Town of Reading Meeting Minutes



Board - Committee - Commission - Council:

RMLD Board of Commissioners

Date: 2022-12-15	Time: 6:30 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:

Marlena Bita, Chair; Philip Pacino, Vice Chair; John Stempeck, Commissioner; David Talbot, Commissioner; Robert Coulter, Commissioner

Members - Not Present:

Others Present:

Citizens' Advisory Board Represetative: Dennis Kelley (Wilmington).

RMLD Staff: Gregory Phipps, General Manager; Erica Morse, Executive Assistant; John Pelletier, Director of Information Technology; Hamid Jaffari, Director of Engineering & Operations.

RMLD Liasons: Joseph Carnahan (Finance Committee)

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

Topics of Discussion:

Call Meeting to Order

Chair Bita called the RMLD Board of Commissioner's (BoC) meeting to order at 6:30 PM and announced that the meeting would be held in person, remotely on Zoom, and will be streamed live on RCTV and YouTube.

Opening Remarks and Introductions

Chair Bita read the RMLD BoC Code of Conduct and asked all remote attendees to identify themselves. Vice Chair Pacino served as Secretary at the meeting.

Public Comment

<u>Citizens' Advisory Board (CAB)</u> There was no comment from the CAB.

<u>Liaisons to RMLD Board</u> There was no comment from the RMLD liaisons.

Public Comment

There was no comment from the public at this meeting.

Approval of Meeting Minutes

The June 23, 2022, regular session meeting minutes were approved as presented.

Vice Chair Pacino, made a **motion**, seconded by Commissioner Stempeck, that the RMLD Board of Commissioners approve the minutes of the June 23, 2022, meeting on the

recommendation of the General Manager and the Board Secretary. **Motion Carried: 5:0:0** (5 in Favor) Roll Call: Chair Bita, Aye; Vice Chair Pacino, Aye; Commissioner Stempeck, Aye; Commissioner Talbot, Aye; Commissioner Coulter, Aye.

Report on the Citizens' Advisory Board Meeting

Chair Bita reported on the December 8th, 2022, CAB meeting, noting that the 2023 rates were approved.

Integrated Resources Division Report

Gregory Phipps, General Manager, presented the Integrated Resources report to the BoC.

Strategic Direction Highlight & Maple Meadow - RMLD Solar PV Interest

- Mr. Phipps discussed RMLD's strategic direction highlights, as outlined on slide 3.
- Mr. Phipps stated that RMLD is pursuing within-territory generation and cited the example of the potential solar array at the Maple Meadows site.
- Mr. Phipps provided a broader context, mentioning that RMLD anticipates a load increase due to several upcoming projects in the Upton Drive Ballardvale area (10 MW increase by 2025) and Fordham Road, with an additional 10-30 MW expected over the next 3-4 years, primarily in Wilmington.
- Mr. Phipps clarified that RMLD's average load is about 100 MW, peak load is approximately 165 MW, and base load is around 52-53 MW.
- Mr. Phipps touched on the acceleration of EV fleets, with a potential additional load of 20-30 MW from Amazon, FedEx, and DHL distribution facilities.
- Mr. Phipps reported that RMLD is increasing substation capacity to accommodate load growth.
- Mr. Phipps emphasized RMLD's focus on maintaining the distribution network's ability to handle the load and actively pursuing within-territory generation.
- Mr. Phipps mentioned that the current solar PV in the territory is around 8-9 MW, which could reach 30 MW by 2028-2029 with aggressive commercial and residential solar adoption.
- Mr. Phipps reiterated that Maple Meadows, a former landfill, is being considered for a potential 10-megawatt solar array. The total estimated project cost is \$25 million, with a net cost of less than \$50 per megawatt hour. Maple Meadows is not included in the budget.
- Mr. Phipps noted that RMLD is actively seeking grants and investment tax credits for funding upgrades; the first grant application for Investment Tax Credit has been submitted, with another due in early January.
- Vice Chair Pacino inquired about bonding, to which Mr. Phipps replied that RMLD is exploring a 20-year bonding period to finance the Maple Meadows project.
- Commissioner Coulter asked about leasing Maple Meadows, and Mr. Phipps responded that RMLD had investigated land leasing but is pursuing ownership to minimize liability.

