

**READING MUNICIPAL LIGHT DEPARTMENT  
BOARD OF COMMISSIONERS MEETING  
230 Ash Street  
Reading, MA 01867  
June 15, 2017  
7:30 p.m.**

**Start Time of Regular Session: 7:33 p.m.  
End Time of Regular Session: 9:06 p.m.**

**Commissioners:**

**Philip B. Pacino, Chairman  
Dave Hennessy, Vice Chairman  
Thomas O'Rourke, Commissioner**

**Dave Talbot, Commissioner  
John Stempeck, Commissioner-Absent**

**Staff:**

**Coleen O'Brien, General Manager  
Hamid Jaffari, Director of E & O  
Jane Parenteau, Director of Integrated Resources**

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

**Citizens Advisory Board:**

**Dennis Kelley, Secretary**

**Guest:**

**Mayhew Seavey, PLM Engineering**

**Public:**

**Tony D'Arezzo, Resident, 130 John Street, Reading, MA**

**Call Meeting to Order**

Chairman Pacino called the meeting to order and announced that the meeting is being videotaped at the RMLD office at 230 Ash Street, for distribution to the community television stations in Reading, North Reading, Lynnfield, and Wilmington. Chairman Pacino expressed his concern that he received a complaint from the North Reading Selectmen that North Reading Cable Access and Media (NORCAM), North Reading's public access station, hasn't been receiving DVDs of the meetings.

Ms. Parenteau explained that RMLD makes copies of the meeting DVDs and she will make sure that they are being delivered.

**Opening Remarks**

Chairman Pacino read the RMLD Board of Commissioners' Code of Conduct and welcomed Mr. Kelley from the Citizens Advisory Board. Mr. Kelley commented that the recent solar tour was interesting. Chairman Pacino announced that Mr. Stempeck is away and would not be in attendance this evening.

**Public Comment**

There were no Board Liaisons present and there was no public comment.

**Report RMLD Board Member Attendance at Citizens' Advisory Board Meeting May 24, 2017**

Chairman Pacino stated that the CAB meeting's primary focus was the rate adjustments that the Commission will examine this evening. The CAB voted to recommend that the Commission approve the new rates.

**Report of the Chair**

Chairman Pacino stated that he wanted to comment publicly that he saw a sign on Ash Street that read "Hate has no home here" and that he totally endorses and agrees with that statement.

The Wilmington solar ribbon cutting ceremony was held last Thursday and that project is now up and running. The Commission had a strategic session with discussion and many assignments for the group to come back with.

Chairman Pacino asked Mr. Kelly whether the CAB has determined who will be its members on the Committee on Payment to the Town of Reading stands. Mr. Kelley replied that he will check with Mr. Hooper.

**General Manager's Report - Ms. O'Brien**

Ms. O'Brien announced that RMLD Customer Service will be closed on Monday, July 3<sup>rd</sup> and Tuesday, July 4<sup>th</sup>.

RMLD held a ribbon cutting ceremony at the community solar project at 326 Ballardvale on Thursday. It was a great event. There is another ribbon cutting coming up for the peak generator, but that date remains to be determined. In terms of community engagement, an informational table on Shred the Peak will be set up at the Reading Lions Club Friends and Family Day on June 17<sup>th</sup>, and at the Wilmington farmers' market on June 25<sup>th</sup>. Info sessions will be held at local senior centers on various days in June. Ms. O'Brien will be meeting with the North Reading Board of Selectmen on Monday, June 19<sup>th</sup>.

Mr. O'Rourke asked that event dates now be included in the Commission packets.

**Quarterly Updates: Organizational & Reliability Reports – Ms. O'Brien and Mr. Jaffari (Attachment 1)**

Ms. O'Brien explained that she would be talking about the Organizational highlights. A report will be issued in the first quarter of next year on the progress of the Strategic Plan. The Six-year plan was updated as part of the budget, and is ongoing every year. The electric system master plan has essentially been completed by Mr. Jaffari and his group. There will be a final report and presentation in September to show where we are with grid modernization and the entire technological road map. The workforce development plan is wrapping up—that means career development plans and rewritten job descriptions for all employees. We're in the final stages and it has been quite an undertaking. A part of that is succession planning. As we've been redoing the job descriptions we've been anticipating employees who may be retiring in 5-years and making sure that skill sets have been broadened, so other employees in those groups have opportunities to move ahead.

