cut back on the Capital.

Mr. Talbot stated that we're here to look at these things and ask questions.

Ms. O'Brien explained that a significant amount of issues have occurred in the last one-and-a-half to two years. There are three collective bargaining units. Open space makes discussions very difficult. You need to enclose people and sensitive dialogue. Chairman Pacino added that this is a management decision, why we hired a General Manager. This is not an area a Board should decide.

Ms. O'Brien stressed the fact that she has been trying not to spend money. If employees are tripping on carpet it must be replaced. People hurting their backs on chairs that are 25 years old means that those need to be replaced. The repairs to the leaking roof are a partial bandage. We're only doing what is absolutely necessary.

Mr. O'Rourke added it's appropriate as Commissioners to question line items; that's what we're here for. The RMLD has some unique circumstances on how profitability is calculated. From his perspective, the process has served its purpose. Mr. Talbot raised a valid question and Ms. O'Brien gave a good answer.

Mr. O'Rourke then asked Mr. Jaffari and Ms. O'Brien if they are comfortable with the budgets; are there enough monies being approved to run the utility?

Ms. O'Brien answered yes, and added that she is typically not comfortable with the depreciation going under one million. Saving that for substation purchase best we can be out of woods in another year and a half where at a level we can maintain. Mr. Jaffari is doing a great job; he is getting the work done for a lot less money than it would have cost. He is prudent, efficient, conscientious, and safe.

CAB member Mr. Cohen entered the room. After some confusion, he realized he had come to the RMLD in error and left.

Vice Chairman Hennessy made a motion, seconded by Mr. Stempeck, that the RMLD Board of Commissioners approve the Fiscal Year 2018 Capital Budget dated March 31, 2017, in the amount of \$7,695,715 as presented, on the recommendation of the General Manager.

Motion Carried: 5:0:0.

Mr. O'Rourke mentioned that there is a letter from the CAB. Chairman Pacino answered yes, the CAB did recommend approving the budgets, which Mr. Volk also confirmed.

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Mr. Talbot stated he wanted it on the record that bringing on an employee with telecom expertise could help us down the road.

Mr. O'Rourke asked, if Ms. O'Brien (with support of the Board) determined that an unbudgeted position was critical to the success of RMLD's operations, would she have the discretion and wiggle room to hire an additional employee.

Ms. O'Brien stated that the engineering jobs that are currently open have descriptions that talk about fiber.

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Having a job description that talks more about marketing fiber as a separate business would require the creation of a new job description, which would need to be run through the union. A different set of books would need to be created, and possibly an LLC if RMLD was to split and go into a different direction.

Chairman Pacino announced that he wants to have another Strategic Meeting sometime in June. Ms. Schultz will coordinate a date and time with the Board.

Vice Chairman Hennessy stated that he is supportive of fiber; it is the one area where RMLD has growth.

Mr. Pacino reminded the Board that the CAB recommend Board approval of both budgets.

Vice Chairman Hennessy made a motion, seconded by Mr. Stempeck, that the RMLD Board of Commissioners approve the Fiscal Year 2018 Operating Budget dated March 31, 2017, with a Net Income of \$4,114,622 as presented, on the recommendation of the General Manager.

Motion Carried: 5:0:0.

RMLD Procurement Requests Requiring Board Approval

IFB 2017-40 Current Limiting Reactors at Substation 3

Chairman Pacino then announced that the Board has a bid from the previous evening to approve.

Mr. Jaffari presented IFB 2017-40 Current Limiting Reactors at Substation 3, explaining there is a Design flaw at Station 3. This will lower the incident energy. A request for bids was sent to 9 companies. Wesco was the lowest responsive and responsible bidder.

Mr. Talbot asked how many responsive bids were received. Mr. Jaffari answered that RMLD received two responsive bids.

Mr. Stempeck made a motion, seconded by Vice Chairman Hennessy that proposal 2017-40 for Current Limiting Reactors at Substation 3 be awarded to WESCO for \$145,440 pursuant to M.G.L. c. 164 § 56D, on the recommendation of the General Manager.

Motion Carried: 5:0:0.

Chairman Pacino stated that he would review the minutes for tonight and the previous evening. Whoever signs the Accounts Payable will serve as Board Secretary for that month.

Motion to Adjourn

At 7:09 p.m., Mr. Stempeck made a motion, seconded by Vice Chairman Hennessy, to adjourn.

Motion Carried: 5:0:0.

Executive Session:

Executive Session was posted in the event discussion relative to competitively sensitive issues relative to labor issues or real estate acquisitions arose. There was no such discussion, therefore no Executive Session was held.

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

David Hennessy, Secretary Pro Tem
RMLD Board of Commissioners