



Town of Reading Meeting Minutes

Board - Committee - Commission - Council:

RMLD Board of Commissioners

Date: 2021-06-03

Time: 7:30 PM

Building:

Location:

Address:

Session: Open Session

Purpose: General Business

Version: Final

Attendees: **Members - Present:**

Mr. Robert Coulter, Chair; Mr. Philip Pacino, Vice Chair; Mr. John Stempeck, Commissioner; Mr. David Talbot, Commissioner; Ms. Marlena Bitá, Commissioner

Members - Not Present:

RMLD Staff: Ms. Coleen O'Brien, General Manager; Mr. Hamid Jaffari, Director of Engineering & Operations; Mr. Greg Phipps, Director of Integrated Resources; Ms. Wendy Markiewicz, Director of Business Finance; Mr. Brian Hatch, Director of Information Technology; Mr. John McDonagh, Assistant Director of Engineering and Operations; Mr. Tom Ollila, Integrated Resource Engineer; Ms. Kathleen Rybak, Operational Assistant to Engineering & Operations; Ms. Erica Morse, Executive Assistant; Mr. Vivek Soni, Vice Chair, CAB, Reading

Others Present:

Presenting: Mr. Andrew Gordon, Audit Supervisor, Melanson; Mr. Zack Fentross, Audit Manager, Melanson

Public: Mr. John Rogers, 39 Tower Hill Road, North Reading

Minutes Respectfully Submitted By: Philip Pacino, Secretary Pro Tem

Topics of Discussion:

Due to the pandemic and the March 12, 2020, Governor's Executive Order Suspending the Certain Provisions of the Open Meeting Law, all participants attended remotely.

1. Call Meeting to Order – Vice Chair Pacino, Covering Chair

Covering Chair Pacino called the meeting to order at 7:30 PM and read RMLD's Code of Conduct. Covering Chair Pacino announced that this meeting of the Reading Municipal Light Department Board of Commissioners is being held remotely on Zoom and live on RCTV and YouTube. Mr. Pacino was the Board Secretary at the meeting.

Introductions

Covering Chair Pacino welcomed everyone to the meeting of the RMLD Board of Commissioners and asked all attendees to identify themselves.

2. Public Comment – Vice Chair Pacino, Covering Chair Citizens' Advisory Board Meeting

Mr. Soni reported that the Citizens' Advisory Board voted to recommend approval of the topics on the June Board of Commissioners agenda.

Public Comment

Mr. Rogers attended the meeting on behalf of GRACE (Greater Reading Alliance for Clean Energy) and thanked Mr. Pacino for allowing the public to engage in the meeting.

3. Presentation of 2020 Financial Audit Findings - Mr. Andrew Gordon, Audit Supervisor Melanson; Mr. Zack Fentross, Audit Manager, Melanson
Materials: Board Packet; Annual Financial Statements; Financial Report

Mr. Pacino reported that the RMLD Board of Commissioners Audit Subcommittee met with the Town of Reading Audit Committee; both Committees voted unanimously to recommend that the Board accept the Audit.

Mr. Gordon presented the financial statements in a comparative basis for the first time in years. The lack of comparative statements in the past was because the department moved to a December 31 year end from a June 30 year end as well as the implementation of GASB (Governmental Accounting Standard Board) 74 and 75. The takeaway of the 2020 Audit findings was that the department had positive operating results; a well-funded OPEB Trust Fund; and there was no management letter. RMLD received a clean opinion; the best opinion you can receive from an Independent Audit; and there are no exceptions. This opinion is consistent with prior year with prior years.

Mr. Gordon reported that the net of accumulated depreciation increased from CY19 by approximately \$2.4m. This increase consists of \$7.3m in additions to capital assets less \$4.7m depreciation expense for the year. The net pension liability, which is the department's portion of total unfunded liability for the Reading Contributory Retirement System (measured as of December 31, 2019), decreased \$2.5m from the prior year. The primary reason for the decrease is due to the Retirement System's investment results coming in greater than anticipated (\$10.1m); of that, RMLD's benefit was about \$2.9m. RMLD's proportionate share of total unfunded liability is about 28.35%. The Reading Retirement System is funded higher at 78.24% than the average seen in the Commonwealth (66%). The RMLD set aside \$6.6m to fund future appropriations to the retirement system. These funds (Per GASB) cannot be used to reduce the net pension liability. (Page 8)

Mr. Gordon stated that the net OPEB liability balance increased \$7.2k from the prior year. Mr. Gordon reported on the required supplementary information for the department's other post-employment benefits, which includes health insurance and other health care benefits that the department provides for employees. Mr. Gordon identified the total OPEB liability for 2020 (\$11.6m) and the plan fiduciary net position (\$4.5m); these figures demonstrate that the department has funded the total OPEB liability at 38.62%. According to Melanson, most towns or cities are between 1% and 10% funded (average); light departments in the Commonwealth are between 20% to 40% funded. RMLD is in good shape in terms of funding the total OPEB liability. (Page 44)

Mr. Gordon noted there was a decrease of \$2.5m in electric sales, net of discounts, in conjunction with a \$3.7m decrease of purchase power. The decrease in both these items was primarily due to the decrease in cost of power from 2019-2020. The cost savings that RMLD saw as a result passed through to the customer, causing a decrease in both electric sale and purchase power operating expense. (Page 9)

Mr. Pacino asked Mr. Gordon to address the conflict of timing on the pensions between timing with GASB. Mr. Gordon responded that the corresponding actuarial valuation that the department's actuary creates for Melanson to determine the OPEB liability is based as of June 30, 2018. Per GASB 75, the requirement is that the valuation must be within 30 months and one day from the financial statement date. However, per GASB 74, the actuarial valuation only must be within 24 months of the financial statement date. The valuation presented is not in accordance with GASB 74. Melanson spoke with the actuary and determined that this fact would not have a material impact on the financial opinion for RMLD, therefore, Melanson did not qualify their opinion for this year. The possibility of having separate valuations for the

town and RMLD was brought to the actuary's attention. Ms. Markiewicz stated in the past RMLD had a separate actuary study from the town and this was successful.

Mr. Pacino made a **motion**, seconded by Mr. Stempeck, that Board of Commissioners accept the 2020 audit report from the Melanson fiscal year dated December 31, as presented on the recommendation of the town of Reading Audit Committee and the RMLD Board of Commissioners Audit Subcommittee.

Motion Carried 5:0:0

Roll call vote: Mr. Pacino, Aye; Mr. Stempeck, Aye; Mr. Talbot, Aye; Chair Coulter, Aye; Ms. Bitá, Aye.

4. Report on Citizens' Advisory Board Meeting on June 3, 2021 –Chair Coulter

Chair Coulter reported that the Citizen's Advisory Board voted unanimously to accept the Gravity contract, the new production environment, and approved attendance at the 2021 NEPPA Conference.

5. General Manager's Report (Attachment 2) –Ms. O'Brien, General Manager
Materials: NEPPA's 2021 Annual Conference. Presentation, PDF Document

Ms. O'Brien reported on the following:

RMLD Community Update

Virtual Electric Vehicle Workshop

This was held on April 27th attended by 75+ people. The roundtable was informative and provided excellent feedback. Some community tv stations will be broadcasting the event. RMLD plans to have another EV Workshop in September during the national drive week. The RMLD will likely have an additional heat pump round table before year. end

The High School Art Contest Virtual Awards Ceremony

This was held on May 12th. The RMLD thanked Messrs. Pacino and Stempeck for their attendance, as well as giving out the awards. The winner will be displayed on the front cover of the RMLD Annual Report, which will be out by the end of June.

YMCA's Healthy Kids Day

The RMLD participated in Burbank YMCA's Healthy Kids Day on May 22nd presented electrical safety information to the children in attendance.

The Virtual Electrification Presentation

This will be taking place on June 7th at 2:30 PM in partnership with the Wilmington, Reading, and North Reading libraries.

Wilmington Farmer's Market

Will be taking place on June 27th; the RMLD will be at the community table from 10:00 AM to 2:00 PM.

The Annual Shred the Peak Press Release

RMLD will be making a statement clarifying that the "Shred the Peak" is the overall program; the "Peak Demand Reduction pilot program" is for commercial and industrial customers; "Shred the Peak" is for residential.

Northeast Public Power Association (NEPPA) Annual Conference

This will be held on August 22nd – 25th at the Westin Portland Harborview, in Portland, Maine. Board Approval is required for General Manager travel. Discussion followed on the benefits of attending the conference. Ms. O'Brien advised those who wish to attend to make a hotel reservation as soon as possible.

Mr. Stempeck made a **motion**, seconded by Ms. Bitá, that the Board approve Ms. O'Brien's travel to, and attendance at, the NEPPA Annual Conference to take place August 22-25, 2021, at the Westin Portland Harborview in Portland, Maine.

Motion Carried 5:0:0.

Roll call vote: Mr. Pacino, Aye; Mr. Stempeck, Aye; Mr. Talbot, Aye; Chair Coulter, Aye; Ms. Bitá, Aye.

Review the Board of Commissioners Meeting Agenda Format

Ms. O'Brien stated that prior agenda formats were modified during the training sessions on Policy 30 to match the Town of Reading and modified again for this meeting. Ms. O'Brien sought confirmation on how the meetings will be structured going forward. Ms. O'Brien noted that she attended Zoom legislative meetings recently. As questions arose, the public would write comments/questions in the chat and at the end of each presentation the Chair would read the questions. Ms. O'Brien proposed that we hold questions for the end of each presentation. Mr. Pacino asked for Commissioner feedback and noted that other than allowing the public in, there is nothing that needs to be revised.

Recommendation to Review General Manager's Goals

Ms. O'Brien recommended that there be a separate meeting to discuss the General Manager's goals, as done last year, focusing specifically on the goals of the RMLD. Ms. O'Brien sent out her ideas for goals to the Board; economic and social justice; due diligence on power supply; and renewable non-carbon choice were the recommended goal additions.

Discussion followed on the quarterly review schedule of the annual goals. Mr. Stempeck recommended that the Board and GM get back on a quarterly schedule; Mr. Pacino agreed the first check-in can be scheduled for the end of June, and the second at the end of September.

Mr. Talbot commented that the Board can check in on the goals quarterly and annually, but the evaluation is also based on everything that happens in the year, not just the few goals.

Chair Coulter asked; if the Board has suggestions, how is that communicated with Open Meeting law? Mr. Pacino responded that to add "not for deliberation"; other commissioners should not respond. There have been issues with the BOS and Open Meeting Law emails, and the Board needs to be cognizant of that.

6. Review of Policy 19: Board of Commissioners – Ms. O'Brien, General Manager

Materials: RMLD Policy 19: Board of Commissioners (Draft, Revision 15) *Presentation, PDF Document*

Ms. O'Brien reported on the proposed modifications to Policy 19: Board of Commissioners. Ms. O'Brien noted that a few months ago, the RMLD made a modification to Policy 19 for the OPEB Trust so the Town of Reading could work on submitting the Trust into PRIT for investments. To do this, the RMLD had to remove some of the OPEB language in Policy 19 that was conflicting with Policy 8. This new version reflects overall operations, committees, etc. It was noted that due to email formatting difficulties the commissioners were unable to see the redline changes on Policy 19.

Discussion 2021 Policy 19 Changes

Ms. O'Brien reported on the Policy 19 modification highlights: clarifying Open Meeting Law; clarifying remote and executive session; appointing a Board member to attend MEAM; switching to a calendar year and aligning the General Manager with that schedule; clarifying the outside services update; modifying public comment verbiage; modifying language to reflect a General Manager Annual Presentation for each of the towns; clarifying TFA and Power Supply under Policy 30; clarifying Board attendance at different conferences; The addition of various redlines cleaning up incomplete sentences and upgrading verbiage on ethics and dissemination of information etc.; adding a separate attachment which outlines the current committees and resolution of the dissolved GM Committee; updating the GM goals and evaluation to take place in open session; adding the Audit Sub Committee.

Ms. Bitá asked a question to clarify Board Members contributing in any form to civic, charitable, and benevolent or other similar organizations (Section 7, Letter J). Mr. Pacino responded that the Commission cannot give ratepayers' money to charitable organizations. A

discussion followed regarding Board contributions to 501C3 charitable organizations verses individual contributions. Ms. O'Brien commented that she will add more clarification to the language on this section.

Chair Coulter asked a question regarding the BID. If BID was deemed a charitable organization how would this conflict with a Board member who is a property holder inside of the BID area? Ms. O'Brien responded that by law RMLD is not allowed to be a part of the BID. The RMLD by statute can not contribute to a 501C3. Chair Coulter noted that as property owner inside of the BID, he feels that this is not a good decision for the Board, as the Board should have a say on what happens in that space. Ms. O'Brien noted that the way the RMLD can contribute to those types of economic development is through the bottom-line. Ms. O'Brien cited the example of the Island at the End of Ash Street and noted that the PILOT to the town is the money that would be appropriated to create an economic development. Ms. O'Brien noted that the RMLD wants to support the concept of the BID goals, but the department's economic development support must be in certain types of programs. If the BID is looking for electric vehicle charging stations to be in downtown as that would improve economic development; the RMLD can help create programs as long as the money that RMLD is contributing is directly related to RMLD business under the statutory laws. Chair Coulter noted that by not being a member of the BID, someone might be dictating or have plans for your property that you are not engaged with. Ms. O'Brien noted that economic development of the Ash Street Area is different than for BID.

Mr. Talbot made a recommendation to add a sentence under goal setting, stating that the Board will look at all the duties and responsibilities that fall under the General Manager's responsibility, including the goals that result in the performance evaluation. Mr. Talbot further suggested implementing a written system where the Board sends in something that is part of the record. Mr. Talbot commented on the powers of the Board and the procedure around contracting, bids, and voting. When does something come to the Board and when does it not?

Mr. Talbot noted that following this meeting he would send out any comments and proposed sentences to the Board for review.

There was no vote taken on *Policy 19: Board of Commissioners* at this meeting.

7. Integrated Resources Report - Mr. Phipps, Director of Integrated Resources

Materials: Intergraded Resources Report – dated June 3, 2021 Presentation, PowerPoint.