RMLD now has a new review process that was just finalized. All managers are sitting down with their employees and giving out goals. The process starts July 1, fiscal year 2018. Organizational culture and employee satisfaction will be assessed; we will get a lot of input once the review process begins. A year from now, everyone will be reviewed in the management union. The labor union doesn't have a formal review process. There is an increase in efforts to fill vacant positions. Engineering will now be composed of five system engineer positions. All five engineers will be cross trained and capable of running the system.

Mr. O'Rourke suggested an employee survey. Ms. O'Brien stated that RMLD has a survey that is part of what Leidos said to do; now that the reorganization is nearing completion, feedback can be solicited.

Ms. O'Brien continued: cross-divisional management training is occurring, as is leadership training. Project management training will be held onsite at RMLD. Policies are ongoing. A risk management plan, as far as power supply, is an ongoing process. Changes in financial business processes are moving along. Assigning a compliance manager has not been done yet—figuring out the best way to address that. Asset management plan putting in SpryPoint—an automated quasi-work order stock timesheet system, that will serve as an interim while work order systems are reviewed. There has never been a true work order system here. There's now a pilot program in place for the interim program. The current work place is being enhanced; once the office is painted and reorganized, Ms. O'Brien proposed a tour for the Commissioners in September.

Vice Chairman Hennessy asked if the leadership development for the management team has already started.

Ms. O'Brien replied that there are a couple of levels of leadership. For middle management, project management, supervisory skills, and conflict resolution have been put onto everyone's career development plans. Middle management knows what they must take. Leadership in unions will also be required to take courses. Training plans for direct reporting managers are being developed.

Mr. Kelley asked, without a work order system, how have you been tracking labor and cost?

Ms. O'Brien replied, by using a paper stock sheet system. We will implement a full Work Order system. It is being evaluated.

**Quarterly Updates: Organizational & Reliability Reports – Ms. O'Brien and Mr. Jaffari (Attachment 1**

Mr. Kelley asked how were you doing inventory management then?

Ms. O'Brien answered that everything was being done manually. The stock sheet has now become automated, and it has also become integrated. It's on tablets and is being piloted with the troubleshooters and the Control Room. Once that pilot is done it will be rolled out to everyone else and we'll get rid of the paper stock sheets.

Mr. Jaffari stated that RMLD is making good progress on the Booth reliability recommendations. Mr. Jaffari stated that he is glad to announce that the bus work at Station 5 is completed. That substation is old and is nearing the end of its useful life so we're looking for land in the Wilmington area to build a new substation. However, that will take 3 to 5 years to be completed. In the interim, RMLD has made upgrades and rejuvenated the switchgear and reinsulated the bus in the existing station. While doing so, asbestos was discovered, which has prolonged the project. The switchgear's life has been extended for another 5 to 10 years.

GIS data collection is completed and the contractor's work is being checked. This is anticipated to be completed by September 1 and then the data will be put into the engineering model so analysis can be done with more accuracy. SCADA work is underway. This week, consultants are upgrading SCADA and programming substation 3 and substation 4 to send telemetry data and connect to Eversource and National Grid so RMLD can join the overall 115 kv network.

All critical substation items that were identified by UPG, the contractor that was brought in to test substations, have been addressed and completed.

Mr. Kelley asked if a recent Wilmington outage was due upgrades to Substation 5.

Ms. O'Brien replied it was not. The drawing setting didn't match the relay setting. It wasn't a new setting. It wasn't part of an upgrade. It was a mistake on how it had been labeled originally. Recent directed testing was performed to catch it.

**Proposed Rate Adjustments (Attachment 3)**

RATE	TARIFF No.
Residential Schedule A	MDPU #269
Residential Time-of-Use Schedule A2	MDPU #270
Commercial Schedule C	MDPU #271
Industrial Time-of-Use Schedule I	MDPU #272
School Schedule SCH	MDPU #273
Residential Schedule RW	MDPU #274
Backup and Standby Rate	MDPU #275
Purchase Power, Capacity, and Transmission Charge	MDPU #276

RATE	TARIFF No.
Electric Vehicle (EV) Charging Rate	MDPU #277

Mr. Seavey from Powerline Models (PLM) introduced himself, and explained that he is here to make final recommendations for fiscal year 18 rates.

Mr. Seavey stated that the objectives that RMLD set out to accomplish with the rate design included adjusting subsidies between and within classes of customers, ensuring that rates for large and high-load customers continue to attract and retain such customers, and ensuring that the rates reflect cost of providing service. RMLD wants to provide price signals to encourage customers to reduce demand during peak periods. Additionally, RMLD wants to protect distribution revenues from erosion due to customer-owned generation such as solar and battery storage. The phase-in for some of these changes will occur over time to give customers time to adjust.