2023 Regional Winter Resiliency

• Mr. Phipps mentioned that RMLD is monitoring winter resiliency and reliability, with a plan for potential rolling blackouts if necessary. The winter forecast appears mild, but RMLD will remain vigilant and provide updates as needed.

2023 Rates

Mr. Phipps presented the 2023 rates to the BoC.

Goals and Objectives

- Mr. Phipps explained that the primary goal for RMLD's rates is to cover service costs (power supply, transmission / capacity energy, certificates). In terms of goals and objectives, the rate discussion remains similar to last year. All RMLD's actions must comply with the Department of Public Utilities.
- Mr. Phipps noted that the rate study has been updated with new assumptions based on power supply and the budget passed at the November 9th meeting.

Desired Outcomes

- Mr. Phipps discussed further details on the desired outcomes of the rate study and highlighted the success of the air source heat pump program.
- Mr. Phipps added that RMLD aims to increase the number of heat pump installations to 500-600 over the next several years, as the program fulfills climate initiatives and is beneficial for both individual ratepayers and the system. The installation of air source heat pumps adds load in the winter when the load profile is lower, which is beneficial in increasing kilowatt hour sales over a fixed base.

2023 Context Volatile Wholesale Market

- Mr. Phipps shared that RMLD's customer service team receives calls from people outside of the service territory asking if they can be part of RMLD's network, due to favorable rates.
- Mr. Phipps stated that monthly customer bills are driven by RMLD's wholesale power supply portfolio and a different set of regulations that the Municipal Light Plants (MLPs) adhere to, as compared to the Investor-Owned Utilities (IOUs).
- Mr. Phipps emphasized that MLPs such as RMLD, have the ability to execute longterm contracts, which is not the case with IOUs. RMLD's portfolio is 86% hedged in 2023, which means that RMLD has contracts in place for 86% of its forecasted kilowatt hour sales.
- Mr. Phipps noted that RMLD's mix is increasingly becoming more non-carbon.
- Mr. Phipps highlighted that in 2023, the estimated energy price is \$41 per megawatt hour, which is about 6% higher than the 2022 actuals.
- Mr. Phipps explained that the 2023 budget was deliberately conservative in terms of the number of kilowatt hour sales, with a 3.2% drop from the previous estimate, to cover operating costs.
- Mr. Phipps emphasized that the proposed 14% increase in rates would take effect March 2023 to minimize bill shock during the higher usage months of January and February.

- Commissioner Stempeck suggested bringing in other MLPs into the system or joint work. Mr. Phipps mentioned that RMLD is unique in being physically connected to other areas in the North, and he plans to meet with one of the local municipals to explore collaboration opportunities.
- Commissioner Coulter expressed concern about the 14% increase and the possibility of it reaching 25% or higher due to pass-through costs and suggested reducing it to under double digits if possible. Commissioner Coulter also requested more details on the impact of the rate stabilization fund.
- Mr. Phipps explained that the operating costs and power supply costs are 16% and 12% higher, respectively, in the 2023 budget compared to the 2022 budget, but the actual bills to customers will depend on various factors, including actual usage.

Summary of Monthly Bill Changes & Other Monthly Residential Bills

- Mr. Phipps emphasized that the two key variables are monthly usage and wholesale price on the open position (14% not hedged). Customer load is forecasted to increase only 1%.
- Mr. Phipps explained the seasonality associated with customer bills, which causes variability in customer bills from month to month. Summer usage is higher than winter due to AC use in the summer, as an example.
- Mr. Phipps said that in comparing RMLD's potential rate increase to what other MLPs are proposing, RMLD fell somewhere between 12% and 15% of what other MLPs are looking at, based on average load.
- Mr. Phipps referenced the electric cost comparison, noting that National Grid is implementing a 60% increase with average customer bills estimated to be \$396, whereas RMLD's proposed increase is 14% with average customer bills estimated to be \$158.
- Mr. Phipps noted that each primary rate class has a slightly different number increase to ensure consistency with the rate study. Mr. Phipps cited the example of the Industrial Time Of Use being slightly higher (16%) because the load growth and work going into building the network is primarily in the industrial setting.
- Mr. Phipps reiterated that the numbers in the summary of monthly bills are actual costs, based on forecasting. Vice Chair Pacino clarified that the pass throughs will not be on top of the proposed bill changes, which are RMLD best estimates on pass-throughs. There are no other costs that rate payers could be subject to.
- Mr. Phipps mentioned that the current forecast for the 2023 energy cost is around \$70 million, which is \$4 million less than the budgeted \$74 million. This means that the customer bill will be around 12% instead of 14.3%, assuming the wholesale market stays the same.
- Vice Chair Pacino asked if there will be a conservation program for customers to reduce energy usage in light of the potential costs. Mr. Phipps confirmed that RMLD has drafted a release with suggestions for customers to reduce energy usage and is working on additional communication efforts. RMLD will also discuss energy audits and ways to conserve at the next webinar.