Mr. Phipps stated that the RMLD is presenting a third Hydro Power Supply opportunity; currently referred to as Plant #4 located in Eastern New York (*Slide 3*). Currently, hydro supply is just under 8% of RMLD's total portfolio. With the addition of this Hydro opportunity including the two previously approved Hydro projects, RMLD's hydro portfolio will be approximately 24% during the next several years. In subsequent BOC/CAB meetings, the RMLD will be presenting the growth forecasts for RMLD load. The department is targeting a portfolio mix with Hydro roughly around 20%; to manage supply risk and meet renewable/non-carbon compliance of the Climate Bill. Plant #4 is another Gravity project. Gravity. They manage 17 different hydro projects in the eastern part of the United States. This hydro plant was originally a mechanical facility and has been in place for nearly 200 years. The location is being referred to as Plant #4 because Gravity asked the RMLD not to provide the name, however the department does know the location. Gravity has been operating this plant for quite some time, and their contract on the plant is expiring. Gravity is negotiating to purchase this asset and plans to continue to manage and operate it. This transition is another opportunity for RMLD to pick up the power supply contract.

This supply opportunity is of interest to RMLD for the following reasons: The project has a massively wide surface area across a large body of water. This means that it can be more consistent in terms of power generation. There are no known environmental issues, partly because of age and partly because these hydro plants go through extensive regulatory process at the federal, state, and local level. As a result, they are all extremely well documented. Plant #4 will be up for a FERC renewal or relicensing in a couple of years. The output is a nice size for RMLD (5% of the total load). It will have Massachusetts Class two

associated certificates. RMLD prefers to buy energy where the certificates are associated, as opposed to buying certificates on the open market. In terms of pricing, this contract is just slightly below the department's average renewable portfolio prices, including the other two hydro projects. RMLD has existing contracts with Gravity. They are a known entity to RMLD; they are well established, well known, passionate about hydro, the environment and are very experienced in terms of doing hydro projects. This project fits RMLD's cost profile, load profile, and has a low risk associated with it. The contract for this opportunity is 24.5 years. If approved by the Board the RMLD hopes to complete the due diligence and execute a contract late this summer. This opportunity will likely be the last Hydro for a while, as there are not many more Hydro's until some contracts expire.

Mr. Talbot asked is the location confidential now for business proprietary reason? Mr. Phipps responded that the location is in eastern part of New York State. The supply to RMLD will be picking up power in ISO New England. However, Gravity asked the department not to disclose the actual plant name at this point in time. Mr. Talbot asked why; Mr. Phipps responded that although Gravity has been operating the plant for quite some time, they are finishing the negotiation to acquire the plan.

Mr. Stempeck made a **motion**, seconded by Mr. Talbot. that the Board of Commissioners vote to accept the General Manager's recommendation to execute a contract after proper due diligence, with Gravity Renewables for energy, including associated certificates, from a hydro facility in New York, known as Plant #4 on the recommendation of the Citizens' Advisory Board.

Motion passed: 5:0:0.

Roll call vote: Chair Coulter, Aye; Mr. Pacino, Aye; Mr. Stempeck, Aye, Mr. Talbot, Aye; Ms. Bitz, Aye.

Mr. Phipps provided an update on the Dahowa Hydro Project. The RMLD has completed the due diligence including an independent third-party report on environmental and social due diligence. The report was a clean recommendation. This is of no surprise given the given the significant information available on this facility.

Mr. Phipps reported that there are five MLP's that offer a Renewable Choice Program (Belmont, Wellesley, Shrewsbury, Middleborough, Taunton). Each program is unique to reflect the power portfolio, the rate base characterization, and the size of those individual MLPs. The RMLD's annual sales are 651,000-megawatt hours per year, which makes RMLD the largest MA MLP; right below Taunton in the list on the chart. RMLD's portfolio is about 60% C&I, the balance being residential. Similarly, Taunton has a higher concentration of C&I in contrast to Belmont, Wellesley, and Middleton, who are primary residential; Shrewsbury is a mix.

Each of these towns has some form of program; all are opt in, and all have an additional cost. For example, in the case of Wellesley's Voluntary Program, the \$24 a month represents a full 100% renewable option. The idea behind the renewable choice for MLPs is to allow their ratepayers the opportunity to buy power that is 100% renewable as opposed to whatever threshold they're on.

In relation to the Wellesley's WECARE program, Wellesley reported that the program is primarily for putting funds towards future town projects. Only 15% of the program funds are allocated to purchase REC's and another 15% has been allocated to a smalltown solar project. The Wellesley *WeCare Program* is not the renewable program that RMLD is considering, instead, it is project funding mechanism. It is opt-out and the cost is not significant, approximately a 4% increase.

In contrast, the goal of the RMLD Renewable Choice Program is to offer an option for ratepayers that want to be either 100% renewable or non-carbon. It was proposed in previous meetings, that RMLD should offer both (renewable and non-carbon) because they are two different options. RMLD is working through the details; but both will likely be a one-year minimum commitment. Retiring MA Class 1 certificates would be different than non-carbon, as the non-carbon would have a mix of non-carbon certificates (EFECs up to MA Class

1s). The RMLD aims to ensure that these two choices are clear to the customers, so they understand what they're buying into. Program design will enable the RMLD to administer it fairly and efficiently, on an ongoing basis. To accommodate the variability of certificate value, RMLD is proposing a fixed rate for one year and then adjust annually, as needed. Due to the fact RMLD is retiring 23% of certificates this year, the goal is offer programs to fund from 23% to 100%, the remaining 77%.

In using a "retire more" model, funds that are collected from customers that want to be a part of the renewable or non-carbon choice, will be allocated toward retirement of a larger portion of the certificates that RMLD already has, certificates that the department would normally sell, instead of retire. This would be a good fit for residential. In using the "buy more" model the department would buy more certificates and then retire them on the behalf of the RMLD's customers. RMLD would then provide the customer with a different kind of credential, so they can fulfill their sustainability requirements at the corporate level.

Ms. Bitá clarified that in the first model (Slide 6) the department would sell 23% and retire the balance? Mr. Phipps clarified in that left hand column, the department is going to retire 23% of total certificates and then sell the balance.

Mr. Talbot asked; what's the magnitude of the revenue that comes in, in terms of the associated RECs?

Mr. Phipps responded that it's recently been about \$1,000,000 per year. Up until 2021, most of the certificates that were purchased, were sold. These were all associated with power purchases (associated certificates). The dollars from certificate sales were applied against purchased power costs. This netted out to be a neutral event, but roughly at a magnitude of \$1,000,000 per year. Due to the fact RMLD is not selling 23%, the amount of money not coming in could be around \$800,000, highly dependent on certificate prices. 2021 is the beginning of an upward path toward retiring more certificates; 3% more each year.

Mr. Phipps reported on the key financial drivers at Reading Municipal Light Department. There are five major blocks in the cost structure at RMLD, one of those being the operating cost (Currently 30-33%); which includes the equipment, all of the distribution network, labor, and anything within the RMLD territory that RMLD will manage and operate. Overtime, this operating cost will go down as a percentage of total costs, partially because of the compound annual growth rate (CAGR) of the other cost blocks is higher. RMLD's goal for the cost of energy, transmission, and capacity blocks is to manage these to be as low as possible, for the benefit of the rate payers. By 2025 certificates will grow to 5% of the budget, and this will increase to around 9% by 2029. This cost will grow over time (15% CAGR) because of the Climate Bill and RMLD's Policy 30 Rev 1, which requires RMLD to retire a higher percentage of certificates, each year. RMLD is managing the portfolio and looking for long-term contracts very aggressively. This is due to the limited number of non-carbon resources in RMLD's territory. Additionally, the regional load, due to the climate bill, will increase (as will the departments) and there is going to be increased competition for power supply sources. Certificate management is also going to become something that RMLD pays increased attention to, and actively manages.

Mr. Pacino asked a question regarding next steps. Mr. Phipps reported that RMLD is continuing to uncover new Power Supply; looking aggressively for wind and solar and working with ENE to secure a portion of the large-scale wind development offshore. In addition, RMLD is moving forward in renewable choice and will need to hold a discussion on opt in verses out in.

Ms. O'Brien stated that in the past five years the magnitude of certificates has fluctuated. At the next meeting RMLD will put together the last five years and project out on a graph so there is a clear understanding of the numbers.

Mr. Rogers made a comment commending the information provided by Mr. Phipps and suggested that RMLD and the Board may want to take this information and present to the

public as an easy way to understand RECs as well as to provide an update on what RMLD is currently doing.

8. RMLD Procurement Requests Requiring Board Approval - Mr. Jaffari, Director of Engineering & Operations

Materials: RMLD Procurement Requests - IFB 2021 05 Station 3 Generator Replacement Award Letter Dated April 30, 2021 | IFB 2021 12 Tree Trimming Service Award Letter Dated May 28, 2021: (PDF Document, Board Packet).

Mr. Jaffari reported the bid was sent to 24 companies, 7 respondents. RMLD has a generator at Station 3, which is used to supply power to the switchboard and switchgear during emergency conditions. Allocated in the CY2021 budget is \$80,000 for this project. _Philips Electric was the only bid response that met all the requirements and did not take any exceptions. Every other bid response either took exceptions or did not meet the requirements.

Mr. Stempeck made a **motion**, seconded by Mr. Talbot, that bid 2021-12 for Station 3 Generator Replacement be awarded to: Phillips Electric, Inc., for \$66,000.00, pursuant to M.G.L., c. 30 § 39M, as the lowest responsible and eligible bidder, on the recommendation of the General Manager.

Motion passed 5:0:0.

Roll call vote: Chair Coulter, Aye; Mr. Pacino, Aye; Mr. Stempeck, Aye; Mr. Talbot, Aye; Ms. Bitá, Aye.

The Tree Trimming contract was under a 6-month extension and cannot be extended a second time per MGL. The bid was sent out to 11 companies, one respondent Mayor Tree Services. The remainder of the companies that received the bid did not respond.

Mr. Jaffari reported why the bid response rate was so low. The larger tree trimming companies maintain the necessary certifications and training for performing the electrical utility line clearance and tree trimming; these companies are supporting large IOUs. In addition, they are in California, for the wildfire at a higher pay rate. Increased regulatory requirements, major storms, wildfire, and invasive pests drove up the demand for tree trimming services. The low response rate was a result of the shortage of skilled labor in the field, partly due to COVID-19. Mr. Jaffari stated that the prevailing wages rates, compared to the last contract, has doubled. As a result, the overall cost gone up by 124% due to a change in classification in the Labor Standard Act. These factors resulted in the contract price coming in higher than the anticipated budget, which calls for an examination of tree trimming in the CY22 and CY23 budgets.

Ms. Bitá asked a question regarding the bid process; The bid was out for less than 30 days, but maybe a longer period would have helped more bids come in. Can you repeat what you said about California?

Mr. Jaffari responded that it seems the larger companies are sending their resources to west to assist with the California wildfires, where they are paid more for labor than in the East. Additionally, during COVID-19 a lot of companies lost their skilled workers, who went for other trades. Moreover, there are certifications involved with this type of work, and these laborers must be certified with OSHA/EAHP and must have the proper training. A lot of smaller companies do not want to invest that type of money. The department does not want to lower standards in the interest of safety because they need to work alongside RMLD staff during storms in an expedited and safe manner.

Ms. Bitá asked a follow up question; in other years, did you have one response? Mr. Jaffari responded that in previous years the department had more than one response for tree trimming bids.

Mr. Talbot asked a question on the change in annual amount; what was the change in the annual amount from what it used to be to what it is now under this new bid? Mr. Jaffari

responded the major change is that tree trimming workers are now paid by prevailing wages as previously they were not. The amount of the contract remained the same from previous years to this year (\$2.7m, 3-year cycle) However, In the last three years the department budgeted for 7,702 spans, and due to the labor increase this year the department is budgeting for 3,525 spans. Mr. Talbot responded, the cost doubled, and you see no way around it? Mr. Jaffari responded yes, unfortunately.

Mr. Talbot asked a follow up question, is there no way to bring contractors in house? Mr. Jaffari responded no, although RMLD can clear emergency lines (minor) there needs to be certain certifications in place for safety reasons and RMLD staff is not certified and equipped to do that type of work.

Mr. Stempeck made a statement around the equipment that is involved; if this was brought in house there would be a significant increase in capital RMLD would have to spend for both equipment and restrictions on where woodchips would be accepted. Mr. Stempeck noted that this motion needs to be move forward as the department's system reliability is a direct function of the trees getting cut. To put things into perspective, Chair Coulter noted his experience of how difficult it is to get tree trimming service and you do have to pay.

Mr. Stempeck made a **motion**, seconded by Chair Coulter that bid 2021-05 for Tree Trimming Services be awarded to: Mayer Tree Service, Inc., pursuant to M.G.L., c. 30 § 39M, as the lowest responsible and eligible bidder, on the recommendation of the General Manager.

Motion passed 5:0:0.

Roll call vote: Chair Coulter, Aye; Mr. Pacino, Aye; Mr. Stempeck, Aye; Mr. Talbot, Aye; Ms. Bitá, Aye.

9. Policy 9 - Procurement Request - Mr. Hatch, Director of Information Technology

Materials: RMLD New IT Production Environment with Disaster Recovery (DR) Backup Solution (dated June 3, 2021) Presentation, PDF, Board Packet

Mr. Hatch reported on the background and importance of implementing the purposed RMLD New Production Environment with Disaster Recovery Project (*Slide 2*). Mr. Hatch reported that there is a need to upgrade the systems; the RMLD is getting close to compression levels that will not allow a nightly back up. The RMLD needs to secure a location outside of Massachusetts that will allow the department to have access to data at a moment's notice with an efficient turnaround time. This project would include a new production system, repurposing RMLD's older equipment, and putting it in Disaster Recovery (DR).

Mr. Hatch reported on the process of implementing the purposed RMLD New Production Environment with Disaster Recovery Project. RMLD will identify an offsite colocation, or very large data center. The RMLD would rent space from this location and repurpose RMLD's current environment. Once complete, the nightly backup would be sent out to the new location. After identifying the location, the RMLD will purchase two backup systems: one placed locally and one in the active disaster recovery site. The systems would encrypt and protect any data; this will allow RMLD to have good quality backups for at least 30 days onsite, which provided RMLD with protection in case of failure. The RMLD will purchase new productions servers and storage to ensure the current data is protected and that the RMLD continues to be protected for the next four to five years. With this new production environment RMLD will have the ability to scale and grow; currently, the department does not have that capability. The current equipment is no longer sold, and as of next year will no longer be supported.

The RMLD will utilize two different back-up systems: one locally and one in the disaster recovery facility. Every night the backup systems will replicate each other. The RMLD will have 30 days locally; this allows data to be saved and restored in the case of a virus, and further protects the RMLD from ransomware attacks.

The new Production Environment with Disaster Recovery Project was not budgeted. The RMLD discussed this internally and spoke to several experts. Mr. Hatch noted that he has

architected this type of project several times in the past, and feels it is necessary for RMLD and to future proof the systems. RMLD would need some external services to work with the IT team to help get this implemented.

