Reading Municipal Light Department (RMLD) Board of Commissioners
Sub-Committee on the Payment to the Town of Reading
Monday, March 12, 2018
Winfred Spurr AV Conference Room

Start Time of Regular Session: 5:35 p.m.
End Time of Regular Session: 6:00 p.m.

Committee Members:
Philip B. Pacino, Chair
RMLD Board of Commissioners
John Stempeck, Commissioner
RMLD Board of Commissioners
Dan Ensminger, Secretary
Town of Reading Board of Selectmen

George Hooper, Chair
Citizens' Advisory Board
Neil Cohen, Member
Citizens' Advisory Board

Staff:
Coleen O'Brien, General Manager

Tracy Schultz, Executive Assistant

Reading Board of Selectmen:
John Arena, Chairman
Barry Berman, Vice Chair

Finance Committee:
Vanessa Alvarado, Member

Board of Commissioners:
David Hennessy, Vice Chair
Tom O'Rourke, Commissioner
Dave Talbot, Commissioner

Public:
Chris Pollart, KP Law, PC

Call Meeting to Order
Chair Pacino called the meeting to order and explained that discussion would be limited to members of the Sub-Committee, with Ms. O'Brien, Ms. Markiewicz, and Attorney Pollart providing technical information as needed.

Review of Prior Discussions
Chair Pacino held up a chart showing RMLD's quick response to the storm-related outages on March 8, 2018. 2,000 customers were out, and the Department's response should be complimented. Chair Pacino then stated that a White Paper has been shared with the Board of Selectmen, and since the last Sub-Committee meeting there has been a Board Meeting.

Return to Town of Reading Discussion
Ms. O'Brien began the presentation with a review of the laws that govern the RMLD. In 1990, special legislation authorized RMLD to move payments to all four towns, from below the line to above the line, at two percent of net plant. RMLD is the only municipal that has special legislation that makes these payments an expense obligation as a cost of production above the line. The same legislation did not preclude below the line voluntary PILOTs from being made from unappropriated earned surplus. However, the Department of Public Utilities and the Massachusetts Supreme Judicial Court have both stated that municipal light plants are not tax-collecting devices and therefore have no legal obligations to make payments in lieu of taxes (PILOT).

Ms. O'Brien then highlighted the benefits of the Twenty-Year Agreement. Economies of scale through bulk power purchase load shaping through the blending of customer classes across the service territory for cost savings.

Ms. O'Brien then stated RMLD is a financially secure and conservative organization. As a utility, RMLD should have operating cash for two to three months of operating expenses. Ms. O'Brien explained that sales are projected to decline at the rate of one percent a year and the service territory is considered at this time, with only small pockets of potential economic growth.

Return to Town of Reading Discussion
Ms. O'Brien continued, explaining that in 2013 RMLD assessed its system and found significant deficiencies in maintenance and infrastructure. A GIS data collection subsequently unveiled more issues. A preliminary study by an economist indicates that RMLD should utilize an $8 million capital investment per year plan.

Ms. O'Brien presented a list of municipal utilities. RMLD pays 539 percent higher than the average for just below the line voluntary Pilot for Reading, and more than 856 percent higher than the average when you combine the below the line with the above the line payments as a total PILOT.

Voluntary below the line PILOT payments are increasing and represent more than 39 percent of operating income. When combined with the above the line, it adds up to 60.6 percent of operating income. The convergence of the below the line payment with the current track for reduction in revenue is an issue which the RMLD must act, study, and strategize going forward.

Chair Pacino then presented RMLD's proposal, which was to advance the Town of Reading up to one year of a below the line PILOT payment at low interest for five years This would be subject to discussion, analysis, written contract terms and a payment schedule. RMLD would offer three years of a flat payment with a two-and-a-half percent increase per year, or CPI, whichever is greater. This would have a ceiling of five percent and would commence in FY18. RMLD would offer three years of an additional 0.5 percent below the line payment to all four towns based on the above the line two percent net plant, commencing in FY18. A formal study will be performed in CY19 addressing the voluntary PILOT payments to the Town of Reading as an integral part of a comprehensive study that evaluates the long-term revenue, financial plan, and projections of the RMLD.

Chair Pacino opened the floor for Sub-Committee discussion.

Mr. Stempeck stated that it comes to $100,000 a year for the three years, for each Town. During this time, RMLD can study the payments. There has been no economic development to offset the effects of energy conservation on the bottom line. RMLD's costs are fixed. RMLD has an economy of scope when purchasing power for four towns.

Mr. Hooper stated that he has concerns about capital. RMLD's reliability is important. There is potential new growth in Wilmington that is aided by lower rates. Mr. Hooper stated that he is not looking forward to any increases or anything that would jeopardize the sustainability of the RMLD.

Mr. Ensminger stated that a formal vote on the proposal by the Board of Commissioners would be helpful because then it becomes an official offer from RMLD.

Chair Pacino stated any vote that the Commission takes will be subject to approval of the offer by the CAB, under the terms of the Twenty-Year Agreement.

Mr. Ensminger made a motion, seconded by Mr. Stempeck, to approve the Sub-Committee minutes of September 17, 2017, with two corrections.

Motion Carried:
5:0:0

The next meeting date was discussed. Wednesday, March 21, 2018 was decided on.

Adjournment
Mr. Hooper made a motion, seconded by Mr. Cohen, to adjourn.
Motion Carried:
5:0:0

A true copy of the Sub-Committee on the Payment to the Town of Reading Minutes as approved by a majority of the Sub-Committee.

Philip B. Pacino, Secretary Pro Tem
Sub-Committee on the Payment to the Town of Reading