



Town of Reading Meeting Minutes

Board - Committee - Commission - Council:

RMLD Board of Commissioners

Date: 2020-11-19

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:**

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

John Stempeck, Chair; David Hennessy, Vice Chair; David Talbot, Commissioner; Robert Coulter, Commissioner; Phillip B. Pacino, Commissioner.

Members - Not Present:

Others Present:

RMLD Staff: Coleen O'Brien, General Manager; Hamid Jaffari, Director of Engineering and Operations; Charles Underhill, Director of Integrated Resources; Greg Phipps, Assistant Director of Integrated Resources; Wendy Markiewicz, Director of Business, Finance, and Utility Technology; Tracy Schultz, Executive Assistant.

Jason Small, Citizens' Advisory Board

Karen Herrick, Reading Select Board
Vanessa Alvarado, Reading Select Board
Gail Page, Green Sanctuaries; Coordinator, GRACE
Lynn Champion, 8 Franklin Avenue, Wilmington
James Satterthwaite, 8 Hunt Street, Reading
John Rogers, 39 Tower Hill Road, North Reading
Laura Haight, Partnership for Policy Integrity
Andrew Freidmann, 27 Hillcrest Road, Reading
Michael Carpenter
Robert Connor

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

Topics of Discussion:

Call Meeting to Order

Chair Stempeck called the meeting to order and read RMLD's Code of Conduct. Chair Stempeck announced that the meeting is being recorded via Zoom for distribution to the community television stations in North Reading, Lynnfield, and Wilmington.

Chair Stempeck Mr. Pacino asked to serve as Board Secretary.

Public Comment

Ms. Page explained she is the Coordinator for the Greater Reading Alliance for Clean Energy (GRACE) and the Chair of the Unitarian Universalist Church of Reading's Green Sanctuary. Ms. Page thanked the RMLD for being receptive to feedback regarding biomass. Ms. Page stated that GRACE has written letters to the editor of local papers thanking the Board for their feedback. Ms. Page asked if there would be a discussion regarding biomass that evening. Chair Stempeck thanked Ms. Page and explained there would be a discussion regarding biomass.

Ms. Herrick stated the Reading Select Board has been discussing what they can do to bring Reading forward regarding clean energy. Town Meeting has been looking into joining Green Communities. Ms. Herrick thanked RMLD for their support in that regard and announced that Town Meeting approved adopting the energy stretch code as Reading's building code. The Select Board has asked the Town Manager to put forth installing a public electric vehicle charging station in Reading as a goal. Ms. O'Brien stated RMLD is looking forward to helping with that project.

Mr. Friedmann requested that the board reconsider RMLD's involvement in the Palmer biomass plant and stated that it would exacerbate the climate change issue by putting more CO2 into the atmosphere.

CY 2021 Capital Budget

Mr. Jaffari stated he would review significant projects. Line item three building upgrades had \$215,000 budgeted in CY 2020 and \$493,000 was spent. The main reason for that was the unexpected generator failure at Ash Street, which cost \$241,534. The deck project cost \$171,000, and then Station 4 AC engineering and Station 3 generator design made up the rest of that cost. The AC construction will happen in 2021 and RMLD is asking for \$270,000. Line item six is rolling stock replacement. An underground truck was delivered in CY 20 but was a carryover from CY 19. RMLD purchased four hybrid SUVs for \$451,997 and a pickup truck for \$32,536. CY 21 has a carryover of \$285,000 for a digger derrick. Line item seven is for electric vehicle supply equipment. In CY 21, \$100,000 is requested for four units. One will be installed in each town. Line item 12 is for pad-mount switchgear upgrades at industrial parks. There are 29 units system-wide and ten units have been replaced to-date. Three units have carried over from CY 20. RMLD is purchasing five new units in CY 21, which will total \$799,000. Line item 17 is for AML mesh network expansion and meter replacement. The technology is changing and RMLD needs to upgrade so the meters can communicate with SCADA and the outage management system. Line item 31 is for secondary main and services. This year it was over budget because COVID caused projects to take longer than expected, resulting in increased labor costs. Planned outages for equipment upgrades were moved to the weekends to accommodate those working and schooling from home. Line item 36 for substation equipment is for equipment that failed at Station 4. In CY 20, nearly \$2,320,000 was spent on line item 40 for routine construction. RMLD is asking for \$1,488,000 in CY 21. This is for pole hits and upgrades. The total estimated spending for CY 20 is \$8,238,000 and RMLD is requesting \$11,648,000 for CY 21.