Mr. Stempeck asked a question regarding companies who could outsource this for RMLD and the depreciation of the equipment. Mr. Hatch responded that the depreciation for laptops is generally three years, and this equipment would be about five. Mr. Stempeck asked a follow up question; did you do a comparison of going more to "outsourcing to the cloud" as opposed to RMLD purchasing the equipment and putting it in place? Mr. Hatch responded that RMLD did the due diligence on that, and has looked at several different vendors: AWS, Google, and Azure. Mr. Hatch responded that outsourcing these vendors was possible but the cost on average from an operating point of view would be around \$300K a year. Around a year and a quarter, RMLD would match that with by purchasing it outright and then would have the remaining three and a half years "free of charge" using a basic ROI calculation.

Mr. Stempeck asked if RMLD investigated Wasabi (Data Storage Company) founded by David Friend (Carbonite founder); Mr. Hatch responded that RMLD reviewed Gartner and Forrester and looked at the top ten people in that environment. Mr. Stempeck stated that Wasabi is mentioned by Gartner and is captured on their chart. Wasabi is about one half to one third of the cost of Amazon and they do not charge for acquisition of data or storage of the actual input and output of data, whether it's plugged compatible with Amazon. Mr. Stempeck noted that it may be interesting if RMLD can save a significant amount of money by doing something generic. Mr. Hatch stated that RMLD has investigated several alternatives to go into (Cloud vs. hybrid cloud) and concluded that the operation must be hybrid cloud.

Chair Coulter asked a question on connectivity; is there going to be new data connections, TLS lines that are going to have to go to these vendors? Are you going to have a recurring monthly fee, on top of this cost or is it incorporated into the cost? Mr. Hatch responded that it is incorporated into the cost, and the RMLD is working with Verizon to see if this can be incorporated into another purchase, which would be even cheaper. At this point, it would be a dedicated line direct connected to that DR location. Mr. Hatch noted the further away you are from your onsite location, the more cost associated. RMLD would look outside of New England, somewhere between 500 to 1,000 feet inland.

Mr. Stempeck made a **motion**, seconded by Chair Coulter that the Board of Commissioners authorize the General Manager to move forward with the RMLD New Production Environment with Disaster Recovery Project, as presented. Staff will solicit quotes from the State contract and award contracts for the project, not to exceed \$420,000 in CY2021. This un-budgeted project will be paid from the Depreciation and Operating Funds.

Motion passed 5:0:0.

Roll call vote: Mr. Coulter, Aye; Mr. Pacino, Aye; Mr. Stempeck, Aye; Mr. Talbot, Aye; Ms. Bitz, Aye.

10. Scheduling – Chair Coulter

Mr. Pacino noted that Monday night he, Messrs. Phipps, and Coulter attended the Board of Selectmen meeting and received an update on Green Communities. Mr. Pacino made a recommendation to review General Manager's Goals at the end of June 2021. The next regular session Board of Commissioners Meeting is scheduled for July 22, 2021. Mr. Pacino will be covering the July CAB Meeting.

11. Executive Session – Chair Coulter

Mr. Stempeck made a **motion**, seconded by Chair Coulter, that the 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 competitively sensitive issues regarding options for power supply, and to consider the purchase, exchange, lease or value of real property, and return to regular session for the sole purpose of adjournment.

Motion passed 5:0:0.

Roll call vote: Chair Coulter, Aye; Mr. Pacino, Aye; Mr. Stempeck, Aye; Mr. Talbot, Aye; Ms. Bitá, Aye.

12. Adjournment – Chair Coulter

The Board of Commissioners returned to regular session for the sole purpose of adjourning and promptly adjourned at 10:00 PM

Motion passed 5:0:0.

Roll call vote: Chair Coulter, Aye; Mr. Pacino, Aye; Mr. Stempeck, Aye; Mr. Talbot, Aye; Ms. Bitá, Aye.

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

Philip B Pacino

[Philip B Pacino \(Sep 24, 2021 10:55 EDT\)](#)

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

RMLD



Reading Municipal Light Department
RELIABLE POWER

**TOWN OF READING, MASSACHUSETTS
READING MUNICIPAL LIGHT DEPARTMENT**

Annual Financial Statements
For the Year Ended December 31, 2020

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Municipal Light Board
Town of Reading Municipal Light Department

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Reading Municipal Light Department (the Department) (an enterprise fund of the Town of Reading), and the aggregate remaining fund, as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Department's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town of Reading Municipal Light Department and the aggregate remaining fund information as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Department's 2019 financial statements and expressed an unmodified audit opinion on those audited financial statements in our report dated July 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and certain Pension and OPEB schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Andover, Massachusetts
_____, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Town of Reading Municipal Light Department's (the Department) annual financial report, management provides a narrative discussion and analysis of the Department's financial activities for the year ended December 31, 2020. The Department's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements

The basic financial statements include (1) the Proprietary Fund Statements of Net Position, (2) the Proprietary Fund Statements of Revenues, Expenses and Changes in Net Position, (3) the Proprietary Fund Statements of Cash Flows, (4) the Fiduciary Funds Statements of Fiduciary Net Position, (5) the Fiduciary Funds Statements of Changes in Fiduciary Net Position, and (6) Notes to Financial Statements.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the business-type financial statements because the resources of those funds are not available to support the Department's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Other Information

In calendar year 2020, the Department implemented ASC 980, *Accounting for the Effects of Certain Types of Regulation*, which essentially adjusts for differences between how revenue/rates

are budgeted and how they are accounted for on a Generally Accepted Accounting Principles (GAAP) basis. In the Department's case, contributions in aid of construction (CIAC) are set aside (deferred) and are recognized equal to the annual depreciation expense on the related assets.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

Financial Highlights

The Proprietary Fund Statement of Net Position is designed to indicate our financial position at a specific point in time. At December 31, 2020, it shows our net worth of \$119,334,812 which comprises \$82,771,713 invested in capital assets, \$8,224,591 and \$6,585,203 restricted for depreciation fund and the pension trust, and \$21,753,305 unrestricted.

The Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position summarize our operating results and reveal how much, if any, of a profit was earned for the year. As discussed in more detail below, our net profit for the year ended December 31, 2020 was \$2,625,867.

The Proprietary Fund Statement of Cash Flows provide information about cash receipts, cash payments, investing, and financing activities during the accounting period. A review of our Proprietary Fund Statement of Cash Flows indicates that cash receipts from operating activities adequately covered our operating expenses in the year ended December 31, 2020.

The following is a summary of the Department's financial data for the year ended December 31, 2020 (in thousands).

Summary of Net Position

	<u>2020</u>	<u>2019</u>
Assets:		
Current and other assets	\$ 66,333	\$ 64,593
Capital assets	<u>82,772</u>	<u>80,351</u>
Total assets	149,105	144,944
Deferred outflows of resources	<u>5,360</u>	<u>8,102</u>
Total assets and deferred outflows	<u>\$ 154,465</u>	<u>\$ 153,046</u>
Liabilities:		
Long-term liabilities	\$ 21,443	\$ 24,176
Other liabilities	<u>8,743</u>	<u>8,244</u>
Total liabilities	30,186	32,420
Deferred inflows of resources	4,944	3,917
Net position:		
Net investment in capital assets	82,772	80,351
Restricted for depreciation fund	8,225	8,335
Restricted for pension trust	6,585	6,365
Unrestricted	<u>21,753</u>	<u>21,658</u>
Total net position	<u>119,335</u>	<u>116,709</u>
Total liabilities, deferred inflows, and net position	<u>\$ 154,465</u>	<u>\$ 153,046</u>

Summary of Change in Net Position

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 85,572	\$ 88,312
Operating expenses	<u>(81,662)</u>	<u>(83,725)</u>
Operating income	3,910	4,587
Non-operating revenues	<u>1,197</u>	<u>1,874</u>
Income Before Contributions and Other Items	5,107	6,461
Contributions in aid of construction	-	339
Return on investment to Town of Reading	<u>(2,481)</u>	<u>(2,481)</u>
Change in net position	2,626	4,319
Beginning net position	<u>116,709</u>	<u>112,390</u>
Ending net position	<u><u>\$ 119,335</u></u>	<u><u>\$ 116,709</u></u>

For the year ended December 31, 2020 electric sales (net of discounts) were \$86,894,628, a decrease of 2.9% from the prior year. For the year ended December 31, 2020, kilowatt hours sold were 651,179,904, an increase of 0.6% from the prior year.

Operating expenses totaled \$81,662,888 for the year ended December 31, 2020, a decrease of 2.5%. The largest portion of this total, \$57,292,309, was for purchase power costs. Other operating expenses included \$18,064,363 for general operating and maintenance costs, \$1,607,009 for voluntary payments to Towns, and depreciation expense of \$4,699,207. For the year ended December 31, 2020 the depreciation rate was 3.0%. Change in net position of \$2,625,867 results primarily from rates and charges set at a level to fund future capital improvements.

In the year ended December 31, 2020, the Pension Trust contributed \$2,039,462 to the Town of Reading Contributory Retirement System on behalf of the Department's employees.

For the year ended December 31, 2020, the Department contributed \$386,854 to the Other Post-Employment Benefits Trust ("OPEB Trust"). Additional information on the Department's OPEB Trust Fund can be found in corresponding note on page 32 of this report.

Capital Asset and Debt Administration***Capital Assets***

Total investment in land at year end amounted to \$1,265,842. Total investment in depreciable capital assets at year-end amounted to \$81,505,871 (net of accumulated depreciation), an

increase of \$2,421,259 from the prior year. This investment in depreciable capital assets includes structures and improvements, equipment and furnishings, and infrastructure assets.

Debt and Other Long-Term Obligations

At the end of the current fiscal year, the Department had no outstanding bonded debt.

Additional information on capital assets and other long-term obligations can be found in the Notes to Financial Statements.

Requests for Information

This financial report is designed to provide a general overview of the Town of Reading Municipal Light Department's finances for all those with an interest in the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Director of Business & Finance
Town of Reading Municipal Light Department
230 Ash Street
Reading, Massachusetts 01867

**TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT**

Enterprise Fund
Statements of Net Position
December 31, 2020

(With Comparative Totals as of December 31, 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Current:		
Unrestricted cash and short-term investments	\$ 20,158,534	\$ 20,028,398
Receivables, net of allowance for uncollectable	7,768,519	7,114,247
Prepaid expenses	2,438,307	2,433,739
Inventory	<u>1,880,288</u>	<u>1,822,376</u>
Total current assets	32,245,648	31,398,760
Noncurrent:		
Restricted cash and short-term investments	30,350,390	29,569,761
Restricted investments	2,734,900	2,659,416
Investment in associated companies	822,083	802,212
Land	1,265,842	1,265,842
Capital assets, net of accumulated depreciation	81,505,871	79,084,612
Other	<u>180,071</u>	<u>162,451</u>
Total noncurrent assets	<u>116,859,157</u>	<u>113,544,294</u>
Total Assets	149,104,805	144,943,054
Deferred Outflows of Resources		
Related to pensions	4,826,866	7,652,907
Related to OPEB	<u>533,543</u>	<u>449,209</u>
Total Deferred Outflows of Resources	5,360,409	8,102,116
Liabilities		
Current:		
Accounts payable	6,740,339	6,400,929
Accrued liabilities	396,465	334,184
Customer deposits	1,406,058	1,308,651
Other liabilities	200,000	200,000
Current portion of long-term liabilities:		
Compensated absences	<u>361,669</u>	<u>24,227</u>
Total current liabilities	9,104,531	8,267,991
Noncurrent:		
Net pension liability	12,054,935	14,610,001
Net OPEB liability	7,166,506	7,094,569
Compensated absences	<u>1,860,068</u>	<u>2,447,147</u>
Total noncurrent liabilities	<u>21,081,509</u>	<u>24,151,717</u>
Total Liabilities	30,186,040	32,419,708
Deferred Inflows of Resources		
Related to pensions	2,526,025	1,775,159
Related to OPEB	126,078	189,117
Contributions in aid of construction	<u>2,292,259</u>	<u>1,952,241</u>
Total Deferred Inflows of Resources	4,944,362	3,916,517
Net Position		
Net investment in capital assets	82,771,713	80,350,454
Restricted for:		
Depreciation fund	8,224,591	8,334,981
Pension trust	6,585,203	6,365,431
Unrestricted	<u>21,753,305</u>	<u>21,658,079</u>
Total Net Position	\$ <u>119,334,812</u>	\$ <u>116,708,945</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT**

Enterprise Fund
Statements Of Revenues, Expenses, And Changes In Net Position
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Electric sales, net of discounts of \$4,015,220 and \$3,938,532, respectively	\$ 86,894,628	\$ 89,475,079
Purchase power adjustments:		
Fuel charge adjustment	(1,033,746)	(1,117,760)
Capacity and transmission adjustment	<u>(288,550)</u>	<u>(45,342)</u>
Total Operating Revenues	85,572,332	88,311,977
Operating Expenses		
Purchase power	57,292,309	61,027,184
Operating	15,642,969	14,529,908
Maintenance	2,421,394	2,072,112
Voluntary payments to towns	1,607,009	1,569,667
Depreciation	<u>4,699,207</u>	<u>4,525,997</u>
Total Operating Expenses	<u>81,662,888</u>	<u>83,724,868</u>
Operating Income	3,909,444	4,587,109
Nonoperating Revenues (Expenses)		
Interest income	390,425	969,188
Intergovernmental grants	451,761	173,550
Loss on disposal of assets	(163,530)	(81,563)
Other	<u>518,273</u>	<u>812,910</u>
Total Nonoperating Revenues	<u>1,196,929</u>	<u>1,874,085</u>
Income Before Capital Contributions and Transfers	5,106,373	6,461,194
Capital contributions	-	338,448
Return on investment transfer to Town of Reading	<u>(2,480,506)</u>	<u>(2,480,506)</u>
Change in Net Position	2,625,867	4,319,136
Net Position at Beginning of Year	<u>116,708,945</u>	<u>112,389,809</u>
Net Position at End of Year	\$ <u><u>119,334,812</u></u>	\$ <u><u>116,708,945</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT**

