



Reading Municipal Light Department  
RELIABLE POWER FOR GENERATIONS

230 Ash Street  
P.O. Box 150  
Reading, MA 01867-0250

Tel: (781) 944-1340  
Fax: (781) 942-2409  
Web: [www.rmld.com](http://www.rmld.com)

## AGENDA

### REGULAR SESSION

#### READING MUNICIPAL LIGHT DEPARTMENT CITIZENS' ADVISORY BOARD (CAB) MEETING

THURSDAY, JANUARY 23, 2014

6:30 PM

at

230 Ash Street  
Reading, MA 01867  
Winfred Spurr/Audio Visual Room

**1. CALL MEETING TO ORDER – J. Norton, Chairman**

**2. APPROVAL OF MINUTES – J. Norton, Chairman**

*Attachment(s): RMLD Citizens' Advisory Board Regular Session Minutes from December 4, 2013*

**Suggested Motion:** Move that the Citizens' Advisory Board Approve the Minutes from the December 4, 2013, meeting as written.

**3. CONSIDERATION OF RATE ADJUSTMENT – C. O'Brien, General Manager**

- Public Input
- Final Vote

*Attachment(s): MDPU Tariff Filings Numbers 228 through 235  
Memo from General Manager  
Memo from Mr. Mayhew Seavey, PLM Electric Power Engineering  
Rate Comparison – Proposed RMLD Rates vs. Other Local Utilities  
Legal Opinion from Rubin and Rudman on PILOT*

**Suggested Motion:** Move that the RMLD Citizens' Advisory Board recommend to the RMLD Board of Commissioners the adoption of the rates MDPU numbers 228, 229, 230, 231, 232, 233, 234, 235 dated to be filed on January 30, 2014, on the recommendation of the General Manager.

Rate	Tariff #
Residential Schedule A	MDPU #228
Residential Schedule RW	MDPU #229
Residential Time-of-Use Schedule A2 Rate	MDPU #230
Commercial Schedule C	MDPU #231
Industrial Time-of-Use Schedule I	MDPU #232
School Schedule SCH	MDPU #233
Street Lighting Rate Schedule D	MDPU #234
Cooperative Resale Schedule G	MDPU #235

**4. REVIEW OF CAB POLICY #1 – J. Norton, Chairman**

*Attachment(s): Draft Revised CAB Policy # 1*

**5. NEXT MEETING – J. Norton, Chairman**

**6. EXECUTIVE SESSION – J. Norton, Chairman**

**Suggested Motion:** Move that the Citizens' Advisory Board go into Executive Session based on Chapter 164, Section 47D exemption from public records and open meeting requirements in certain instances, to approve Executive Session Minutes of December 4, 2013, to discuss competitively sensitive issues, and return to regular session for the sole purpose of adjournment. *Note Roll call vote required.*

**7. ADJOURNMENT– J. Norton, Chairman**

*This Agenda has been prepared in advance and does not necessarily include all matters which may be taken up at this meeting.*

**Upcoming RMLD Board of Commissioners Meeting:**

Wednesday, January 29, 2014, CAB Representative: Mr. George Hooper



**READING MUNICIPAL LIGHT DEPARTMENT  
CITIZENS' ADVISORY BOARD (CAB) MEETING**

**MINUTES  
Regular Session**

Time: 6:30 p.m.

Date: Wednesday, December 4, 2013

Place: RMLD, 230 Ash Street, Reading, MA, Winfred Spurr/Audio Visual Room

**CAB Members Present:**

Mr. John Norton, Chairman (North Reading), Mr. Tony Capobianco (Reading), Mr. George Hooper, Vice Chairman (Wilmington), Mr. Thomas Ollila, Secretary (Wilmington)

**CAB Members Absent:**

Mr. David Nelson (Lynnfield)

**RMLD Commissioner(s) Present:**

Mr. Philip Pacino

**RMLD Staff Present:**

Ms. Coleen O'Brien, Mr. Robert Fournier, Ms. Jane Parenteau, Ms. Kathleen Rybak

**1. Call Meeting to Order – J. Norton, Chairman**

Chairman Norton called the meeting of the Citizens' Advisory Board to order at 6:35 p.m. and noted that the meeting was being audio taped.

*Chair Norton asked that we move to Item 3 on the Agenda.*

**3. Approval of Minutes– J. Norton, Chairman**

*Materials: September 18, 2013, CAB Minutes*

Chairman Norton asked for a motion to approve the minutes.