- Mr. Phipps emphasized that the focus is to help customers save as much as possible while still covering the cost for infrastructure and supporting load growth.
- Chair Bita asked about Jason Small's (CAB) comment to change the rate of depreciation. Mr. Phipps explained that the depreciation schedule was a good suggestion, but it is not a source of cash and will not help pay for the capital budget for 2023, unless rates are increased higher than proposed which an accelerated depreciation schedule can allow while staying below the 8% of net plant guide from the MA DPU. The options discussed for covering the increased cost of running RMLD were through rates, changing the depreciation schedule, incurring debt or raising bonds.
- Mr. Phipps clarified that bonds cannot be taken out for operating expenses and the depreciation schedule is not a replacement for increasing rates, since it doesn't generate cash, instead, higher depreciation rates allow for higher rates.
- Mr. Phipps stated that rates are still the proper way to fund the projects in place now, and larger projects like Maple Meadow will be separate and may potentially be bonded
- Commissioner Stempeck expressed concern about the optics of a 14% rate increase despite the reported inflation being around 7-9%. Commissioner Stempeck asked a follow up question relative to the rate stabilization fund.
- Mr. Phipps explained that the rate stabilization fund was established in 2003 to reduce customer rate shock and handle unusual events like non-firm energy supply disruptions. The balance of the rate stabilization fund is currently around \$6.9 million, and it is not a fund that is regularly funded or depleted.
- Commissioner Talbot cited a nuclear plant shutdown as an example of an unusual event that the fund could be used for. Mr. Phipps responded that while a plant shutdown is a good example, our nuclear contracts are exceptions since the provider is required to replace the power at the same price.
- Mr. Phipps said that increasing costs to fund electrification and the transition from relatively inexpensive fossil fuels is driving the rate increase. Renewables and non-carbon sources are inherently more expensive.
- Mr. Phipps stated that taking money out of the rate stabilization fund is an option, but it will need to be replenished at some point. The decision today will not only impact 2023, but future years as well. Taking \$1.5 million out of the rate stabilization fund would bring the rate increase to around 12%.
- Mr. Phipps explained that the wholesale market is lower now, and actual customer bills for next year could be in the low double digits (11-12%) without the use of rate stabilization funds.
- Commissioner Coulter suggested taking \$2 million out of the rate stabilization fund to bring the rate increase to 10% instead of 14%.
- Commissioner Coulter emphasized the risks involved in assuming current market prices and his personal goal of keeping the rate increase under double digits.