Enterprise Fund
Statements of Cash Flows
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Receipts from customers and users	\$ 83,693,173	\$ 91,177,144
Payments to vendors and employees	(75,945,319)	(82,622,371)
Customer purchase power adjustments	<u>1,322,296</u>	<u>(1,163,102)</u>
Net Cash Provided By Operating Activities	9,070,150	7,391,671
Cash Flows From Noncapital Financing Activities		
Return on investment to Town of Reading	(2,480,506)	(2,480,506)
Other	<u>518,271</u>	<u>834,149</u>
Net Cash (Used For) Noncapital Financing Activities	(1,962,235)	(1,646,357)
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(7,283,998)	(6,474,699)
Contributions in aid of construction	340,018	227,971
Intergovernmental revenues	<u>451,761</u>	<u>152,312</u>
Net Cash (Used For) Capital and Related Financing Activities	(6,492,219)	(6,094,416)
Cash Flows From Investing Activities		
Investment income	390,425	969,188
Increase in investments	<u>(95,356)</u>	<u>(681,944)</u>
Net Cash Provided By Investing Activities	<u>295,069</u>	<u>287,244</u>
Net Change in Cash and Short-Term Investments	910,765	(61,858)
Cash and Short-Term Investments, Beginning of Period	<u>49,598,159</u>	<u>49,660,017</u>
Cash and Short-Term Investments, End of Period	\$ <u><u>50,508,924</u></u>	\$ <u><u>49,598,159</u></u>
Reconciliation of Operating Income (Loss) to Net Cash		
Operating income	\$ 3,909,444	\$ 4,587,109
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation expense	4,699,207	4,525,997
Changes in assets, liabilities, and deferred outflows/inflows		
Accounts receivable	(654,272)	1,591,167
Prepaid and other assets	(22,186)	(380,792)
Inventory	(57,912)	(335,906)
Deferred outflows - related to pensions	2,826,041	(2,613,517)
Deferred outflows - related to OPEB	(84,334)	291,259
Accounts payable and accrued liabilities	152,055	(3,791,765)
Net pension liability	(2,555,066)	3,828,182
Net OPEB liability	71,937	(279,677)
Deferred inflows - related to pensions	750,866	(330,401)
Deferred inflows - related to OPEB	(63,039)	189,117
Other	<u>97,409</u>	<u>110,898</u>
Net Cash Provided By Operating Activities	\$ <u><u>9,070,150</u></u>	\$ <u><u>7,391,671</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT**

Fiduciary Fund – Other Post-Employment Benefits Trust
Statements of Fiduciary Net Position
December 31, 2020
(With Comparative Totals as of December 31, 2019)

	Other Post Employment Benefits <u>Trust Fund</u>	
	<u>2020</u>	<u>2019</u>
Assets		
Cash and short-term investments	\$ <u>4,508,256</u>	\$ <u>4,087,576</u>
Total Assets	<u>4,508,256</u>	<u>4,087,576</u>
Net Position		
Total net position held in trust for other post employment benefits	\$ <u><u>4,508,256</u></u>	\$ <u><u>4,087,576</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT**

Fiduciary Funds
Statement Of Changes In Fiduciary Net Position
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	Other Post Employment Benefits <u>Trust Fund</u>	
	<u>2020</u>	<u>2019</u>
Additions		
Contributions:		
Employers	\$ 1,042,087	\$ 1,012,408
Investment Income:		
Interest	<u>33,826</u>	<u>90,920</u>
Total additions	1,075,913	1,103,328
Deductions		
Benefit payments to plan members, beneficiaries and other systems	<u>655,233</u>	<u>577,471</u>
Net increase	420,680	525,857
Net position restricted for OPEB purposes		
Beginning of year	<u>4,087,576</u>	<u>3,561,719</u>
End of year	\$ <u><u>4,508,256</u></u>	\$ <u><u>4,087,576</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF READING, MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The significant accounting policies of the Town of Reading Municipal Light Department (the Department) (an enterprise fund of the Town of Reading, Massachusetts) are as follows:

Business Activity

The Department purchases electricity for distribution to more than 70,000 residents within the towns of Reading, North Reading, Wilmington, and Lynnfield Center.

Regulation and Basis of Accounting

Under Massachusetts General Laws, the Department's electric rates are set by the Municipal Light Board. Electric rates, excluding the purchase power fuel charge and the purchase power capacity and transmission charge, cannot be changed more than once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities (DPU). While the DPU exercises general supervisory authority over the Department, the Department's rates are not subject to DPU approval. The Department's policy is to prepare its financial statements in conformity with generally accepted accounting principles.

The proprietary fund financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Department's proprietary fund are charges to customers for electric sales and services. Operating expenses for the Department's proprietary fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Concentrations

The Department operates within the electric utility industry. In 1998, the Commonwealth of Massachusetts enacted energy deregulation legislation that restructured the Commonwealth's electricity industry to foster competition and promote reduced electric rates. Energy deregulation created a separation between the supply and delivery portions

of electricity service and enabled consumers to purchase their energy from a retail supplier of their choice. Municipal utilities are not currently subject to this legislation.

Retirement Trust

The Reading Municipal Light Department Employees' Retirement Trust (the "Pension Trust") was established by the Reading Municipal Light Board on December 30, 1966, pursuant to Chapter 64 of the General Laws of the Commonwealth of Massachusetts.

The Pension Trust constitutes the principal instrument of a plan established by the Municipal Light Board to fund the Department's annual required contribution to the Town of Reading Contributory Retirement System (the System), a cost-sharing, multi-employer public employee retirement system.

In accordance with Government Accounting Standards Board Statement 68 (GASB 68), the Retirement Trust was consolidated into the Proprietary Fund and is reflected in net position as "restricted for pension trust."

Other Post-Employment Benefits Trust

The Other Post-Employment Benefits Liability Trust Fund (the "OPEB Trust") was established by the Reading Municipal Light Board pursuant to Chapter 32B, Section 20 of the General Laws of the Commonwealth of Massachusetts.

The OPEB Trust constitutes the principal instrument of a plan established by the Municipal Light Board to fund the Department's annual actuarially determined OPEB contribution for future retirees.

Revenues

Revenues are based on rates established by the Department and filed with the DPU. Revenues from sales of electricity are recorded on the basis of bills rendered from monthly meter readings taken on a cycle basis and are stated net of discounts. Recognition is given to the amount of sales to customers which are unbilled at the end of the fiscal year.

Cash and Short-term Investments

For the purposes of the Statements of Cash Flows, the Department considers unrestricted cash on deposit with the Town Treasurer to be cash or short-term investments. For purposes of the Statements of Net Position, both the proprietary funds and fiduciary funds consider unrestricted and restricted investments with original maturities of three months or less to be short-term investments.

Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued or unconditionally guaranteed by the U.S. Government or agencies that have a

maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from date of purchase.

Investments for the Department and the Pension Trust consist of domestic and foreign fixed income bonds which the Department intends to hold to maturity. These investments are reported at fair market value.

Inventory

Inventory consists of parts and accessories purchased for use in the utility business for construction, operation, and maintenance purposes and is stated at average cost. Meters and transformers are capitalized when purchased.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and utility plant infrastructure, are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as they are acquired or constructed. Interest incurred during the construction phase of proprietary fund capital assets is included as part of the capitalized value of the constructed asset. When capital assets are retired, the cost of the retired asset, less accumulated depreciation, salvage value and any cash proceeds, is charged to the Department's unrestricted net position.

Massachusetts General Laws require utility plant in service to be depreciated at a minimum annual rate of 3%. To change this rate, the Department must obtain approval from the DPU. Changes in annual depreciation rates may be made for financial factors relating to cash flow for plant expansion, rather than engineering factors relating to estimates of useful lives.

Accrued Compensated Absences

Employee vacation leave is vested annually but may only be carried forward to the succeeding year with supervisor approval and, if appropriate, within the terms of the applicable Department policy or union contract. Generally, sick leave may accumulate according to union and Department contracts and policy and is paid upon normal termination at the current rate of pay. The Department's policy is to recognize vacation costs at the time payments are made. The Department records accumulated, unused, vested sick pay as a liability. The amount recorded is the amount to be paid upon normal termination at the current rate of pay.

Long-Term Obligations

The proprietary fund financial statements report long-term debt and other long-term obligations as liabilities in the Statements of Net Position.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenues and expenses during the fiscal year. Actual results could vary from estimates that were used.

Rate of Return

The Department's rates must be set such that earnings attributable to electric operations do not exceed 8% of the net cost of plant. The Department's audited financial statements are prepared in accordance with auditing standards generally accepted in the United States of America. To determine the net income subject to the rate of return limitations, the Department performs the following calculation. Using the net income per the audited financial statements, the return on investment to the Town of Reading is added back, the fuel charge, capacity and transmission adjustments are added or deducted, and miscellaneous debits/credits (i.e., gain/loss on disposal of fixed assets, etc.) are added or deducted, leaving an adjusted net income figure for rate of return purposes. Investment interest income is then deducted from this figure to determine the net income subject to the rate of return. The net income subject to the rate of return is then subtracted from the allowable 8% rate of return, which is calculated by adding the book value of net plant and the investment in associated companies multiplied by 8%. From this calculation, the Department will determine what cash transfers need to be made at the end of the fiscal year.

2. Cash and Investments

Total cash and investments as of December 31, 2020 are classified in the accompanying financial statements as follows:

Proprietary Fund:

Unrestricted cash and short-term investments	\$ 20,158,534
Restricted cash and short-term investments	30,350,390
Restricted investments	2,734,900

Fiduciary Funds:

Cash and short-term investments - OPEB Trust	<u>4,508,256</u>
Total cash and investments	<u>\$ 57,752,080</u>

Total cash and investments at December 31, 2020 consist of the following:

Deposits with financial institutions	\$ 57,752,080
Total cash and investments	\$ <u>57,752,080</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Department manages its exposure to interest rate risk by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of December 31, 2020, the Department (including the Pension Trust and OPEB Trust) held cash and short-term investments in pooled investments with the Massachusetts Municipal Depository Trust (MMDT), FDIC-insured savings accounts, and 90-day FDIC-insured bank certificates of deposit. Because of their immediate liquidity and/or short-term maturity, these funds are classified as cash and short-term investments in the accompanying financial statements and are not considered to be exposed to significant interest rate risk.

As of December 31, 2020, the Department and Pension Trust held investments in domestic and foreign fixed income bonds with varying maturity dates as follows:

	Proprietary Fund	Maturity Date
<u>Corporate Bonds</u>		
AT&T Inc	\$ 458,478	12/01/22
General Electric Cap Corp	435,176	01/09/23
Wells Fargo & Co	436,916	08/15/23
Simon Property	433,013	06/15/27
Rabobank Nederland Bank	531,360	11/09/22
BNP Paribas	<u>439,957</u>	03/03/23
Total	\$ <u>2,734,900</u>	

Credit Risk

Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assigning of a rating by a

nationally recognized statistical rating organization. As of December 31, 2020, the Department and Pension Trust held investments in domestic and foreign fixed income bonds with varying ratings as follows:

<u>Investment Type</u>	Proprietary Fund	Moody's <u>Rating</u>
	<u>Restricted Investments</u>	
Corporate bonds:		
AT&T Inc	\$ 458,478	Baa2
General Electric Cap Corp	435,176	Baa1
Wells Fargo & Co	436,916	A3
Simon Property	433,013	A3
Rabobank Nederland Bank	531,360	Baa1
BNP Paribas	439,957	Aa3
Total	<u>\$ 2,734,900</u>	

Concentration of Credit Risk

The Department follows the Town of Reading's investment policy, which does not limit the amount that can be invested in any one issuer beyond that stipulated by Massachusetts General Laws. At December 31, 2020, the Department and Pension Trust investments were held in domestic and foreign fixed income bonds, as detailed in the sections above. Five of the bonds each individually represent approximately 16% of the Department's and System's total investments, while the investment in Rabobank Nederland Bank represents approximately 19%.

Custodial Credit Risk

Custodial Credit Risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Department will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Department will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Massachusetts General Laws, Chapter 44, Section 55, limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Department follows the Massachusetts statute as written, as well as the Town of Reading's deposit policy for custodial credit risk.

Because the Department pools its cash and short-term investments with the Town of Reading, and bank accounts are maintained in the name of the Town, the amount of the

Department's balance exposed to custodial credit risk at December 31, 2020, cannot be reasonably determined.

As of December 31, 2020, none of the Department or Pension Trust investments were exposed to custodial credit risk because the related securities are registered in the Department's name.

Fair Value

The Department categorizes its fair value measurements within the fair value hierarchy established by *Governmental Accounting Standards Board Statement No. 72 Fair Value Measurement and Application (GASB 72)*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Reading Municipal Light Department categorizes its fair value measurements within the fair value hierarchy established by *Governmental Accounting Standards Board Statement No. 72 Fair Value Measurement and Application (GASB 72)*.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

The net asset value (NAV) per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the

lowest level input that is significant to the valuation. The Department's pension Plan's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Reading Municipal Light Department has the following fair value measurements as of December 31, 2020:

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Description	Value			
Investments by fair value level:				
Debt securities				
Corporate bonds	\$ 2,734,900	\$ -	\$ 2,734,900	\$ -
Total	\$ 2,734,900			

3. Restricted Cash and Investments

The Department's proprietary fund restricted cash and investment balances represent the following reserves:

	<u>12/31/20</u>	
	<u>Cash</u>	<u>Investments</u>
Depreciation fund	\$ 8,224,591	\$ -
Construction fund	2,103,969	-
Deferred fuel reserve	3,127,002	-
Deferred energy conservation reserve	33,417	-
Rate stabilization	8,433,313	-
Reserve for uncollectible accounts	200,000	-
Sick leave benefits	854,287	1,367,450
Hazardous waste fund	750,000	-
Customer deposits	1,406,058	-
Pension trust	<u>5,217,753</u>	<u>1,367,450</u>
Total	\$ <u><u>30,350,390</u></u>	\$ <u><u>2,734,900</u></u>

The Department maintains the following reserves:

- Depreciation fund - The Department is normally required to reserve 3.0% of capital assets each year to fund capital improvements.
- Construction fund – This account represents amounts set aside by the Department for construction-related projects.
- Deferred fuel reserve - The Department transfers the difference between the customers' monthly fuel charge adjustment and actual fuel costs into this account to be used in the event of a sudden increase in fuel costs.
- Deferred energy conservation reserve - This account is used to reserve monies collected from a special energy charge added to customer bills. Customers who undertake measures to conserve and improve energy efficiency can apply for rebates that are paid from this account.
- Rate stabilization - This represents amounts set aside to help stabilize cost increases resulting from fluctuations in purchase power costs.
- Reserve for uncollectible accounts - This account was set up to offset a portion of the Department's bad debt reserve.
- Sick leave benefits - This account is used to offset the Department's compensated absence liability.
- Hazardous waste fund -This reserve was set up by the Board of Commissioners to cover the Department's insurance deductible in the event of a major hazardous materials incident.
- Customer deposits - Customer deposits that are held in escrow.
- Pension trust - The principal instrument of a plan established by the Municipal Light Board to fund the Department's annual required contribution to the Town of Reading Contributory Retirement System (the System), a cost-sharing, multi-employer public employee retirement system.