Mr. Ollila made a motion to accept the Minutes from the September 18, 2013, meeting as written, seconded by Mr. Capobianco. Hearing no further discussion, ***Motion carried 4:0:1 (4 in favor, 0 opposed, 1 absent).***

**4. FY13 Annual Financial Report – R. Fournier**

*Materials: Town of Reading, Massachusetts – Reading Municipal Light Department – Annual Financial Statements for the Year Ended June 30, 2013.*

Mr. Fournier reported that Melanson Heath presented their annual report at the September Board meeting. As noted under Opinions on page 2 of the report, RMLD had a clean opinion. Overall, the cash position is strong. We have no debt in the balance sheets - it's been like that for several years now. From a financial standpoint they were pleased with the results.

Mr. Fournier noted two items that were brought up by the auditors: Interest Income – they thought, based on what we had for available funds, that our interest income was a little low. We have been trying to adopt what the Town does (they have been investing in 13 week CDs which get about ¾ of 1%) and have started moving some of our money into CDs. Some of the longer term investments are earning 3-4%. We are probably going to move some money into that very shortly. We are hoping to move our interest income about \$25,000 to about \$125,000-150,000 annually once we move these monies.

The other point raised was the OPEB trust. We were carrying the liability and a Cash account on the RMLD's books. The Town's auditors (another branch of Melanson Heath), suggested that we set up a

trust to go along with the Town - similar to how the pension retirement system is set up. Mr. Fournier reported that he has been talking with the Town Treasurer and Accountant, and he will be working with them to set up the trust with the Town (not have the RMLD set up a separate trust). Since the OPEB liability goes out 25-30 years and the annual amount is nowhere near what the pension contribution is, we will make the recommendation to the Board that we - similar to how the pension trust is set up by the Town - have the OPEB be exactly the same, and therefore we do not have to have the RMLD set up an OPEB trust fund just as a funding mechanism for the OPEB liability. We spoke with the auditors and they thought it was a great idea, so we'll finalize all of that and make a recommendation to the Board early next year. Those were the only two things that came up in the discussion of the financial statements for the annual audit. We've already acted on most of it and will finalize both probably by February of next year.

#### **5. FY14 Financial Report – October YTD – R. Fournier**

*Materials: October 31, 2013, Report*

Mr. Fournier presented the Financial Report for the first four months of FY14. Mr. Fournier noted that year-to-date Fuel Revenues exceeded Fuel Expenses by \$1m. Looking at the \$1.7m YTD Net Income, \$1m of that is comprised of the Fuel Revenues being higher than Fuel Expenses, which is not a good situation. Basically, more than half of our income is made up of the variance between the Fuel Revenue and Fuel Expense, so it's something that needs to be watched. Mr. Fournier went on to review the remainder of the October report. With regard to the (General Information) Gaw revenues, the goal is to hit about \$2.5 which is what the Gaw remediation expenses were. Based on kilowatt hour sales projections, probably in January or February we'll stop making that charge on our bills.

Mr. Capobianco asked for clarification on Fuel Revenues and Fuel Expenses. Mr. Fournier replied, Fuel Revenue is the fuel charge you see on your bill (as a separate line item) - usually about \$0.04-0.05 per kilowatt hour used - that's what RMLD charges you for fuel. When Energy Services pulls together their purchase power costs every month, there are different components on that bill - part of that bill is the Fuel Expense - what type of fuel is being used to generate the energy. The two are compared - there is what customers are billed and there is what it cost RMLD. Ms. Parenteau monitors the fuel charge closely and makes the appropriate adjustments. Eventually, those two numbers will come together and the Fuel Revenue/Expense is a pass through. We don't make money on that - we try to get that as close as we can.

Mr. Hooper asked if this is considered, especially with the under budget, a sign of the times with the economy or do you think its conservative budget numbers. Mr. Fournier asked for clarification - for the revenue, expense or both? Mr. Hooper replied, for both. Mr. Fournier replied, growth (sales-wise) - we've been pretty flat. We thought we would have a little bump, there was a nice hot summer - but things have kind of flattened out. Expense-wise, we really haven't had anything out of the ordinary.

Mr. Hooper asked about collections. Mr. Fournier replied less than 4% of our receivables are over 61 days or older (as of November), which means only two invoices outstanding. Collections have been good. Lien letters just went out - this was the least amount of lien letters we've sent out for the four towns - less than 20 - there's been easily over a hundred in the past.