- Mr. Phipps encouraged the Commissioners to decide based on the assumption that wholesale prices remain at their current level and that RMLD will revisit the rates again when doing the next year's budget. Moving forward, RMLD will review the rates annually.
- Commissioner Stempeck said he supports the use of the rate stabilization fund to help customers through the current period of inflation. He also questions why the \$6.9 million balance is not invested in treasury bonds with a higher yield.
- Mr. Phipps explained that the finance team, with the help of the town, is exploring ways to manage the different pools of money and potentially invest the cash to earn more money for customers.
- Commissioner Talbot suggested exploring different rate design strategies that charge more during peak hours and less during off-peak hours.
- Mr. Phipps noted that there was a previous discussion around employing an A3 rate with significantly higher charges during peak hours, but implementation issues arose.
- Commissioner Talbot emphasized the importance of reflecting the actual costs in the rates and inhibiting demand during high-cost times to reduce the need for new infrastructure. Mr. Phipps reiterated that load growth would still happen.
- Mr. Phipps mentioned the possibility of having two residential time of use rates with different pricing and agreed that exploring different rate design strategies is important.
- Vice Chair Pacino shared that he agrees with Commissioners Talbot and Stempeck and suggested using 1.5 million from the rate stabilization fund to deal with current financial needs.
- Commissioner Talbot asked how the rate stabilization fund is replenished. Mr. Phipps responded that the fund can only be replenished through specific transactions and provided examples of past transactions. Mr. Phipps mentioned the possibility of including the replenishment of the fund in future rates.
- Commissioner Coulter suggested using within-territory generation to fund the rate stabilization fund.
- Mr. Kelley suggested leaving the money in a fund with higher interest rates to grow on its own.
- The BoC discussed if a motion was needed for the GM to go back to the CAB with a revised rate proposal. It was decided that no motion was needed.
- It was decided that Mr. Phipps would re-run the analysis with alternative scenarios using the rate stabilization fund and report back at the next meeting. Mr. Phipps reaffirmed that the recommendation would continue to work off the approved power supply budget.
- Commissioner Stempeck requested that Mr. Phipps run a scenario backwards to see what would need to be taken out to get to a 9% increase.

- Vice Chair Pacino expressed that he is not comfortable taking out more than \$1.5 M from the rate stabilization fund.
- Commissioner Talbot requested that Mr. Phipps run an analysis that only increases the peak part of the time of use in terms of how it may impact demand, costs, and revenues.
- The BoC discussed holding the next rate meeting as a joint meeting between the CAB and BoC. It was decided that the Boards would meet on January 18th, 2023, at 6:00 PM.
- Commissioner Coulter clarified that smaller rate classes such as streetlights did not have proposed changes.

Information Technology Division Report

John Pelletier, Director of IT, presented an IT division report to the BoC.

- Mr. Pelletier discussed the modernization of the IT infrastructure and reported that there is ongoing work on assessment, with a focus on determining the current state of security to identify areas for improvement.
- Mr. Pelletier highlighted the importance of keeping the equipment up-to-date and current to reduce vulnerabilities and risks.
- Mr. Pelletier noted that asset management and network monitoring are being rolled out to improve visibility of traffic, network, and infrastructure.
- Mr. Pelletier shared that RMLD is following the National Institute of Science and Technology (NIST) 800-53 format to add structure to IT environment policies and procedures. This will make routine tasks repeatable, predictable, and easier to manage while ensuring important security policies are communicated to the team and different departments within the organization.
- Mr. Pelletier reported that RMLD falls under the critical infrastructure category, and they are benefiting from the support provided by the government agency, Cybersecurity Infrastructure Security Agency. RMLD receives vulnerability alerts, which are assessed for risk and remediated accordingly.
- Mr. Pelletier emphasized the importance of involving everyone in security at RMLD, as it is a cultural change. He added that keeping equipment updated and current is crucial to cutting risks in half or more.
- Mr. Pelletier mentioned that a gap analysis has been conducted to identify current gaps and address the skill sets needed today. RMLD is also looking into cloud skills, specifically Azure, to determine if it makes sense to switch to cloud-based servers for tech refresh. RMLD will evaluate the total cost of ownership and return on investment to determine if this is a feasible option.
- Mr. Pelletier concluded that RMLD is not looking into building data centers in different states. The Department is focusing on improving security of our current infrastructure to include our presence in the data center in Medford, MA.
- Mr. Pelletier reported that RMLD has launched a cybersecurity training plan, which is a program for everyone. He emphasized that phishing is a real threat, and it is the

biggest threat to RMLD.

- Mr. Pelletier added that all RMLD staff need to be aware, alert, and work as a team to help protect the environment. He stated that this kind of training is a force multiplier and cannot be done single handedly.
- Mr. Pelletier explained that despite having firewalls, IPS, malware, antivirus, and other security measures in place, malware is still able to penetrate the system. If employees are not trained, alert, and aware, and they click on phishing emails, problems can start.
- Mr. Pelletier stated that phishing emails are a huge issue and are becoming more sophisticated.
- Commissioner Stempeck added that employees receive multiple emails every day, and half of the time, the emails are just misspelled names.