4. Accounts Receivable

Accounts receivable consists of the following at December 31, 2020:

Customer Accounts:		
Billed	\$	2,621,522
Less allowances:		
Uncollectible accounts		(200,000)
Sales discounts		<u>(112,792)</u>
Total billed		2,308,730
Unbilled, net of sales discounts		<u>5,086,505</u>
Total customer accounts		7,395,235
Other Accounts:		
Liens and other		<u>373,284</u>
Total other accounts		<u>373,284</u>
Total net receivables	\$	<u><u>7,768,519</u></u>

5. Prepaid Expenses

Prepaid expenses consist of the following:

Insurance and other	\$	1,742,663
Purchase power		20,708
NYPA prepayment fund		307,573
WC Fuel - Watson		<u>367,363</u>
Total	\$	<u><u>2,438,307</u></u>

6. Inventory

Inventory comprises supplies and materials at December 31, 2020, and is valued using the average cost method.

7. Investment in Associated Companies

Investment in associated companies consists of the following, at December 31, 2020:

New England Hydro-Transmission (NEH & NHH)	\$	285,822
Energy New England		488,233
Black Rock Funding - Saddleback Ridge		<u>48,028</u>
Total	\$	<u><u>822,083</u></u>

Under agreements with the New England Hydro-Transmission Electric Company, Inc. (NEH) and the New England Hydro-Transmission Corporation (NHH), the Department has made the advances to fund its equity requirements for the Hydro-Quebec Phase II interconnection. The Department is carrying its investment at fair value, reduced by shares repurchased. The Department's equity position in the Project is less than one-half of one percent.

In April 2019, the Department invested in 8.334% shares of Energy New England (ENE). The Department's equity position at December 31, 2020 is based on ENE's capital, retained earnings, and the net profit from April through December of 2020.

In December 2013, the Department signed a purchase power agreement with Saddleback Ridge Wind, LLC for the output of Saddleback Ridge Wind located in Carthage, Maine. The contract for Saddleback Ridge Wind is effective from January 1, 2015 through December 31, 2035. The Department receives energy plus all attributes for this contract. The average annual generation is estimated to be approximately 15,820 megawatt-hours per year.

8. Capital Assets

The following is a summary of the year ended December 31, 2020 activity in capital assets (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Structures and improvements	\$ 20,633	\$ 328	\$ -	\$ 20,961
Equipment and furnishings	35,502	902	(253)	36,151
Infrastructure	<u>100,505</u>	<u>6,036</u>	<u>(860)</u>	<u>105,681</u>
Total capital assets, being depreciated	156,640	7,266	(1,113)	162,793
Less accumulated depreciation for:				
Structures and improvements	(10,783)	(562)	-	(11,345)
Equipment and furnishings	(23,671)	(804)	253	(24,222)
Infrastructure	<u>(43,102)</u>	<u>(3,333)</u>	<u>715</u>	<u>(45,720)</u>
Total accumulated depreciation	<u>(77,556)</u>	<u>(4,699)</u>	<u>968</u>	<u>(81,287)</u>
Total capital assets, being depreciated, net	79,084	2,567	(145)	81,506
Capital assets, not being depreciated:				
Land	<u>1,266</u>	<u>-</u>	<u>-</u>	<u>1,266</u>
Total capital assets, not being depreciated	<u>1,266</u>	<u>-</u>	<u>-</u>	<u>1,266</u>
Capital assets, net	<u>\$ 80,350</u>	<u>\$ 2,567</u>	<u>\$ (145)</u>	<u>\$ 82,772</u>

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Department that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

10. Accounts Payable

Accounts payable represent fiscal 2020 expenses that were paid after December 31, 2020.

11. Accrued Liabilities

Accrued liabilities consist of the following at December 31, 2020:

Accrued payroll	\$ 292,246
Accrued sales tax	74,549
Other	<u>29,670</u>
Total	<u>\$ 396,465</u>

12. Customer Deposits

This balance represents deposits received from customers that are held in escrow.

13. Accrued Employee Compensated Absences

Department employees are granted sick leave in varying amounts. Upon retirement, normal termination, or death, employees are compensated for unused sick leave (subject to certain limitations) at their then current rates of pay.

14. Long-Term Debt***Changes in General Long-Term Liabilities***

During the year ended December 31, 2020, the following changes occurred in long-term liabilities (in thousands):

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Less Current <u>Portion</u>	Equals Long-Term <u>Portion</u>
Net pension liability	\$ 14,610	\$ -	\$ (2,555)	\$ 12,055	\$ -	\$ 12,055
Net OPEB liability	7,095	72	-	7,167	-	7,167
Compensated absences	<u>2,471</u>	<u>-</u>	<u>(249)</u>	<u>2,222</u>	<u>(362)</u>	<u>1,860</u>
Totals	\$ <u>24,176</u>	\$ <u>72</u>	\$ <u>(2,804)</u>	\$ <u>21,444</u>	\$ <u>(362)</u>	\$ <u>21,082</u>

15. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Department that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources are related to pension and OPEB, and contributions in aid of construction. Pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes.

The application of ASC 980 results in certain revenues and expenses being removed from the Statement of Revenues, Expenses and Changes in Fund Net Position and reflected in the Statement of Net Position as deferred outflows or deferred inflows. The revenues that have been removed from the Statement of Revenues, Expenses, and Changes in Fund Net Position and added to the Statement of Net Position as deferred inflows of resources are the Department's contributions in aid of construction. These deferred inflows will be amortized over the life of the corresponding capital assets.

16. Reading Contributory Retirement System

The Department follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

Plan Description

Substantially all employees of the Department are members of the Town of Reading Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the

System, as well as contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports, which are publicly available from the System's administrative offices located at Reading Town Hall, 16 Lowell Street, Reading, Massachusetts, 01867.

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Department employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of

the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Department’s contribution to the System for the year ended December 31, 2020 was \$2,039,462 which was equal to its actuarially determined contribution.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from System’s fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions

At December 31, 2020, the Department reported a liability of \$12,054,935 for its proportionate share of the System’s net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019. The Department’s proportion of the net pension liability was based on an actuarially determined projection of the Department’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. At December 31, 2019, the Department’s proportion was 28.35%.

For the year ended December 31, 2020, the Department recognized pension expense of \$3,061,302. In addition, the Department reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 2,342,274	\$ (122,257)
Changes of assumptions	406,031	(963,893)
Net difference between projected and actual investment earnings on pension plan	-	(1,272,480)
Changes in proportion and differences between employer contributions and proportionate share of contributions	39,099	(167,395)
Contributions subsequent to the measurement date	<u>2,039,462</u>	<u>-</u>
Total	<u>\$ 4,826,866</u>	<u>\$ (2,526,025)</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net pension liability in the year ended December 31, 2021.

Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2021	\$ 313,252
2022	(25,960)
2023	499,148
2024	(525,044)
2025	<u>(17)</u>
Total	<u>\$ 261,379</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2019
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Projected salary increases	4.25%-6.00% for Groups 1 and 2
Inflation rate	2.40% Annually
Post-retirement cost-of-living adjustment	3.00% of first \$12,000

Mortality rates were based on the RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. For disabled members, RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.

Target Allocations

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Rates of Return</u>
Global equity	39.00%	4.68%
Fixed income	15.00%	59.00%
Private equity	13.00%	8.50%
Portfolio completion	11.00%	3.40%
Real estate	10.00%	3.70%
Value-added fixed income	8.00%	4.40%
Timberland	4.00%	4.30%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Department's proportionate share of the net pension liability (asset) calculated using the current discount rate of 7.50%, as well as what the Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
\$18,138,213	\$12,054,935	\$6,890,006

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

Town of Reading Municipal Light Department Employees Retirement Trust ("Pension Trust")

The Department has established an irrevocable trust for the purpose of currently funding its annual required contribution to the Town of Reading Contributory Retirement System (RCRS). Annual contributions to the trust are actuarially determined to be the net normal cost for funding the Department's liability for pension benefits for covered employees, and both the principal and income of the trust is restricted for the exclusive benefit of Department employees and their beneficiaries. This Pension Trust is included in the proprietary fund statements in the Department's basic financial statements.

As noted in the first paragraph of this section, the Department's proportionate share of the RCRS net pension liability was determined by an actuarial valuation as of January 1, 2019. However, the actuarial valuation does not take into account the fiduciary net

position of the Department's Pension Trust at December 31, 2019 (the measurement date). As of December 31, 2019, the value of the pension trust was \$6,365,431.

17. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2010, the Department established a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of December 31, 2020.

General Information about the OPEB Plan

Plan Description

The Department provides post-employment healthcare benefits for retired employees through the Department's plan. The Department provides health insurance coverage through Blue Cross Blue Shield. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

The Department provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Department and meet the eligibility criteria will receive these benefits.

Funding Policy

The Department's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on actuarially determined amounts.

Plan Membership

At June 30, 2018 (Actuarial Valuation date), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	95
Active employees	<u>56</u>
Total	<u>151</u>

Investments

The OPEB trust fund assets consist of cash and short-term investments. The plan expects to invest with the State Retiree Benefit Trust Fund (SRBTF) in the Pension Reserves Investment Trust (PRIT).

Rate of return. For the year ended December 31, 2020, the annual money-weighted rate of return on investments, net of investment expense, was not available. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward June 30, 2020 to using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	6.00% decreasing to 4.25% based on service for Group 1 and Group 2
Investment rate of return	7.25%
Municipal bond rate	Unknown
Discount rate	7.25%
Healthcare cost trend rates	Medical/Prescription Drug: 7.00% decreasing by 0.25% for 10 years to an ultimate level of 4.50% per year. Contributions: Retiree contributions are expected to increase with medical trend.
Participation rate	100% of active employees

Mortality rates were based on:

- Pre-Retirement: RP-2014 Blue Collar Employee Mortality Table projected generationally using Scale MP-2018
- Healthy: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2018

- Disabled: RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP-2018

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of June 30, 2018.

Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	21.00%	6.15%
Core fixed income	15.00%	1.11%
International developed markets equity	13.00%	6.78%
Private equity	13.00%	9.99%
Hedge fund, GTAA, risk parity	11.00%	3.19%
Real estate	10.00%	4.33%
High-yield fixed income	8.00%	3.51%
International emerging markets equity	5.00%	8.65%
Commodities	4.00%	4.13%
Total	<u>100.00%</u>	

Contributions

In addition to the implicit subsidy contribution, the Department's policy is to contribute the ADC.

Discount Rate

The discount rate used to measure the net OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Net OPEB Liability

The components of the net OPEB liability, measured as of December 31, 2020, were as follows:

Total OPEB liability	\$ 11,674,762
Plan fiduciary net position	<u>4,508,256</u>
Net OPEB liability	<u>\$ 7,166,506</u>
Plan fiduciary net position as a percentage of the total OPEB liability	38.62%

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability for the past year.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances, beginning of year	\$ 11,182,145	\$ 4,087,576	\$ 7,094,569
Changes for the year:			
Service cost	336,113	-	336,113
Interest	811,737	-	811,737
Contributions - employer	-	1,042,087	(1,042,087)
Net investment income	-	33,826	(33,826)
Benefit payments	<u>(655,233)</u>	<u>(655,233)</u>	<u>-</u>
Net Changes	<u>492,617</u>	<u>420,680</u>	<u>71,937</u>
Balances, end of year	<u>\$ 11,674,762</u>	<u>\$ 4,508,256</u>	<u>\$ 7,166,506</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease	Current Discount Rate	1% Increase
(6.25%)	(7.25%)	(8.25%)
\$ 8,454,414	\$ 7,166,506	\$ 6,030,023

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	Current Healthcare Cost Trend Rates	
1% Decrease <u>(6.00%)</u>		1% Increase <u>(8.00%)</u>
\$ 5,728,921	\$ 7,166,506	\$ 8,836,014

OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB

For the year ended December 31, 2020, the Department recognized an OPEB expense of \$966,651. At December 31, 2020, the Department reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ 130,124	\$ -
Changes in assumptions	-	(126,078)
Net difference between projected and actual earnings on OPEB investment	<u>403,419</u>	<u>-</u>
Total	\$ <u>533,543</u>	\$ <u>(126,078)</u>

Amounts reported as deferred outflows and (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:

2021	\$ 129,172
2022	129,171
2023	93,813
2024	<u>55,309</u>
Total	\$ <u>407,465</u>

18. Participation in Massachusetts Municipal Wholesale Electric Company

Town of Reading acting through its Light Department is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix No 1 Project, Nuclear Project Three, Nuclear Project Four, Nuclear Project Five and Project Six, which comprise an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. The operating license for Seabrook Station extends to March 15, 2050. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045. On July 19, 2019, MMWEC sold its 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC.

MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). The Light Department has entered into PSAs with MMWEC. Under the PSAs the Department is required to make certain payments to MMWEC payable solely from Municipal Light Department revenues. Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs. Each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

Pursuant to the PSAs, the MMWEC Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the Millstone and Seabrook Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

As of July 1, 2019, MMWEC has no debt service obligations outstanding relating to the Projects. MMWEC is involved in various legal actions. In the opinion of management, the outcome of such litigation or claims will not have a material adverse effect on the financial position of the company.

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses as discussed above) associated with the Department's Project Capability of the Projects in which it participates for the years ended December 31, 2020 and 2019, respectively are listed in the table below.

Reading Municipal Light Department					
Years Ended					
Projects	Percentage Share	Total Capital Expenditures	Total Capital Expenditures	Capacity, Fuel & Transmission Billed	Capacity, Fuel & Transmission Billed
		2020	2019	2020	2019
Stony Brook Peaking Project	19.5163%	\$ 11,804,463	\$ 11,655,859	\$ 737,155	\$ 712,108
Stony Brook Intermediate Project	15.9249%	28,760,974	28,510,622	2,211,613	2,065,782
Nuclear Mix No. 1-Seabrook	14.7191%	1,498,043	1,487,536	69,035	80,366
Nuclear Mix No. 1-Millstone	14.7191%	9,042,897	8,911,367	874,492	863,083
Nuclear Project No. 3-Millstone	5.2617%	7,883,321	7,789,578	626,561	620,134
Nuclear Project No. 4-Seabrook	12.5560%	37,820,072	37,581,471	1,572,540	1,835,491
Nuclear Project No. 5-Seabrook	6.1186%	4,990,509	4,961,078	196,683	229,475
		<u>\$ 101,800,279</u>	<u>\$ 100,897,511</u>	<u>\$ 6,288,079</u>	<u>\$ 6,406,439</u>

19. Renewable Energy Certificates

In 2003, the Massachusetts Department of Energy and Environmental Affairs adopted the Massachusetts Renewable Energy Portfolio Standard (RPS), a regulation that requires Investor Owned Utilities (IOUs) to purchase mandated amounts of energy generated by renewable resources (Green Energy) as a percentage of their overall electricity sales. The Massachusetts RPS applies only to IOUs, so the Department is currently exempt from this mandate.