Chair Stempeck noted that the CAB voted to recommend the approval of the budget on October 22, 2020.

Mr. Pacino made a motion, seconded by Vice Chair Hennessy, that the Board of Commissioners approve the Calendar Year 2021 Capital Budget in the amount of \$11,648,047 as presented, on the recommendation of the General Manager.

Roll call vote: Mr. Coulter: Aye; Chair Stempeck: Aye; Mr. Pacino: Aye; Vice Chair Hennessy: Aye; Mr. Talbot: Aye.

Motion Carried: 5:0:0.

CY 2021 Operating Budget

Ms. Markiewicz began by reviewing budget to actual discrepancies, which included decreases in spending due to vacancies and the impact of COVID. Unforeseen increases in spending were caused by major roof repairs and security monitoring measures for IT infrastructure. Ms. Markiewicz explained that when the budget is prepared, RMLD considers the impact of a rate increase to customers, the rate of return, funding the below-the-line Town of Reading obligation, funding

capital projects with operating fund transfers, maintaining the operating fund at two to three months of operating expenses, balancing the rate stabilization fund, and considering the impact of power supply fluctuations. Ms. Markiewicz explained fixed costs represent over 79 percent of RMLD's total operating budget. Power supply comprises 68.95 percent, which is a 6.55 decrease from the previous budget. The depreciation expense of 5.45 percent continues to increase due to necessary capital investments. The voluntary payment to the Town of Reading of 2.75 percent will remain constant until 2022 when the formula changes to that of 3.875 mills of the three-year average of kWh sales. Town payments are two percent of net plant, which is approximately 1.83 percent. This continues to increase due to necessary capital investments. Ms. Markiewicz explained that the remaining 21 percent of the budget is comprised of semi-variable costs. They are semi-variable due to contracts such as the three collective bargaining agreements. Labor is 9.25 percent, of which 1.35 percent is for capital projects. Overtime is 1.18 percent, of which less than a quarter percent is for capital projects. Employee benefits and pensions are 4.93 percent, with less than one percent for capital projects, and other operating and maintenance expenses represent 2.4 percent. Conservation expenses are 1.35 percent and tree trimming is one percent of the budget.

Half a percent of the budget goes to each of the following:

- contract services
- legal expenses
- property insurance
- software and hardware maintenance
- and vehicle expenses.

A quarter percent of the budget goes to each of the following:

- Training
- Tuition
- transformer maintenance
- and rent expense.

\$90 million is anticipated as an operating budget. Ms. Markiewicz explained that an approximate 2 to 2.5 percent overall rate increase for calendar year 2021 will be entirely supplemented by the Rate Stabilization Fund. This will total \$1,750,000 to \$2,000,000. An approximate 3 to 3.5 percent overall rate increase for calendar year 2022 will be partially supplemented by the Rate Stabilization Fund of approximately 1 percent or \$800,000. Ms. Markiewicz then reviewed RMLD's Six-Year Plan.

Chair Stempeck noted that the CAB voted to recommend the approval of the budget on October 22, 2020.

Mr. Underhill stated that the energy cost for CY 21 is around \$26,750,000. The fuel market is relatively stable, and no dramatic shifts are expected over the next five to six years. Two years ago, the energy efficiency portion of the budget was about \$700,000. Next year, about \$1.2 million has been budgeted. This increase is due to the expansion of program activity, including electrification programs.

Mr. Talbot stated that half a million is spent a year on legal expenses and that amount seems high. Ms. O'Brien stated that legal costs have come down since she has been at RMLD. RMLD has three union and legal for power supply. Ms. Markiewicz can present a breakdown at the next meeting. Ms. O'Brien added that the new HR Director is an attorney.

Mr. Talbot asked where REC sales show on the budget. Ms. Markiewicz replied that those are a part of purchase power and it is not a separate line item.

Mr. Pacino made a motion, seconded by Vice Chair Hennessy, that the Board of Commissioners approve the Calendar Year 2021 Operating Budget with a Net Income of \$3,548,598 as presented, on the recommendation of the General Manager.

Roll call vote: Mr. Coulter: Aye; Chair Stempeck: Aye; Mr. Pacino: Aye; Vice Chair Hennessy: Aye; Mr. Talbot: Aye.

Motion Carried: 5:0:0.

General Manager's Report Community Update

Ms. O'Brien thanked staff for the budget. A press release is coming out tomorrow regarding RMLD's customer satisfaction survey. RMLD hired Great Blue Research to conduct the survey regarding reliability, rates, customer service, energy efficiency programs, and power supply. Random residential and commercial customers will be contacted by phone or online between November 30 and December 11. The goal is to complete 400 residential and 100 commercial surveys. No personal or financial information will be requested.