### **Proposed Rate Adjustments (Attachment 3)**

Instead of across-the-board increases, the new rates are meant to adjust for subsidies and move towards more uniform rates of return. The residential rate of return should increase up to zero over the next 5-year period; right now, it's significantly negative. The commercial rate of return should be reduced from high double digits down to low double digits. The industrial rate of return will remain where it is; it's low and appropriate for customers of that size.

If the increase was flat across the board to cover expenses and produce the targeted 8 percent rate of return, residential customers would have had a 5.5 percent increase; commercial would have had a 5.7 percent increase. Instead, the first year of the 5-year phase-in is a residential increase of 6.6 percent. Commercial customers will have a 3.5 percent increase this year. There will be similar changes each year. However, each year the rates will be revisited. The rate percentage changes over 5 years are based on projections that we have today regarding increases in RMLD's operating and maintenance costs and increases in capacity, transmission, and purchase energy costs.

Mr. Seavey explained the changes to commercial and industrial rates. While industrial and commercial customers will see an increase, the next few years should show a decrease as capacity costs change. Rates will be more uniform and fair, but still quite competitive and attractive, particularly for the commercial and large customers. Another recommendation that aims to get price signals correct is to phase in a purchase power capacity transmission (PPCT) demand charge. In the past, all those costs have been recovered through an energy charge. That tends to result in a subsidization of poor load factor customers by high load factor customers. By charging the correct price signal for demand, we remedy that situation and provide rate relief to customers who use their demand a lot. Only one customer in the first year is going to see an increase of more than ten percent. With the decreases in the following years no demand customers will see an increase, even with the phase ins of the demand. This is as painless a way of doing a significant shift of revenue, from energy to demand charges, as you can accomplish.

The renewable generation rate has a subsidization, but it is relatively small. It is \$15 or \$20 thousand a year for the existing 80 customers. It is more reasonable to cap the total amount of the subsidy rather than putting a cap on the amount of solar that can be installed. The cap is significant: \$100,000, but only represents a cost to customers of 11 cents a month. It will not penalize customers who have already made an investment in facilities.

Immediately recommending back up and stand by rate to protect against customers installing larger amounts of generation, particularly non-renewable generation like back up and stand by generators or co-generation systems.

Ms. O'Brien clarified that the charge is to protect RMLD and its customers and that she wants customers to understand what that means. It's to protect everyone because we still pay distribution charges, we still have to keep the system up and running. RMLD is not trying to penalize people for putting in solar. We must recover our production charges and we still have to maintain the electric system.

Mr. Seavey stated that everyone who uses the distribution system supports it appropriately. When a customer installs generation behind their meter they're continuing to use the distribution system just as much. The idea is to continue to recover revenues to maintain, own, if you don't, rates will rise for everyone. That, or you don't earn enough money to cover your expenses and you don't maintain the system.

Mr. Talbot asked if a customer would still be able to disconnect from RMLD. Ms. O'Brien answered yes, although it's risky and it's their responsibility. Mr. Talbot asked for the amount of the standby rate, and clarified that this is just a recommendation at this point. Mr. Seavey corrected him and explained that the rate is being filed. The charge is the present distribution rate times the amount of capacity the customer wants you to back up. They'll still avoid purchase power, capacity, and fuel charges.

**Proposed Rate Adjustments (Attachment 3)**

Mr. Talbot asked who would this rate effect right now? Mr. Seavey answered: nobody, but it should be on the books. Mr. Talbot then asked how many municipals have a back-up and stand by rate now? Mr. Seavey replied, about half.

Ms. O'Brien explained that there is a strategy behind this rate; when she arrived at RMLD the first thing she did was unbundle the rates, because she knew this was coming. If large customers are producing all this power, we still must pay for the distribution system.

Mr. Seavey stated that the residential time of use rate, proposed changes will not work with RMLD's billing system. Presently the time of use is in the distribution rate and there is no time varying component in the distribution charge. It should be in the purchase, capacity, and transmission charge where you have the on and off peak component. This should be addressed at some point in future. For now, equal factors were added to on and off peak across the board.

Mr. Talbot asked if that meant those customers won't have as high an increase. Mr. Seavey explained there is still a high increase because the current rate is too low.

Mr. Seavey continued, stating In 2014 an electric vehicle rate was piloted for the three charging stations at Analog. Took a look at how that has been working and how the cost has changed. There is not enough usage data to be conclusive as to whether the existing rate is adequate. He is proposing a rate that is roughly equivalent to the pilot rate but that the use of the charging stations is monitored.