Energy suppliers meet their annual RPS obligations by acquiring a sufficient quantity of RPS-qualified renewable energy certificates (RECs) that are created and recorded at the New England Power Pool (NEPOOL) Generation Information System (GIS). Suppliers can purchase RECs from electricity generators or from other utilities that have acquired RECs.

As part of its ongoing commitment to Green Energy, the Department has entered into Purchase Power Agreements (PPAs) with Swift River Hydro LLC and Concord Steam Corporation to purchase power generated from renewable energy resources. These PPAs include the Department taking title to RECs, which certify that the energy produced was the product of a renewable resource. Because the Department is exempt from the RPS provisions, it has the option of holding these RECs until they expire or selling them through the NEPOOL GIS.

Information regarding the Department's year ending December 31, 2020 REC activity and balances is as follows:

<u>REC Holdings at December 31, 2020</u>		
	<u>Projected Certificates</u>	<u>Estimated Value</u>
ME Class I	\$ 4,206	\$ 4,206
MA/CT/RI/NH I	4,149	190,854
MA Class I & II	3,094	97,593
MA/RI/NH I/ME	2,380	109,480
CT/RI Class I	857	39,422
CT Class I	538	24,748
VT Class I	<u>201</u>	<u>201</u>
Total	<u>\$ 15,425</u>	<u>\$ 466,504</u>

A projected REC is the Department's estimate of what will be received based on invoices generated by REC-producing projects that the Department has entitlements to.

Because there is no formal accounting guidance under GAAP or IFRS for RECs and the Department does not have a formal policy for the future disposition of RECs, the estimated fair value of the Department's REC holdings at December 31, 2020 are not recognized as an asset on the proprietary fund Statements of Net Position.

20. Leases

Related Party Transaction - Property Sub-Lease

The Department is the lessor of facilities that are currently sub-leased to the Reading Town Employees Federal Credit Union. The original sub-lease agreement commenced in December 2000 and was extended by various amendments through November 30, 2021. Following is the future minimum rental income to be received by the Department under the terms of this lease for the year ending December 31:

2021	\$ <u>8,984</u>
Total	\$ <u>8,984</u>

Operating Lease - Warehouse

The Department is the lessee of a warehouse facility owned by JCM Real Estate Trust. The original lease agreement for this facility commenced in December 1998 and was extended by various amendments through May 31, 2018. Under the terms of the most recent lease amendment, the Department has exercised the option to extend the lease for an

additional 60 months until May 31, 2025. Following is the future minimum rental expense to be paid by the Department for the year ending December 31:

2021	\$ 161,347
2022	161,347
2023	161,347
2024	161,347
2025	<u>67,228</u>
Total	\$ <u>712,616</u>

21. Subsequent Events

Management has evaluated subsequent events through , 2021, which is the date the financial statements were available to be issued.

22. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States and across the globe has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, special acts or legislation by the state or federal government, and the impact on our customers, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain. Additionally, the Department has not experienced any disruptions in operations or supply chains as of the date of the financial statements.

Outstanding Legal Issues

On an ongoing basis, there are typically pending legal issues in which the Department is involved. The Department's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

23. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Department beginning with its calendar year ending December 31, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

TOWN OF READING, MASSACHUSETTS, MUNICIPAL LIGHT DEPARTMENT

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension LiabilityDecember 31, 2020
(Unaudited)

Reading Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
December 31, 2020	December 31, 2019	28.35%	\$12,054,935	\$ 6,754,079	178.48%	78.24%
December 31, 2019	December 31, 2018	28.35%	\$14,610,001	\$ 6,513,347	224.31%	72.56%
December 31, 2018	December 31, 2017	29.15%	\$10,781,819	\$ 6,938,057	155.40%	79.32%
June 30, 2018	December 31, 2017	29.15%	\$10,781,819	\$ 6,938,057	155.40%	79.32%
June 30, 2017	December 31, 2016	29.15%	\$13,076,538	\$ 6,393,765	204.52%	73.43%
June 30, 2016	December 31, 2015	28.25%	\$12,862,732	\$ 6,147,851	209.22%	72.17%
June 30, 2015	December 31, 2014	28.25%	\$8,464,663	\$ 5,908,694	143.26%	79.89%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TOWN OF READING, MASSACHUSETTS, MUNICIPAL LIGHT DEPARTMENT

Required Supplementary Information
Schedule of Pension ContributionsDecember 31, 2020
(Unaudited)

Reading Contributory Retirement System

Fiscal Year	Measurement Date	Contributions in Relation to the		Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution	Actuarially Determined Contribution			
December 31, 2020	December 31, 2019	\$ 2,039,462	\$ 2,039,462	\$ -	\$ 6,754,079	30.20%
December 31, 2019	December 31, 2018	\$ 1,781,345	\$ 1,781,345	\$ -	\$ 6,513,347	27.35%
December 31, 2018	December 31, 2017	\$ 1,691,058	\$ 1,691,058	\$ -	\$ 6,938,057	24.37%
June 30, 2018	December 31, 2017	\$ 1,650,416	\$ 1,650,416	\$ -	\$ 6,938,057	23.79%
June 30, 2017	December 31, 2016	\$ 1,579,345	\$ 1,579,345	\$ -	\$ 6,393,765	24.70%
June 30, 2016	December 31, 2015	\$ 1,461,650	\$ 1,461,650	\$ -	\$ 6,147,851	23.77%
June 30, 2015	December 31, 2014	\$ 1,401,638	\$ 1,401,638	\$ -	\$ 5,908,694	23.72%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TOWN OF READING, MASSACHUSETTS MUNICIPAL LIGHT DEPARTMENT

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedule of Changes in the Net OPEB Liability

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service cost	\$ 336,113	\$ 245,905	\$ 238,384	\$ 230,880
Interest	811,737	799,729	766,539	733,280
Differences between expected and actual experience	-	260,248	-	-
Changes of assumptions	-	(252,156)	-	-
Benefit payments, including refunds of member contributions	<u>(655,233)</u>	<u>(577,471)</u>	<u>(552,351)</u>	<u>(504,917)</u>
Net change in total OPEB liability	492,617	476,255	452,572	459,243
Total OPEB liability - beginning	<u>11,182,145</u>	<u>10,705,890</u>	<u>10,253,318</u>	<u>9,794,075</u>
Total OPEB liability - ending (a)	11,674,762	11,182,145	10,705,890	10,253,318
Plan Fiduciary Net Position				
Contributions - employer	1,042,087	1,012,408	1,159,476	813,663
Net investment income	33,826	90,920	75,522	35,045
Benefit payments, including refunds of member contributions	<u>(655,233)</u>	<u>(577,471)</u>	<u>(552,351)</u>	<u>(504,917)</u>
Net change in plan fiduciary net position	420,680	525,857	682,647	343,791
Plan fiduciary net position - beginning	<u>4,087,576</u>	<u>3,561,719</u>	<u>2,879,072</u>	<u>2,535,281</u>
Plan fiduciary net position - ending (b)	<u>4,508,256</u>	<u>4,087,576</u>	<u>3,561,719</u>	<u>2,879,072</u>
Net OPEB liability - ending (a-b)	<u>\$ 7,166,506</u>	<u>\$ 7,094,569</u>	<u>\$ 7,144,171</u>	<u>\$ 7,374,246</u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Department's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

**TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT**

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedules of Net OPEB Liability, Contributions, and Investment Returns

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability				
Total OPEB liability	\$ 11,674,762	\$ 11,182,145	\$ 10,705,890	\$ 10,253,318
Plan fiduciary net position	<u>4,508,256</u>	<u>4,087,576</u>	<u>3,561,719</u>	<u>2,879,072</u>
Net OPEB liability	<u>\$ 7,166,506</u>	<u>\$ 7,094,569</u>	<u>\$ 7,144,171</u>	<u>\$ 7,374,246</u>
Plan fiduciary net position as a percentage of the total OPEB liability	38.62%	36.55%	33.27%	28.08%
Covered employee payroll	\$ unavailable	unavailable	\$ unavailable	unavailable
Participating employer net OPEB liability (asset) as a percentage of covered employee payroll	\$ unavailable	unavailable	\$ unavailable	unavailable
Schedule of Contributions				
Actuarially determined contribution	\$ 1,136,780	\$ 1,146,987	\$ 991,048	\$ 932,387
Contributions in relation to the actuarially determined contribution	<u>1,042,087</u>	<u>1,012,408</u>	<u>1,159,476</u>	<u>813,663</u>
Contribution deficiency (excess)	<u>\$ 94,693</u>	<u>\$ 134,579</u>	<u>\$ (168,428)</u>	<u>\$ 118,724</u>
Schedule of Investment Returns				
Annual money weighted rate of return, net of investment expense	unavailable	unavailable	unavailable	unavailable

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Department's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.



**READING MUNICIPAL
LIGHT DEPARTMENT**

BOARD OF COMMISSIONERS MEETING

REGULAR SESSION

Thursday, June 3, 2021

PRESENTATION OF 2020 FINANCIAL AUDIT FINDINGS

ATTACHMENT 1 | AGENDA ITEM 3
(Please refer to separate attachment)

GENERAL MANAGER'S REPORT

ATTACHMENT 2 | AGENDA ITEM 6

NEPPA's 2021 Annual Conference

Dates: Sunday August 22 – Wednesday August 25, 2021

Website Link: [Annual Conference | NEPPA](#)

Conference Location: **Westin Portland Harborview**
Address: 157 High Street, Portland, Maine 04101
Phone Number: (207) 775-5411

Lodging: **Westin Portland Harborview**
Address: 157 High Street, Portland, Maine 04101
Phone number: (207) 775-5411

NEPPA's 2021 Annual Conference Agenda At A Glance

Agenda details are still being finalized and are therefore subject to change.

Sunday, August 22, 2021

2:00 pm **Member Value Committee Meeting**
2:00 pm **Advocacy & Reporting Committee Meeting**
2:00 pm **Registration Opens**

Monday, August 23, 2021

7:00 am **Registration, Idea Wall**
8:00 am **Keynote Address:**
9:45 am **Breakout Sessions**
 General Session:
 Roundtable:
 Advocacy:
11:00 am **Breakout Sessions**
 General Session:
 Roundtable:
 Advocacy:
1:00 pm **Breakout Sessions**
 General Session:
 Roundtable:

Advocacy:

2:30 pm **Breakout Session**

General Session:

3:45 pm **Business Meeting – NEPPA Board of Directors Election**

Tuesday, August 24, 2021

7:00 am **Registration**

8:00 am **General Session:**

Legislative Update by Meguire Whitney, LLC

9:15 am **General Manager's Roundtable:**

Roundtable

Advocacy

Commissioner's Roundtable

10:30 am **General Session:**

Wednesday, August 25, 2021

9:00 am **NEPPA Board of Directors Meeting**

11:00 am **Conference Adjourns**

REVIEW OF POLICY 19

ATTACHMENT 3 | AGENDA ITEM 7

**RMLD Policy No. 19
BOARD OF COMMISSIONERS**

Revision No. 15

Commission Vote Date

General Manager/Date

Next Review Date

I. PURPOSE

- A. To establish procedures and the respective roles and duties of members of the RMLD Board of Commissioners ("Board").
- B. To establish administrative controls for certain Board activities.

II. GOVERNING LAWS

The role of the Board in the operation and management of RMLD shall be governed by M.G.L. c. 164 and other applicable state statutes and regulations. The conduct of meetings of the Board shall conform to M.G.L. c. 30A, §§ 18-25 – the Massachusetts Open Meetings Law.

III. MEETINGS AND PROCEDURES

Regular Board meetings generally will be held once a month or as otherwise needed. The Board of Commissioners meetings will not hear new topic discussions after 10:45 PM and meetings will be adjourned no later than 11:15 PM. The Chair may call special or emergency meetings, as needed. The Chair shall read the Board's code of conduct and courtesy at the beginning of each meeting.

All meetings shall be conducted in open session in accordance with M.G.L. c. 30A, § 20, unless the particular matter to be discussed involves an appropriate topic for executive session. No quorum of the Board may engage in any deliberations or otherwise discuss substantive matters involving Board business outside of a duly noticed open session. This restriction includes serial communications, which means any oral or written communication through any medium, including electronic mail, between or among a quorum of the Board on any public business within its jurisdiction. The General Manager, who is not a public body and who is not subject to the Open Meeting Law, may provide oral or written communications, including email, to a quorum of the members of the Board. The Board shall not deliberate on such communications outside of a public meeting. Deliberations include the expression of an opinion on matters within the Board's jurisdiction to a quorum of the Board, even if no other Board member responds.

The Board may follow rules of order as established and determined by the Board from time to time.

Unless otherwise specified herein, all actions and approvals require a majority vote of a quorum of the Board. A quorum is a simple majority of the Board members, *i.e.*, three (3) members.

The following procedures shall apply to executive session meetings:

1. The Board must first convene in an open session;
2. The Board has voted to go into Executive Session and the vote of each member is recorded by roll call and entered into the minutes;
3. Before the Executive Session, the Chair shall state the purpose for the executive session, stating

all subjects that may be revealed without compromising the purpose for which the executive session was called;

4. The Chair shall publicly announce whether the open session will reconvene at the conclusion of the executive session; and
5. In the case of remote participation in an executive session meeting, no person may be present with the participating Board member during such meeting, the participating Board member shall not allow any person to hear or see such meeting and no Board member may record such meeting. Each Board member will be required to state on the record that there is no person present with them during such meeting, the Board member is not allowing any person to hear or see such meeting and the Board member is not recording such meeting.

Additional procedures may apply to specific executive session topics as set forth in M.G.L. c. 30A, § 21. Records of executive sessions shall be kept in accordance with statutory requirements. Audio and/or visual recordings of executive session meetings shall not be taken, except as otherwise required by M.G.L. c. 30A, § 21. All executive session meetings shall comply with any additional requirements or procedures set forth in M.G.L. c. 30A, § 21.