General Manager's Report

Mr. Phipps provided the BoC with a GM report.

- Mr. Phipps reported that there is a lot of emphasis on cybersecurity, and they are pleased with the work that the IT team is doing under Mr. Pelletier's leadership.
- Mr. Phipps emphasized that RMLD is also focused on the physical security of assets, particularly substations. RMLD has already done a fair amount of work on this, and some recommendations from a recent assessment have been implemented.
- Mr. Phipps added that RMLD plans to do more work in 2023, which is already in the budget. The goal is to make physical security a deterrent for people who want to cause havoc.
- Mr. Phipps mentioned that RMLD has started the process of conducting a customer survey, which will be run during January/February. RMLD has already gone through the proper request for quotes and has engaged the same group from Great Blue Research that did the survey two years ago. The plan is to finalize the questions by the end of the month and share them with the group for input. The final processing will be done at the end of February, and the presentation is tentatively scheduled for the March meeting.

Policy Review

Mr. Phipps presented Policy 13: Facility Use (Revision 6) to the RMLD BoC.

- Commissioner Stempeck raised concerns about the million-dollar insurance requirement, suggesting that it would limit access to only members of the town. Mr. Phipps clarified that the insurance requirement was not intended to be a filter but rather a compliance with the insurance company's requirements.
- Commissioner Coulter expressed surprise and mentioned that RMLD was expected to cover the insurance costs. He emphasized that it was unrealistic to expect individuals or organizations to obtain such expensive insurance to use the facilities for one day.
- Ms. Morse summarized the current policy, stating that it was limited to town boards and committees. Commissioner Coulter added that there was a scarcity of meeting spaces in Reading, and it would be unfair to exclude anyone from using the room. However, if misuse occurred, they could reconsider the access.

- Commissioner Talbot questioned the necessity of insurance. Mr. Phipps explained that it was a requirement from the insurance company for any third party using RMLD facilities.
- Mr. Phipps agreed to investigate the matter further and suggested tabling it until January.
- Ms. Morse highlighted the need to decide whether to keep the policy limited to town departments or expand it to include non-profit civic organizations, which would require additional work.
- Commissioner Stempeck pointed out that if RMLD opens the facility to other groups RMLD should ensure janitorial services and staff availability for opening and closing, rather than burdening RMLD with those costs.
- Mr. Pacino shared that in the past, groups made a mess and caused parking issues. Consequently, the policy was changed to restrict usage to town entities only.
- Commissioner Talbot suggested that limiting access to town bodies might alleviate pressure on other Reading facilities.
- Mr. Pacino agreed and cited the example that if the Finance Committee wanted to meet there, they should be allowed.
- Mr. Phipps proposed leaving the policy as limited to town entities, to see if it alleviated the pressure. He mentioned the need for further work on security and maintenance and the limited availability of the maintenance team.
- Commissioner Coulter requested finding out the insurance requirements for opening the facility to a broader range of users, drawing a comparison to the library's nominal user fee for room usage.
- Mr. Phipps suggested implementing the policy in two steps, first opening it up to the town entities and then considering further expansion later.
- Commissioner Coulter agreed to the two-step approach, as long as the second phase did not take too long to implement.
- Mr. Phipps concluded by proposing a vote on the current policy and a review no later than May, when the second phase would be presented.
- Vice Chair Pacino made a motion, seconded by Commissioner Talbot, that the RMLD Board of Commissioners approve Policy 13: Facility Use (Revision 6), as presented, on the recommendation of the General Manager. Motion Carried: 5:0:0 (5 in favor; 0 absent) Roll call: Chair Bita, Aye; Vice Chair Pacino, Aye; Commissioner Stempeck, Aye; Commissioner Talbot, Aye; Commissioner Coulter, Aye.

Procurement Requests

Hamid Jaffari, Director of Engineering and Operations, presented procurement requests for approval.