The voluntary fourth grade art contest was done virtually. Ten students participated and each will receive an Amazon gift card. The 2021 historical calendar will be out the week of Thanksgiving. There will be a kiosk outside the RMLD.

Review of Board Policy

Chair Stempeck proceeded to provide backup and history on Biomass projects

Chair Stempeck stated that from 2007 to 2014, the RMLD Board has recommended that RMLD pursue biomass projects, such as Russell in western Massachusetts in 2007, Index Maine Energy in 2007, and Concord, New Hampshire Steam, which stretched from 2008 to 2012. Very few of these biomass projects came to fruition due to changes in energy costs and funding issues. Palmer Biomass was acceptable in February 2020 as part of RMLD Energy Policy 30. The RMLD General Manager appropriately entered into a contract along with Braintree, Danvers, Groveland, Merrimack, Middleton, Norwood, and Taunton Municipal Light Plants. The Massachusetts Department of Environmental Resources (DOER) gave approval for this project after extensive engineering analysis of compliance for fuel and emissions. All permits have been granted by both the state and Springfield. Commissioner Woodcock from the DOER indicated that environmental groups including the Sierra Club and the Appalachian Mountain Club, have offered constructive criticism, but are working with the DOER to try to find solutions. Commissioner Woodcock stated that a subsequent Globe newspaper article was not entirely accurate. The biomass issue came to light at the RMLD Board of Commissioners meeting with the circulation of the New Yorker article that Vice Chair Hennessy distributed. That article referenced an MIT researcher from the Sloan School and the RMLD decided to investigate further. The MIT researcher developed a simulation of many different inputs into a software analysis feedback loop that tried to predict what carbon trade-offs may be. While the analysis that he has done supports what seems obvious that burning trees creates a carbon debt, if you examine what he uses for input in his simulation, there are two things that are different than what RMLD is talking about with Palmer. It's not taking down a forest. The researcher inputted taking down 25 percent of a forest. Palmer is talking about trimming trees, not forest. The chips, which are ground up, also degenerate into carbon over a longer period of time. While it hasn't been resolved whether chipping creates as big of a carbon load, Chair Stempeck stated that it's a complicated issue. Until the RMLD has further information on options available, the contract is in place, and will be honored unless the project does not meet its financial, capital, and production requirements within the stated time constraints, or other alternatives for the RMLD come to light. At the present, there's no reason to believe that the DOER was incorrect in their approvals of this project, but the RMLD Board of Commissioners is going to monitor this feedback appropriately and try to drive to conclusion on it. Chair Stempeck stated that if concerns were previously the RMLD could have taken a different path. The fact of the matter is that there is now a signed contract in place.

Ms. O'Brien explained that RMLD must have a balanced power supply portfolio in order to mitigate risk. The portfolio would consist of a base load generation energy which is typically high capital costs and low energy costs with high capacity. The portfolio will also have intermediate low generation energy that has a lower capital cost with potentially less firm capacity in peak load generation energy. As you go from base to peak, the cost escalates. Peak generation is typically low capital and high energy cost and can often include ISO having their standby which is less efficient and less clean plants running to cover these peak loads. The RMLD invested in the Stony Brook combined cycle units that hedge this peak loads against market prices. In addition to energy, the RMLD must also cover its capacity requirements for all of its loads. In addition to that,

RMLD runs peak shredding to try to prevent those less clean peak periods by our facility in North Reading. These facilities are our gas generator and our battery storage units. A well-managed portfolio balances the base intermediate and peak generation energy in addition to the types of generation within each of those categories. Purchasing energy in a competitive nature is all about timing. Timing will be increasingly important as Massachusetts attempts to meet its statute compliance to the Global Warming Solutions Act. Small, medium, and larger renewables will attempt to get constructed as deemed in compliance with the DOER and permitted by the DEP. Utilities interested in the construction of renewables in Massachusetts, who support decentralization, will want to be part of the projects in lieu of purchasing paper RECs to cover the GHG requirements.