IV. BOARD MEMBER POSITIONS AND DUTIES

The Board shall designate a Chair and Vice Chair with each having a minimum term of one (1) year. The Chair shall serve as the presiding officer of the Board, and a Vice Chair shall serve as the presiding officer in the Chair's absence. A Secretary shall be selected by the Board for each meeting of the Board, and such selection shall be made on a rotating basis to the extent expedient and convenient for the Board. The Secretary shall be responsible for performing certain administrative functions on behalf of the Board. The designations shall be made by majority vote of the Board. The Chair and Vice Chair shall serve for a minimum of a one-year term unless a special restructuring of the Board is needed. A Board member who is up for re-election may not be appointed as Chair in the year that he/she is scheduled for re-election. A majority vote of at least three (3) members of the Board is required to designate a new Chair or Vice Chair prior to the expiration of their terms.

A. Board Chair

1. Chair is responsible for scheduling regular meetings and calling special and/or emergency meetings, as needed. Chair is responsible for determining whether a topic is appropriate for discussion in executive session meetings and shall make all announcements as required in Article II if an executive session meeting is convened.
2. Chair presides over Board meetings, approves the agenda and recognizes all speakers, including other Board members.
3. Chair nominates Board members to represent the Board at appropriate functions, events and outside meetings. Final decision of the appointment is by a majority of the full Board. A majority of the Board is at least three of the five members.
4. Chair nominates Board members to Board Committees. Final appointment is by a majority vote of the Board.
5. In his/her discretion, Chair may waive any procedures or formalities that are not required by law to facilitate the conduct of Board's business.

B. Vice Chair

1. If the Chair is unable to attend a Board meeting, then the Vice Chair will serve as the Chair for that Board Meeting. If the Chair and Vice Chair are unable to attend a Board meeting,

then the Secretary of the Board will assume the duties of the Chair and will appoint a Board Member to serve as Secretary for that meeting.

C. Board Secretary

1. Review draft Board minutes for accuracy, completeness and compliance with Open Meeting Laws.
2. Certifies, as required by law, votes of the Board.
3. Signs, upon direction of a majority of the Board, power supply contracts and legal settlements on behalf of the Board. Alternatively, the General Manager or any Board member may be authorized by a majority Board vote of the Board to execute contracts on behalf of RMLD.

V. BOARD RESPONSIBILITIES

- A. While the Board is elected by the voters of the Town of Reading, the Board shall conduct its business to serve the interests of the customers of the entire RMLD service area.
- B. Responsible for approving overall goals, objectives and policies governing RMLD to be implemented and discharged by the General Manager within the constraints of M.G.L. c. 164 and other applicable statutes and regulations.
- C. Appoints the General Manager and establishes his/her compensation and terms and conditions of employment.

The General Manager has the ultimate authority and responsibility for the operation and the management of the RMLD, under the direction and control of the Board, all as set forth in M.G.L. c. 164.

Prior to the start of each Contract Year (as defined in the General Manager's employment agreement, or at any other time as agreed to by the General Manager), the Board will meet with the General Manager to cooperatively develop goals and tasks ("Performance Review Criteria") to be undertaken and completed by the General Manager in the next Contract Year or such other period of time as agreed to by the General Manager. The General Manager and the Board shall review and sign-off on these Criteria within thirty days of development by Employee and RMLD Board. Before the end of the General Manager's Contract Year or such other time as agreed to by the General Manager, the Board will give the General Manager a performance appraisal based on the General Manager's performance and satisfaction of the goals and tasks agreed upon by the General Manager and the Board during the previous Contract Year or such other period of time as agreed to by the General Manager and adjust the General Manager's salary based on that appraisal.

Except for actions contrary to lawful decisions or lawful written policies made by the Board, the General Manager is authorized to take whatever actions as are required to operate and manage RMLD pursuant to M.G.L. c. 164.

The General Manager is the only designated representative for the Board regarding collective bargaining negotiations. The General Manager may utilize other RMLD management personnel as needed to carry out these responsibilities.

- D. Responsible for approving the annual budgets. The Board will receive a report quarterly at their regularly scheduled meeting concerning variance on the operating budget.

On a quarterly basis, the Board may direct the General Manager to give an update on the expenditures on outside services, which could include legal, engineering, audit, and other consulting services. If any legal issues are being or have been considered in an executive session meeting, then the explanation

of that legal issue will be given in an executive session meeting, unless the subject matter for the execution session meeting no longer meets the requirements for holding an executive session meeting.

On a quarterly basis, the Board may review reports from the General Manager concerning the disposal of scrap and/or surplus material.

- E. When the Director of Business/Finance questions a payment on an invoice or has other concerns relating to the RMLD's finances, the General Manager or his/her designee shall inform the Board of the Director of Business/Finance's concerns for discussion and resolution at the next available Board meeting. The issue will be discussed in an open session meeting unless there is a need to convene an executive session meeting (e.g., invoices concerning legal matters, etc.).
- F. The Board may hear comments from RMLD customers during the public comment portion of the meetings. The Chair, in his/her discretion, may limit comments and/or participation (including canceling the public comment session) as necessary to provide for the orderly and efficient conduct of the meeting, and in the interest of time. This policy does not limit the authority of the Chair to regulate public participation and the conduct of attendees, or the rights of members of the public to observe and record open meetings pursuant to M.G.L. c. 30A, § 20. The Board may set policies or general guidelines to resolve customer complaints and issues consistent with its authority under G.L. c. 164, § 56.
- G. The Board will appoint one Board member to serve on the Town of Reading Audit Committee. Reappointment of this position will be done annually and coincide with the Board restructuring, which occurs at the first meeting after the annual Town of Reading election. The Board member on the Town of Reading's Audit Committee will ensure that the selected auditing firm is qualified to perform a financial audit of a municipal electric utility. The Board accepts the audited financial statements and management letter and shall require the General Manager to submit a written action report on any item commented on by the auditor's Management Letter.
- H. Approves, after allowing a 30-day period for input from the Citizens' Advisory Board, as provided for in the Twenty-Year Agreement, on the following topics:
 - 1. Annual Capital and Operating Budgets - Upon approval of an annual operating budget, the General Manager will make an annual presentation to the Town of Reading Annual Town Meeting, the Town of Lynnfield, the Town of North Reading and the Town of Wilmington, which will summarize current year financial highlights and financial audits for the previous calendar year.
 - 2. Significant Expansion or Retirement of the RMLD's Transmission, Distribution, General Plant, or Generation;
 - 3. All power contracts and agreements and their resource mix, unless otherwise voted through a strategic risk mitigation plan, i.e., the Transaction Facilities Agreement ("TFA"), which is based on four-year time and price triggers. The General Manager will report to the Board quarterly on all purchases made under the TFA.
 - 4. Cost-of-service and rate making practices; and
 - 5. Other issues that may come before the Board that are within its jurisdiction.
- I. Approves
 - 1. The annual report (including audited financial statements) of the RMLD.
 - 2. All correspondence on RMLD letterhead written by any Board member or on behalf of the Board.

3. All collective bargaining agreements. Also establishes the goals and objectives for the General Manager to meet in bargaining new or amended collective bargaining agreements.
 4. All presentations made by the RMLD Board or a member of the Board to other elected Boards or Committees.
 5. The appointment of Board members to Board Committees.
 6. Electric rates.
- J. Approves, in conjunction with the General Manager, the payroll and weekly accounts payable warrants.
- K. Attends (consistent with approved RMLD budgets) meetings, conferences, training sessions and similar functions as appropriate for enhancing policymaking skills and functions.
- L. Attends functions sponsored by the Town of Reading, the Commonwealth of Massachusetts for elected officials, APPA national conferences and NEPPA annual conference and annual business meetings, all of which are presumed to be appropriate for Board member attendance. Attendance for all other meetings, conferences, training sessions and similar functions shall be administered in the same manner as for RMLD management employees. In the event a Board member disagrees with the resultant decision(s), he/she may request the Board, by a majority vote, to approve attendance (subject to any conditions deemed appropriate by the Board). Any Board member attending meetings, conferences, training sessions and similar functions as appropriate for enhancing policy-making skills are required to make a full report at the next available Board meeting.
- It is the policy of the Board that no Board member will have a personal or economic interest or benefit, directly or indirectly, from attendance in meetings, conferences, training sessions and similar functions. Further, it is the responsibility of each Board member to make a full public disclosure of any personal interest or benefit in advance and shall otherwise comply with any restrictions imposed by G.L. c. 268A.
- M. Performs the functions relative to the RMLD Other Post Employment Benefits Liability Fund Trust as set forth in Policy No. 8 – Other Post-Employment Benefits (“OPEB”) Liability Trust Fund.

VI. BOARD COMMITTEES:

Board committees serve as a useful mechanism for the Board to review and consider specific issues. Committees may recommend a course of action to the Board. The listing of Board Committees and duties are found on Attachment A of this policy.

VII. GENERAL:

In executing its responsibilities to the RMLD, the Board and its members shall:

- A. Operate in accordance with the spirit, as well as the letter, of all laws affecting the RMLD's business and its employees.
- B. Act with the highest level of integrity, business ethics and objectivity in all matters involving or pertaining to the RMLD.
- C. Not misuse the authority or influence of his or her Board member position.
- D. Be supportive of a good working relationship between RMLD management and its unions.
- E. Direct all RMLD employee issues, matters and concerns to the General Manager.

- F. Affirmatively and courteously respond to all requests for public information, subject to the constraints of Policy 12, Board Document Dissemination and the Massachusetts Public Records Law. All requests and responses will be arranged through the General Manager.
- G. Not contribute, in any form, to civic, charitable, benevolent or other similar organizations.
- H. Maintain "cost of service" electricity rates as required by law; set policy for the RMLD with the goal of keeping its residential rates lower than any investor owned electric utility in Massachusetts and competitive with any electric utility whose service area is contiguous with the RMLD's service area.
- I. Serve the best interests of all of RMLD's customers.

VIII. INSURANCE AND INDEMNIFICATION

- A. The General Manager or her designee shall cause the RMLD to procure public officials liability insurance to provide liability coverage for the errors and omissions of Board members arising from their role as members of the Board as set forth in such insurance policy. Details of such coverage shall be presented by the General Manager or her designee to the Board for its review and comment as requested or as otherwise requested by the Board.
- B. The RMLD and each Board Member shall enter into an indemnity agreement that indemnifies each Board Member against certain costs and on such terms that are agreed upon by the RMLD and the Board from time to time.

Attachment A

Audit Committee
(Including Town of Reading Audit)

The Board will appoint one Board member and one back-up to serve on the Town of Reading Audit Committee. Reappointment of this position will be done annually and coincide with the Board restructuring, which occurs at the first meeting after the annual Town of Reading election.

The Board member on the Town of Reading's Audit Committee will ensure that the selected auditing firm is qualified to perform a financial audit of a municipal electric utility.

The Board accepts the audited financial statements and management letter and shall require the General Manager to submit a written action report on any item commented on by the auditor's Management Letter.

RMLD Sub-Audit Committee

The appointed Audit Committee Board member and appointed back-up constitute the RMLD Sub-Audit Committee.

Account Payables

Remotely via computer reviews and approves payables on a weekly basis. This position is rotational monthly. Backup is required if primary is not available.

Payroll

Remotely via computer reviews and approves payables on a weekly basis. This position is rotational monthly. Backup is required if primary is not available.

Advisory Joint Committee
Payment to the Town of Reading

Advise the Board concerning the voluntary payment to the Town of Reading from RMLD's unappropriated surplus funds, consistent with RMLD's legal obligations.

Two RMLD Board Members

Two Citizen's Advisory Board Members

One Reading Board of Selectmen Member

INTEGRATED RESOURCES REPORT

ATTACHMENT 4 | AGENDA ITEM 8



Intergraded Resources Report

BOC / CAB Discussion

3 June 2021

Outline

Power Portfolio Addition – third hydro

Renewable Choice - update

Background – key economic drivers

Third Hydro Power Supply Opportunity

Eastern New York, *Plant #4*, located on series of natural waterfalls, 150 ft total drop; hydro site for nearly 200 years

Enormous natural upstream watershed enables uniquely consistent power generation

No known environmental issues - regulated by NY DEC and the FERC under Federal Exemption granted in 1980s

Modern powerhouse installed in 1980s, with upgrades in 2000 and again in 2019

Volume ~31,000 MWh/yr (~4.8 % RMLD total load); with MA Class II associated certificates

Pricing slightly below average RMLD hydro prices (volume related discounts)

illustrative image



Renewable Choice at other MLPs

Five MLPs offer renewable choice program

Each **unique** to reflect MLP power portfolio and rate base characterization

<i>MLP Name</i>	<i>Annual Sales</i>	<i>Program Name</i>	<i>Additional Cost</i>	<i>Participation</i>
Belmont	121,521	Green Choice Program	\$3.00 - \$42.00 per month	Opt In
Wellesley	239,768	Voluntary Renewable Energy Program	\$0.044 / kWh (\$24 / month)	Opt In
Shrewsbury	243,529	Green Light Renewable Power	\$5, \$10, \$15, or custom	Opt In
Middleborough	262,843	+ Green Choice	\$0.02 / kWh	Opt In
Taunton	640,323	Go Green 100%	\$0.019 / kWh	Opt In

July 1st – Wellesley replacing their VREP with WECARE

4% increase (~\$4.60 / month)

majority of funds for future local energy projects and 15% of funds to buy RECs

opt out

Renewable Choice - update

Goal

Offer 100% options for rate payers (renewable or non-carbon)

Incremental to annualized non-carbon compliance that all ratepayers pay (example - 23% in 2021)

