



Town of Reading Meeting Minutes

Board - Committee - Commission - Council:

RMLD Board of Commissioners

Date: 2018-12-20

Time: 07:30 PM

Building: Reading Municipal Light Building

Location: Winfred Spurr Audio Visual Room

Address: 230 Ash Street

Session: Open Session

Purpose: General Business

Version: Final

Attendees: Members - Present:

David Hennessy, Chair; David Talbot, Vice Chair; John Stempeck, Commissioner; Thomas O'Rourke, Commissioner; Philip B. Pacino, Commissioner

Members - Not Present:

Others Present:

RMLD Staff: Hamid Jaffari, Director of Engineering and Operations; Charles Underhill, Director of Integrated Resources; Tracy Schultz, Executive Assistant

Citizens' Advisory Board: Vivek Soni, Member

Town of Reading: Vanessa Alvarado, Select Board Member and RMLD Liaison

RMLD Staff: Nick D'Alleva, Maureen Hanifan, Brian Smith, Vaughn Bryan, Patricia Mellino, Paul McGonagle, Joyce Mulvaney, Katie Mahan, Matt Brown, Tom Ollila, Ben Thivierge, Paul Galvin, Peter Price, Rahul Shah, Laurie Ann Sylvia, Trevor Legere

IBEW Local 103: Louis Ciarclone, Attorney

Minutes Respectfully Submitted By: Thomas O'Rourke, Secretary Pro Tem

Topics of Discussion:

Call Meeting to Order

Chair Hennessy called the meeting to order and read RMLD's Code of Conduct. Chair Hennessy announced that the meeting is being videotaped at the RMLD office at 230 Ash Street, for distribution to the community television stations in North Reading, Lynnfield, and Wilmington.

Public Comment

Chair Hennessy welcomed Mr. Soni and Ms. Alvarado, who had no comments. Chair Hennessy welcomed the RMLD employees in attendance. Mr. O'Rourke agreed to serve as secretary. Mr. Soni commented that Mr. Underhill gave a presentation at the CAB meeting the night before. Ms. Alvarado commented that the Town is in the process of scheduling a meeting with legal counsel to discuss RMLD's payment to the Town and that the Select Board is meeting on the eighth of January. Mr. Stempeck and Mr. Pacino stated that they plan on attending.

There was no public comment.

Report of the Citizens' Advisory Board Meeting on December 19, 2018

Mr. Pacino added to Mr. Soni's previous comments, stating that Ms. Markiewicz reviewed the audit results with the CAB.

Report of the Chair

a. Discussion and Update Quantifying RMLD's Current Renewable Supply Portfolio

Mr. Talbot stated that this agenda item is regarding a prior discussion on RMLD's renewable/sustainable portfolio and what the terminology means. The State has an emissions reporting system. Because RMLD is a muni doesn't have to report. But if RMLD did choose to report, its renewables would be close to zero. Mr. Talbot added that RMLD should stick to common definitions. Mr. Stempeck asked what the implications are-whether RMLD should handle its RECs differently or change where its power supply is purchased from. Mr. Talbot stated that there aren't any implications unless RMLD wants there to be. Mr. O'Rourke commented on the importance of getting the vocabulary right. Mr. Talbot emphasized the need for transparency. Mr. Stempeck recognized Mr. Talbot's concerns and suggested tabling the discussion for a later time.

b. Sub-Committee on the Payment to the Town of Reading and Town Meeting on November 15, 2018 – Mr. Pacino and Mr. Stempeck

Mr. Pacino explained that the Town is doing an analysis and he hopes that RMLD and the CAB would get a copy of analysis.