There was discussion as to where the best location to place a charging station in Reading would be. Ms. O'Brien explained that there will be two at RMLD; one is from the grant and we're getting an electric vehicle. Ms. O'Brien explained RMLD is trying to encourage its employees to purchase electric vehicles. Mr. Talbot expressed his reservations that any resident would want to charge their vehicle at RMLD.

Ms. O'Brien mentioned that RMLD could get into the business of installing electric vehicle charging stations at people's homes. Braintree has an electric vehicle leasing program. They're really engaging the community to bring in electric vehicles and putting in charging stations. But, we're not going to build them and see if customers come. They need to come and we'll build them.

Mr. Talbot asked what will happen when people are charging during peak times. Ms. Parenteau explained that the charging stations can be programmed to either shut off or reduce the amount of electricity being used.

Chairman Pacino stated that he has a procedural question. Why did the Electric Vehicle rate not go before the CAB before being presented to the Board?

Ms. Parenteau explained that it was an oversight. Rates are scheduled to be effective on July 1, contingent on being approved at the June 21<sup>st</sup> CAB meeting.

Mr. O'Rourke asked Mr. Kelley if he had any guidance from a CAB member's perspective. Mr. Kelley replied that this was his first time seeing the rate; Mr. Talbot has been helpful in giving insight. However, he needs more detail to understand make an educated decision and thinks the rest of group will have questions.

Mr. Talbot asked if the Commission can defer this rate tonight. There are no electrical vehicle stations up yet.

Mr. O'Rourke asked if pulling this piece out of the proposed rates will impact operations. Ms. Parenteau answered no.

Mr. Talbot stated, as a time of use customer, he pays 6 or 7 cents to charge his car overnight at his house. He

**Proposed Rate Adjustments (Attachment 3)**

would never use the electric vehicle rate at his job and pay 11 cents. Mr. Talbot asked how ChargePoint works.

A discussion about how ChargePoint operates and makes its revenue ensued, with Ms. Parenteau explaining that they get ten percent of sale for processing the credit card payment.

Mr. Talbot added, and we get to use their name and be on their app.

Mr. O'Rourke made a motion, seconded by Vice Chairman Hennessy, that the RMLD Board of Commissioners approve the rates MDPU numbers #269, 270, 271, 272, 273, 274, 275, and 276, effective July 1, 2017 on the recommendation of the General Manager.

**Motion Carried: 4:0:0.**

Chairman Pacino stated that the Commission agreed to hold off on voting on the electric vehicle rate motion, and will defer that to a future meeting.

Mr. Kelley asked if Mr. Talbot could make it to the next CAB Meeting; he cannot. Chairman Pacino will attend.

**Power Supply Report – March and April 2017- Ms. Parenteau (Attachment 2)**

Ms. Parenteau stated that she will be reporting on the April and May Purchase Power, starting with kWh sales in the first quarter of 2016 versus 2017. In 2017, 216 million kWh were sold, compared to 210 million kWh in 2016. Sales were up about 2.88 percent in 2017. However, when you look at the full fiscal year, it's considerably flat. It's 0.6 percent higher in 2017 than 2016, and that includes May and June estimated.

The total revenue received in the first quarter from Purchase Power, Capacity, and Transmission (PPCT) totaled about \$500,000 less in 2017 than 2016. There are two contributing factors related to this-in 2016 sales were down about 2.6 percent, so we had to recover more dollars over less kWh. In 2017 we're up about 1 percent. Additionally, in 2016 our revenue in the beginning of the year was less than our expenses. Over the year, we try to recover the full Purchase Power and Capacity costs. It was necessary to increase PPCT in the 3rd quarter because of that situation. In 2017, revenues were exceeding expenses so that allowed us to decrease PPCT in the third quarter. Overall, capacity and transmission expenses from 2016 to 2017 increased 5.6 percent or \$1.7 million dollars.

Now that our portfolio contains quite a bit of hydro projects, thought it would be interesting to look at precipitation and how that relates to the hydro projects. January and April of 2017 had considerably higher precipitation than in 2016; overall, for the quarter, the average was 3.5 inches compared to 2.6 inches. In 2017, productions were up in January and April for the hydros that we have purchase power agreements with.

Natural gas is the commodity that really dictates the spot market. However, the more hydro that we have, the less we have to buy on the spot market. These projects have been very beneficial to us within our portfolio.