Ms. O'Brien stated that prior to her hire, the RMLD had a Power and Rate Committee. In 2013 when Ms. O'Brien was hired, Energy Services (now Integrated Resources) was utilizing a once-per-month pricing quote to cover its energy, along with up to six months to have potential energy contracts go through the CAB and the Board. Without a formal power supply risk management strategy, Ms. O'Brien stated that she used utility best practices to form a transition facilities agreement (TFA). This allows the General Manager to follow a formal time and price trigger strategy for most energy purchases. Longer term renewable projects are purchased under Board Policy 30. Policy 30 specifically directs the General Manager to acquire renewable energy to meet targeted goal levels within the portfolio. The RMLD works hard to find renewable projects whose energy prices combine with REC values mitigate the cost impacts to RMLD customers. Policy 30 and the TFA were both approved by the CAB and the Board. Unless Board Policy 30 changes and unless the TFA procedure changes, the CAB would not need to provide another recommendation. Every month, Mr. Underhill presents a graph to the Board and the CAB which show RMLD's future energy commitments as well as open market positions and risk.

Mr. Talbot stated that there is opposition to the Palmer plant in Springfield which has resulted in the project being delayed. City council members are attempting to revoke the plant's permit and if the plant doesn't qualify for the RPS it cannot sell its credits. Advocates for the plant went before the Middleborough Light and Belmont Light and both boards voted against it. Concord, Wellesley and Holden also said no. Chair Stempeck interrupted Mr. Talbot. Chair Stempeck said since RMLD is in a contract the issue should be dealt with while looking forward instead of backwards.

Mr. Coulter stated that the Board should discuss the process through which RMLD enters into large energy commitments.

After objections from other Commission members, Chair Stempeck allowed Mr. Talbot to continue.

Mr. Talbot asked why the RMLD wasn't involved in the Palmer process since the other boards that he mentioned were consulted. Mr. Talbot expressed his displeasure at being interrupted. Mr. Talbot sent in proposed edits to Ms. Schultz regarding changes to Policy 30 but does not see that that they were circulated to other members.

Ms. O'Brien stated that a portion of the policy being reviewed has brackets because it was unclear whether the Board wanted to eliminate all biomass or whether the Board wanted to set parameters such as high efficiency. Ms. O'Brien stated that if the Board wants CAB and Board review, RMLD may miss out on time sensitive projects.

Chair Stempeck stated he has no issue taking out all biomass. Vice Chair Hennessy agreed. Mr. Coulter asked that if the state deems biomass clean, why the RMLD should take exception to that determination. Mr. Talbot stated the RMLD could only support facilities certified as eligible for Class I of the Massachusetts RPS. Mr. Pacino stated that he missed the last meeting due to eye surgery and the discussion regarding biomass and is thus uncomfortable voting on the policy tonight. It was agreed to not hold a vote but review Mr. Talbot's proposed changes. Mr. Talbot stated he had added a provision for the Board to approve contracts. Mr. Pacino expressed his concern that RMLD would lose out on projects. Ms. O'Brien stated she would rather have a directives from the Board regarding what RMLD should pursue. Mr. Underhill stated that contracts are entered

into before ground is broken because construction cannot begin until it is proven there is a market for the project. If the Board wants to review contracts, RMLD needs that to be clearly defined. That will affect some of the projects that RMLD can participate in. Mr. Talbot stated other possible changes to the policy should be having a quarterly update, to avoid waste-to-energy, setting incremental goals for clean energy targets, and that RECs that have been sold cannot be counted as clean energy. Ms. O'Brien stated that Roadmap 2050 requires retirement of the RECs.

Mr. Underhill presented the slide showing RMLD's power supply outlook through 2040.

Discussion

Meeting dates were discussed.

Adjournment

At 9:30 p.m., Mr. Pacino made a motion, seconded by Mr. Coulter, that the Board go into Executive Session to consider the purchase of real property and to discuss confidential, competitively-sensitive or proprietary information in relation to making, selling, or distributing electric power and energy and return to Regular Session for the sole purpose of adjournment.

Roll call vote: Mr. Coulter: Aye; Chair Stempeck: Aye; Vice Chair Hennessy: Aye; Mr. Talbot: Aye.

Motion Carried: 5:0:0.

At 9:49 p.m., Mr. Pacino made a motion, seconded by Vice Chair Hennessey that the Board revert back to regular session for the sole purpose of adjournment.

Roll call vote: Mr. Coulter: Aye; Chair Stempeck: Aye; Vice Chair Hennessy: Aye; Mr. Talbot: Aye.

Motion Carried: 5:0:0.

At 9:50 p.m., Vice Chair Hennessy made a motion, seconded by Mr. Coulter that the Board adjourn.

Roll call vote: Mr. Coulter: Aye; Chair Stempeck: Aye; Vice Chair Hennessy: Aye; Mr. Talbot: Aye.

Motion Carried: 5:0:0.

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

Philip B Pacino
Philip B Pacino-March 19, 2021 14:14 EDT

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