Integrated Resources Division – Mr. Underhill

a. Power Supply Report – September and October 2018

Mr. Hennessy asked Mr. Underhill if he had any comments on renewables. Mr. Underhill replied that there are different methods of reporting resource portfolios to the State. Most utilities report to the Department of Environmental Protections annually and report on their carbon and non-carbon emissions. Carbon-free resources, such as nuclear, hydro, wind, and solar get reported. Mr. Underhill stated that he believes that Mr. Talbot was referring to the definition of "renewable" in M.G.L. Chapter 25, that talks about sustainable resources. Sustainable resources include both those that emit carbon (such as wood or trash burning) and non-carbon emitting. Mr. Underhill stated that he personally has a problem with the REC system. There are municipalities in Massachusetts that are offsetting their carbon emissions by buying RECs so they go to a 100 percent renewable portfolio while continuing to use gas-fired resources. Addressing definitions becomes a policy decision. Mr. Underhill explained that since it's a policy decision he will answer technical questions but will not offer advice. Mr. Underhill explained that when he worked at Danvers filed a greenhouse gas emissions report and listed whether a resource was carbon-emitting. Danvers did not get into whether a resource was defined as sustainable.

Mr. Underhill then discussed how the purchase power budget projections for the year compare to the actual results. The variance is fairly low and RMLD is expecting to finish the year relatively on target. Mr. Underhill explained that the power supply budget is comprised of seven components. Three of those account for 99 percent of costs: energy, capacity, and transmission. Energy is roughly 80 percent, capacity is roughly 15 percent, and transmission is roughly five percent of that 99 percent. The percentages change from year to year. Mr. Underhill explained that the energy component is the largest and is subject to the most volatility. Capacity rates are set several years in advance and once RMLD knows its peak for the previous year that's what gets put into the budget. RMLD's energy costs are a bit below what was budgeted. Mr. Underhill then discussed capacity costs and explained that they track closely to what was budgeted. Mr. Underhill presented a chart showing how the portfolio breaks down monthly and drew the Board's attention to market exposure. Mr. Underhill explained that market exposure is where there's the most price volatility and risk. Risk is determined by how much load profile differs by forecast and actual. Weather extremes drive cost because the higher the New England load, the less-economic resources are used. RMLD has protections built into its portfolio so that there are caps. RMLD's target is 10 to 15 percent exposure to the market. Each municipal utility targets a different level of exposure. Some are zero and have contracts assigning power supply to a third party. In September the loads were below what was expected and RMLD sold energy back

Integrated Resources Division – Mr. Underhill

a. Power Supply Report – September and October 2018

to the market. Mr. Stempeck asked if RMLD sold the energy at the same price it was bought. Mr. Underhill explained that there's an hourly market price and that it's generally close.

b. Strategic Power Supply Pilot

Mr. Underhill explained that about a year ago RMLD, with Commissioner approval, entered into a Transaction Facilitation Agreement with NextEra. NextEra has come to RMLD with a second program, a Load Following Agreement. It would take risk components out of RMLD's portfolio. If RMLD's actual is different from its budget that gets settled in the real-time market and can lead to settling at very high prices. There are protective caps but RMLD prefers to avoid adding high costs to the portfolio. NextEra's strategy is to match with RMLD's budget and the variance risk therefore goes away. They will fix a price based on the market forecast and RMLD will have to approve before they can proceed as part of the pilot program. Controls are being established to protect both parties. Mr. Stempeck asked how NextEra makes its money in this scenario. Mr. Underhill explained that they charge a fee for megawatt hours that they aggregate, and they market savings to RMLD based on their ability to manage the market. They will set the transaction price, which will remove the price risk. They are guaranteeing to serve the actual load, so that removes load volatility. Mr. Underhill added that it would free up some of his staff resources over the next year so that he can begin to implement programs that he was brought on board to take care of.

Mr. Underhill summarized that NextEra would be fixing the load, fixing the price, and then calculating the cost. RMLD has a market-based price and both will be compared to mete out the transaction flow. Some months RMLD will owe NextEra and some months NextEra will owe RMLD, but RMLD is expecting a net benefit. Mr. Underhill compared it to having a financial advisor manage a retirement portfolio: they are paid a fee and try to make the soundest decisions. Mr. Underhill stated that he has begun drafting analysis for benefits of TFA and LFA and is working on how to do a baseline analysis absent both programs. The risk is very low and RMLD will not sign until the market has come down from a jump in November due to the cold.