IFP 2022-45 for 15kV, 556 KCMIL Aerial Spacer Cable and .052 Covered Messenger

• Mr. Jaffari reported that out of the nine companies invited, only two responded: Arthur J Hurley and Wesco, and reiterated that the bid does not have to be awarded to the lowest responsible bidder.

- Mr. Jaffari recommended awarding the contract to Arthur J. Hurley due to their fixed price offer, even though Wesco's bid was nine thousand dollars cheaper but with a price rider.
- Mr. Hamid provided a breakdown of the cost, stating that the wires and messenger cable would amount to \$267,300, which accounted for one-third of the quantity feed for the cable. The total cost for the cable, including other components, would be \$300,600. Mr. Jaffari mentioned that ordering the cable would put them ahead of schedule, and the cable was expected to arrive in June. RMLD has a large load coming in that is dependent on this service for installation, specifically for Upton Drive.
- Chair Bita expressed concern about the high cost and asked about the pricing in the past. Mr. Jaffari explained that in August, the price was \$5.20 per foot, but the current price came out to be \$4.95 cheaper due to the higher quantity of 54,000 feet. Mr. Jaffari compared it to the price in 2014, which was \$2.08 per foot. He emphasized that ordering larger quantities typically leads to better pricing, and the current price was favorable considering the overall market increase.
- Chair Bita inquired if this was an annual order. Mr. Jaffari clarified that the cable order depends on the project, and they have a timetable set for it. If the cable arrives in June without any delays, construction would begin in July or August, aiming to complete it by the fourth quarter of 2023.
- Mr. Phipps added that the cable installation was for a new building in Wilmington, which was already constructed. RMLD had been coordinating with the engineering team and had received a written commitment for the load coming to the site. He mentioned that this cable would serve as an intermediate solution until 2024 and that the customer would provide the necessary funds. Currently, the cable would be kept in inventory until it arrives and will be installed once the poles are ready.
- Vice Chair Pacino made a motion, seconded by Commissioner Stempeck, that IFP 2022-45 for 15kV, 556 KCMIL Aerial Spacer Cable and .052 Covered Messenger be awarded to: Arthur J. Hurley Company, Inc. for a total of \$300,600, pursuant to M.G.L. c. 164 § 56D, on the recommendation of the General Manager. Motion Carried: 5:0:0 (5 in favor; 0 absent) Chair Bita, Aye; Vice Chair Pacino, Aye; Commissioner Stempeck, Aye; Commissioner Talbot, Aye; Commissioner Coulter, Aye.

<u>Scheduling</u>

The next BoC meeting will be held on January 18th, 2023.

Executive Session

- Chair Bita confirmed that the GM contract would be voted on at a future meeting in public session.
- At 8:11 PM Vice Chair Pacino, made a **motion**, seconded by Commissioner Stempeck, that the RMLD Board of Commissioners go into Executive Session pursuant to Massachusetts G.L. c.164 section 47D, exemption from public records and open meeting requirements in certain instances, to discuss the General Manager contract and strategy with respect to collective bargaining or litigation if an open

meeting may have a detrimental effect on the bargaining or litigating position of the public body and the chair so declares and return to regular session, for the sole purpose of adjournment. Note: Roll call vote required. **Motion Carried**: **5:0:0** (5 in favor; 0 absent) Roll Call: Vice Chair Pacino, Aye; Commissioner Stempeck, Aye; Commissioner Talbot, Aye; Commissioner Coulter, Aye; Chair Bita, Aye.

<u>Adjournment</u>

 At 9:21 PM, Vice Chair Pacino, made a motion, seconded by Commissioner Stempeck, that the Board of Commissioners adjourn regular session. Motion Carried: 5:0:0 Roll Call: Vice Chair Pacino, Aye; Commissioner Stempeck, Aye; Commissioner Talbot, Aye; Commissioner Coulter, Aye; Chair Bita, Aye.

Meeting Materials:

All meeting materials can be found on the RMLD website in the BoC meeting packet.

Presented Materials

• RMLD BoC Packet (2022-12-15_rmld_boc_agenda_packet).

Materials available but not discussed.

- Accounts Payable / Payroll Questions through December 12, 2022
- August and September 2022 Preliminary Financials
- Surplus and Scrap Material Report November 2022

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



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

As approved on June 15, 2023