**Financial Report - April 2017 - Ms. Markiewicz (Attachment 4)**

Ms. Markiewicz said that she would be reporting on the April 2017 financials, beginning with accounts receivable. RMLD is 82 percent current, 15 percent overdue by 30-90 days, and only 3 percent over 90 days is outstanding.

In FY 16, 89 percent was current, 9 percent was overdue by 30-90 days, and 2 percent was over 90 days. We've improved greatly since FY 15, where we had 75 percent current, 20 percent overdue by 30-90 days, and 5 percent over 90 days past due. Moratorium ended in April with two big collection pushes, which we should see the effects of in May or June.

Vice Chairman Hennessy asked if the percentages were for all customers. Ms. Markiewicz replied in the affirmative; this is for commercial, residential, and industrial.

#### **Financial Report - April 2017 - Ms. Markiewicz (Attachment 4)**

Vice Chairman Hennessy asked whether it was residential or commercial customers who typically owe more. Ms. Parenteau explained that RMLD can shut off commercials for non-payment. Residential customers have a moratorium protecting them from shut off from November to April, so it's usually residential who owe more.

Ms. Markiewicz continued, stating that the base revenue as compared to our operating expenses in fiscal year 2017 year-to-date \$21,660,000 in base revenue, compared to fiscal year 2016 of \$19,702,000, which is about a 10 percent increase. The 2017 budget was \$21,250,000, so we're slightly above budget; about 1.6 percent. The base revenue compared to our operating expenses is on target, with a 10 percent increase as well. Fiscal year 2017 year-to-date is right on target: \$17,538,000; FY 2016 was \$15,915,000. When you compare that to the budget, we're about 1.4 percent less than anticipated at \$17,837,000. Overall, we're right on target budget-wise.

Purchase Power, Transmission, and Capacity revenue is \$28.2 million, as compared to the expense of \$26.8 million. Fuel revenue was \$27.7 million, with a fuel expense of 27.4. The \$1.7 million excess in revenue will bring our true net income to \$4 million, as compared to last year's 3.6 million. The overall budget is looking at an 18 percent increase. It's important to remember that there are lots of adjustments on the books at year end. Auditors were in-house yesterday doing preliminary testing. They were supposed to be here again today, but didn't feel that it was necessary.

#### **Engineering and Operations Report – March and April 2017 - Mr. Jaffari (Attachment 5)**

Mr. Jaffari stated he would be reporting on March and April 2017. Routine construction year to date spending is \$1,606,613. For fiscal year 2017 \$9.5 million has been budgeted for capital projects. To date, \$5.8 million of the budgeted amount has been spent and a balance of \$3.7 million remains. We're going to catch up in June; there's a large payment being made on the DG project and that will bring expenditures to \$9.5 million.

Routine maintenance is on target. Good progress is being made, especially on pole inspections, transformer replacements, and substation maintenance. There were no hot spots either month. Double poles are a work in progress.

The reliability indices, SAIDI CAIDI and SAIFI, are measures that show the health and wellbeing of the system. Our reliability is good. RMLD is well below the national and regional averages for outages. Bench markers are set by APPA. We're doing very well. The main outage causes from 2012 to 2017 were equipment, trees, and wildlife. 2017 year-to-date, April had a couple of storms that brought trees down. Unfortunately, there's nothing that can be done about pine trees that come down and cause extensive damage to the lines. Equipment outages are shrinking. We're heading in the right direction.

#### **General Discussion**

The next RMLD Board of Commissioners Meeting will be on Thursday, July 20, 2017. The next CAB meeting is Wednesday, June 21, 2017. Chairman Pacino will attend.

Chairman Pacino stated that since he is signing the AP Warrants for this month he is also Secretary. He expressed his concern that a lot of minutes need to be approved. Ms. Schultz agreed, and stated they were on the agenda for the next meeting.

#### **Executive Session**

At 9:06 pm, Mr. O'Rourke made a motion, seconded by Vice Chairman Hennessy that the Commission go into Executive Session to conduct business in relation to other entities making, selling or distributing electric power, to consider the purchase of real property, and to discuss strategy with respect to collective bargaining and return to Regular Session for the sole purpose of adjournment.

#### **Chairman Pacino called for a Poll of the Vote:**

Vice Chairman Hennessy: Aye; Chairman Pacino: Aye; Mr. O'Rourke: Aye; Mr. Talbot: Aye.

**Motion Carried: 4:0:0**


**Adjournment**

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

**Chairman Pacino called for a Poll of the Vote:**

Vice Chairman Hennessy: Aye; Chairman Pacino: Aye; Mr. O'Rourke: Aye; Mr. Talbot: Aye.

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