Mr. Pacino made a motion, seconded by Mr. Stempeck, that the RMLD Board of Commissioners accept the Physical Load Following and Power Sale and Purchase Confirmation as presented and authorize the General Manager to enter into purchase power agreements that satisfy the criteria set forth in the Risk Management Strategy, on the recommendation of the General Manager. As a matter of protocol, the Department will provide a report on transactions relative to this strategy.

Motion Carried: 5:0:0.

Engineering and Operations Report – October 2018 – Mr. Jaffari

Mr. Jaffari began by discussing major construction projects that are currently underway or have been recently completed, including upgrades to transmission lines feeding Station 4, pole line upgrades on Woburn Street, Wilmington, and getaway improvements at Station 4. Mr. Jaffari then discussed area upgrades to aging underground equipment and explained that the life expectancy of a transformer is 20 to 25 years. 1,600 are in that category. RMLD has developed a proactive maintenance program that prioritizes upgrades based on the age and condition of the existing equipment. Mr. Jaffari then showed before and after photos of replaced equipment. Mr. Jaffari announced that the Grid Modernization Outage Management System is installed and is testing is in progress to ensure that the system is integrated. The installation of the Interactive Voice Response has started and is 30 percent completed. In the first quarter of 2019, RMLD will be campaigning for customers to go on the website and enroll in their preferred method of contact in the event of an outage. The system will be tested throughout 2019. Mr. Jaffari then discussed automation projects, explaining that RMLD has a 15-year plan to replace outdated switches with Smart Grid devices to improve operational efficiency. Mr. Jaffari then reviewed the progress being made on maintenance programs including pole inspections and tree trimming. Mr. Jaffari reviewed double poles and then discussed reliability indices and stated that RMLD is higher than the regional average in

Engineering and Operations Report – October 2018 – Mr. Jaffari

system frequency due to storms. Outages caused by motor vehicle accidents have increased. Outages caused by equipment are decreasing but a lot of upgrades are still needed. Mr. Soni asked what the "Natural" category meant. Mr. Jaffari explained that is going to be changed to "Other" and gave the example of an August, 2018 outage that was caused by realtor balloons.

RMLD Procurement Requests Requiring Board Approval – Mr. Jaffari

IFP 2019-04: Solid Dielectric Padmounted Switchgear

Mr. Jaffari explained that these are the padmount switchgears that are used for industrial and commercial customers. They are outdated and RMLD has a program to replace 25 to 30 of them, five a year. RMLD is still waiting for delivery on five. RMLD is transitioning to new technology. They are solid dielectric, which means that there is no oil. Eversource and National Grid are transitioning to this technology as well. Mr. Jaffari explained that this was budgeted for \$312,500 but he is recommending that the Board approve the proposal.

Mr. Pacino made a motion, seconded by Mr. O'Rourke, that proposal **2019-04 for: Solid Dielectric Padmounted Switchgear** be awarded to: **Innovative Switchgear Solutions, Inc.** for **\$333,250.00**, pursuant to Chapter 164, Section 56D, on the recommendation of the General Manager.

Motion Carried: 5:0:0.

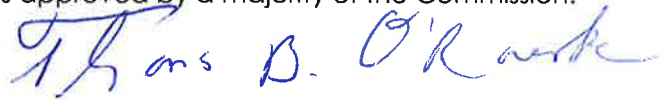
General Discussion

Meeting dates were discussed.

Adjournment

At 9:00 p.m., Mr. Pacino made a motion, seconded by Mr. O'Rourke, that the Board go into Executive Session to consider the purchase of real property and to discuss confidential, competitively-sensitive and proprietary information in relation to making, selling, or distributing electric power and energy, and return to Regular Session for the sole purpose of adjournment.

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



Thomas O'Rourke, Secretary Pro Tem
RMLD Board of Commissioners