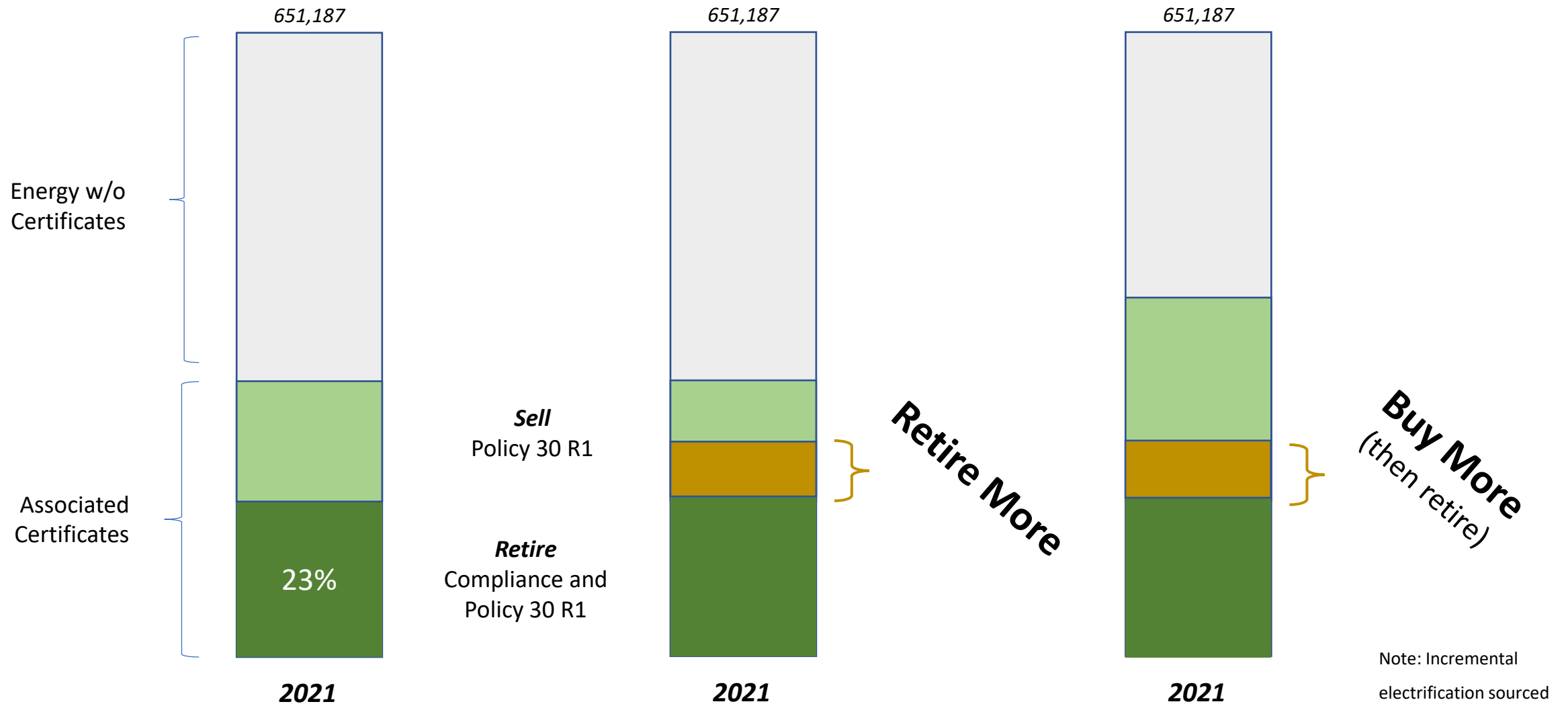
Renewable Choice

- Retire renewable certificates (MA Class 1s)
- Fixed rate (\$ / kWh)
- Or block amount (\$ / month)
- Minimum 1 year commitment




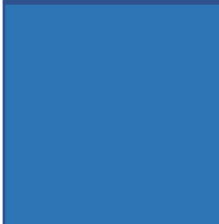

Non-Carbon Choice

- Retire non-carbon certificates (EFECs → MA Class 1s)
- Fixed rate (\$ / kWh)
- Minimum 1 year commitment
- *TBD* mix of certificates retired
- *TBD* value of certificates retired
- *TBD* demand exceeds availability

Renewable Choice – mechanism illustration



Key Financial (\$) Drivers at RMLD

<i>Description</i>	<i>Category (% of total)</i>	<i>2025 illustration</i>	<i>Levers to Manage</i>
Retired non-carbon certificates (number retired * current market price)	Certificates (5%)		~15% cagr Actively manage portfolio, retirement strategy
ISO-NE charges for new generation (RMLD load at single hour yearly * rate)	Capacity (20%)		~2.5% cagr Reduce load during annual peak hour (peak management programs)
Charges for transport outside of and to RMLD (RMLD load at single hour monthly * rate)	Transmission (20%)		~3.5% cagr Reduce load during monthly peak hours (peak management programs)
Cost of purchased power (contracted or market price in \$/MWH)	Energy (30%)		~3.2% cagr Portfolio mix, risk factors, compliance; longer term contracts reduce volatility
RMLD plant, equipment, distribution costs w/in RMLD network, labor	Operating Costs (25%)		~3% cagr Efficient internal operations, preventative maintenance, timing of capital investments

Thank You

**RMLD PROCUREMENT REQUESTS
REQUIRING BOARD APPROVAL**

ATTACHMENT 5 | AGENDA ITEM 9



April 30, 2021

Town of Reading Municipal Light Board

Subject: IFB 2021-12 Station 3 Generator Replacement

Pursuant to M.G.L., c. 30 § 39M, on March 31, 2021, an invitation for bid was placed as a legal notice in the Middlesex East Section of the Daily Times Chronicle, was published in the Central Register, and was posted on COMMBUYS and the RMLD website, requesting sealed bids for Station 3 Generator Replacement.

An invitation for bid was sent to twenty-four (24) companies.

Sealed bids were received from seven (7) companies: D.M.H. Electric, Inc., Dagle Electrical Construction Corp., Jupiter Electric, Inc., McDonald Electrical Corporation, Phillips Electric, Inc., Sparks Company, Inc., and Tilton Electric, Inc.

The sealed bids were opened and read aloud via a video Zoom meeting* at 11:30 a.m., April 14, 2021, in the Town of Reading Municipal Light Department's Engineering and Operations Room, 230 Ash Street, Reading, Massachusetts. After conclusion of the bid opening, the bid results were posted on the RMLD website and sent to all vendors who submitted a bid.

**Due to the COVID-19 restrictions, the RMLD building is closed to the public.*

The bids were reviewed, analyzed, and evaluated by staff and recommended to the General Manager.

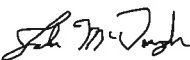
Move that bid 2021-12 for Station 3 Generator Replacement be awarded to: Phillips Electric, Inc., for **\$66,000.00**, pursuant to M.G.L., c. 30 § 39M, as the lowest responsible and eligible bidder, on the recommendation of the General Manager.

¹See attached analysis.

The 2021 Capital Budget amount for this item is \$80,000.


Paul McGonagle (Apr 30, 2021 08:46 EDT)


Paul McGonagle



John McDonagh


Hamid Jaffari (May 4, 2021 11:15 EDT)

Hamid Jaffari


coleen obrien (May 4, 2021 17:10 EDT)

Coleen O'Brien

Station 3 Generator Replacement
IFB 2021-12

Bidder	<u>Remove Current Generator</u>	<u>Design, Manufacture, Supply & Install</u>	<u>Two Year Preventative Maintenance</u>	<u>Total Price</u>	<u>Delivery Weeks ARO</u>	<u>Met Requirements</u>	<u>Exceptions</u>
D.M.H. Electric, Inc.	\$3,000.00	\$50,199.00	\$1,400.00	\$54,599.00	12	No ¹	No
Dagle Electrical Construction Corp.	\$4,600.00	\$54,595.00	\$600.00	\$59,795.00	8	No ¹	No
Jupiter Electric, Inc.	\$65,754.00	\$65,754.00	Will furnish if awarded bid	Will furnish if awarded bid	Not Included	No ²	No
McDonald Electrical Corporation	\$7,233.00	\$60,596.00	\$1,500.00	\$69,329.00	20-22	***	No
Phillips Electric, Inc.	\$5,000.00	\$59,000.00	\$2,000.00	\$66,000.00	22	Yes	No
Sparks Company, Inc.	\$7,625.00	\$64,439.00	\$2,500.00	\$74,564.00	20-22	***	No
Tilton Electric, Inc.	\$15,100.00	\$58,727.00	included	\$73,827.00	12-14	***	No

¹ Submittal rejected as per telephone conversation. Generator will not be modified to fit existing pad stub up location.

² Submittal rejected as not all required documentation was included.

*** Vendors were not contacted for meeting the requirements as they were not the lowest bidder.



May 28, 2021

Town of Reading Municipal Light Board

Subject: IFB 2021-05 Tree Trimming Services

Pursuant to M.G.L., c. 30 § 39M, on May 5, 2021, an invitation for bid was placed as a legal notice in the Middlesex East Section of the Daily Times Chronicle, was published in the Central Register, and was posted on COMMBUYS and the RMLD website, requesting sealed bids for Tree Trimming Services.

An invitation for bid was sent to eleven (11) companies.

A sealed bid was received from one (1) company: Mayer Tree Service, Inc.

The sealed bid was opened and read aloud via a video Zoom meeting* at 11:30 a.m. on Wednesday, May 19, 2021, in the Town of Reading Municipal Light Department's Engineering and Operations Conference Room, 230 Ash Street, Reading, Massachusetts. Bid results were posted on the RMLD website and sent to all vendors who submitted a bid.

**Due to the COVID-19 restrictions, the RMLD building is closed to the public.*

The bids were reviewed, analyzed, and evaluated by staff and recommended to the General Manager.

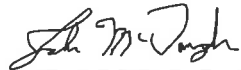
Move that bid 2021-05 for Tree Trimming Services be awarded to: Mayer Tree Service, Inc., pursuant to M.G.L., c. 30 § 39M, as the lowest responsible and eligible bidder, on the recommendation of the General Manager.¹

¹See attached analysis.

The 2021 Operating Budget amount for this item is \$751,951.50.


Leo Keefe (May 28, 2021 07:44 EDT)

Leo Keefe, General Line Foreman



John McDonagh, Assistant Director of E&O


Hamid Jaffari (May 28, 2021 08:02 EDT)

Hamid Jaffari, Director of E&O


Coleen O'Brien, General Manager

FOR COLEEN O'BRIEN

IFB 2021-05 Tree Trimming Services Analysis

		MAYER TREE											
				YEAR 1				YEAR 2				YEAR 3	
A. SPANS													
	Price per Span (8 foot cut)			267				267				267	
	Average Price per Day (8 spans)			2,136				2,136				2,136	
	Avarage Price per week (40 spans)			10,680				10,680				10,680	
Average Annual Total (50 weeks)				534,000				534,000				534,000	
B. (HAZARDOUS) TREE REMOVALS:													
	Diamenter Class (DBH) Unit Rates												
	1.5" <= 6"			49				49				49	
	6" <= 12"			199				199				199	
	12" <= 18"			335				335				335	
	18" <= 24"			632				632				632	
	24" <= 32"			1,395				1,395				1,395	
	32" >+			1,910				1,910				1,910	
TOTAL				4,520.00				4,520.00				4,520.00	
C. HOURLY RATES-Labor		STRAIGHT TIME	OVERTIME			STRAIGHT TIME	OVERTIME			STRAIGHT TIME	OVERTIME		
	Foreman	109.00	138.00	247.00		109.00	138.00	247.00		109.00	138.00	247.00	
	Climber	109.00	138.00	247.00		109.00	138.00	247.00		109.00	138.00	247.00	
	Ground Hand	109.00	138.00	247.00		109.00	138.00	247.00		109.00	138.00	247.00	
	General Foreman	109.00	138.00	247.00		109.00	138.00	247.00		109.00	138.00	247.00	
	Crane Operator	134.00	169.00	303.00		134.00	169.00	303.00		134.00	169.00	303.00	
	Loader Operator	134.00	169.00	303.00		134.00	169.00	303.00		134.00	169.00	303.00	
	Mower Operator	134.00	169.00	303.00		134.00	169.00	303.00		134.00	169.00	303.00	
TOTAL		838.00	1,059.00	1,897.00		838.00	1,059.00	1,897.00		838.00	1,059.00	1,897.00	
C. HOURLY RATES-Equipment													
	Bucket Truck/Aerial Lift			95.00				95.00				95.00	
	Chipper			38.00				38.00				38.00	
	Crane			216.00				216.00				216.00	
	2019 Log loader (10 tons/55 cu. yds.) (20			116.00				116.00				116.00	
	2017 Log loader (10 tons/55 cu. yds.)			116.00				116.00				116.00	
	2 X 2 Pickup Truck			25.00				25.00				25.00	
	4 X 4 Pickup Truck			35.00				35.00				35.00	
	Mower - Brush Hog Type			116.00				116.00				116.00	
	Mower - Hydro Axe Type			116.00				116.00				116.00	
	Mower - Flail			116.00				116.00				116.00	
	Mower - Excavator Flail			216.00				216.00				216.00	
	Alpine Lift			105.00				105.00				105.00	
	Dump Truck 3 yd.			45.00				45.00				45.00	
	Extra Chain Saws			5.00				5.00				5.00	
TOTAL				1,360.00				1,360.00				1,360.00	
ANNUAL ESTIMATED TOTALS:				541,777.00				541,777.00				541,777.00	
GRAND TOTAL:				\$1,625,331.00									

NOTE 1: The totals are estimates for bid pricing purposes only. It is not a guarantee of services to be performed. Totals will be higher or lower depending on the type of service and the amount of tree trimming work completed.

NOTE 2: The term of this contract will be for one (1) year, with an option, at the sole discretion of the RMLD, of two (2) additional one-year terms for a maximum of three (3) years.

POLICY 9 PROCUREMENT REQUEST

ATTACHMENT 6 | AGENDA ITEM 10

RMLD New IT Production Environment with Disaster Recovery (DR) Backup Solution

Date: 6/3/2021

Presented by: Brian Hatch

Problem

A comprehensive assessment has been made to upgrade the RMLD Data Backup system including the essential components to align with the Disaster Recovery Plan with objectives shown below and accomplished in 4 phases as discussed on next slides.

- Identify a Disaster Recovery Location with connectivity
- Ability to perform essential backups for required systems
- Implement restoration locations of RMLD data under the new Disaster Recovery Plan
- Incorporate fault tolerant data protection scheme

Solution

Phase 1: Identify an off-Site location to Disaster Recovery (DR) with connectivity

- Identify an off-site DR Location with connectivity \$3,500 per month x12 months = \$42K

Phase 2 - Backup System with off-site replication

- Purchase two backup systems; data protection appliances 2 @ approximately \$80K each = \$160K

Phase 3 - New Production and repurposing our existing servers and storage

- Purchase new Production Servers and Storage 4@ approximate \$45K each = \$180K

Phase 4 - Incorporate fault tolerant data protection scheme

- 20 Servers @ \$0.00 Cost

External Services – To implement the above stated Data protection scheme 160hrs @ \$200 = \$32K

Summary

The above four phases with external services gives RMLD the ability to restore RMLD production data and SCADA server environments. As well as the ability to test Disaster Recovery twice a year which is considered by NIST and NERC an IT best practice.

New IT Production Systems with Backups and Disaster Recovery 2021 Recommended Budget Addition

Description	Cost	Quantity	Total Cost
Phase 1: Disaster Recovery Connectivity and Location	\$3,500	12	\$42,000
Phase 2: Backup System with Off-Site replication	\$80,000	2	\$160,000
Phase 3: New Production (Servers and Storage) and repurposing our existing equipment	\$45,000	4	\$180,000
Phase 4: A minute-by-minute backup with restoration	\$0	20	\$0
External Services for Capital and Operating Services	\$200	160	\$32,000
Total			\$414,000