Mr. Capobianco asked if efficiency measures are counter-productive to our revenue. Mr. Fournier replied, yes. Basically, you are telling people not to use electricity, but we still have to cover our costs, so if they don't use enough electricity and our costs are still high or steady, we need to raise our rates to recover our costs. So people do realize some savings, but if everyone did massive savings and cut back - our fixed costs are still up here - revenues are down here. How do we cover those costs? The only way to do it is to raise rates, which kind of defeats the whole purpose. You are doing your part as far as the conservation goes, but when it comes to the pocket - what have I gained - it's a catch 22.

Tom Ollila stated, I think the goal is to have those cancel each other out so people's bills stay the same. But, it's a difficult balance.

*Chair Norton noted that we will move back to Item 2.*

## **2. Cost of Service Study – Coleen O'Brien**

Ms. O'Brien noted, those that were able to attend the training session at 5:30, learned the Cost of Service (COS) process from Mr. Mayhew Seavey of Power Line Modeling out of Hopkinton, who is a well-known rate designer and economist in the utility industry. Ms. O'Brien reviewed some of the factors that lead to the request for a COS Study: a review of the projected revenues for the six year plan; the Standard and Poor's review for our credit rating (which went well); review of the load growth projected forward - it will probably make some sort of recovery - but over the last two years overall it's been extremely sluggish. This created a need to call for a COS Study sooner than was planned. The COS Study goes into a Cost Allocation, which leads into rate design analysis. The COS divides the cost of production into appropriate rate classes. This information would be presented to the CAB and then to the Board of Commissioners for implementation. The COS and Cost Allocation studies are comprehensive and take several months for all of the data to be loaded in and to be analyzed. This COS Study and Cost Allocation and Rate design (projected to be done within the next 3-4 months) will result in rates which will not only target each of the classes, but also provide a potential rate for LED street lights. An LED Pilot provides a mechanism for discussing an overall conversion. As a ballpark, the lights are probably between \$300-350 a piece (to fit on existing arms) for a total of anywhere between \$800,000 to \$2m for the lighting conversion (a breakdown will be based on the number of lights that we have). The town's DPW budgets will realize the energy savings, but RMLD would need to determine who will be paying for the conversion itself and how that fits into the overall capital budget and expenses.

Ms. O'Brien reported that she did not find a six year financial plan submitted with the FY14 Budget. When reviewing the last six year plan available it was noticed that the built-in load growths, overall, had not come in as projected and that there was an erosion of the revenues. The rate of return came in for FY13 at around 2%, which was well below the stronger historical figures of 5-6.6%. Speaking with Mr. Seavey and seeing the trends of the growth in RMLD, and then talking with Mr. Fournier and with some of the projections coming up with OPEB and other things (the pension fund, the transmission and capacity increases) we want to, not only look at the current, but these five to six year projections. Immediately, though, this 2% is getting worse as we approach the end of this fiscal year. So, realistically, in order to even be meeting around the 2%, there probably should have been a rate increase looked at during FY13. Ms. O'Brien noted that she didn't come on board until mid-July and wasn't able to identify the deficiency as the FY14 budget was already approved. She apologized for the urgency of ensuring that the RMLD take the necessary corrective action to end the FY14 year with a positive net income. Ms. O'Brien acknowledged that there is a normal protocol to go through, but is asking the Board to consider looking at this rate increase that is basically being done given the current projections and that a more detailed analysis would come out of the full blown COS Study. But, in order to ensure that we meet those revenue streams that are required to pay our commitments - in lieu of tax payments and the town payments - RMLD needed around a 4.5% increase last July. Now by the time we get through some of the process it will probably be January, and it will be up to about 9% on the base rate factors, which probably equates (for a typical 500kwh family, residential) to about \$3.00 additional per month. Ms. O'Brien acknowledged \$3.00 is a lot of money for some people. Ms. O'Brien asked what she could provide to help expedite the increase to at least make sure that we make those revenues. Ms. O'Brien assured the CAB that as we go forward (before any changes were proposed as a result of the COS for next July,) that we'll follow the normal protocol to give a sufficient amount of time to review the data in the COS and Cost Allocation.

Mr. Hooper said, that gives us enough heads up so that we can go back to our communities and speak to our managers and let them know what's coming so they are not blind-sided by this. That's what we are here for as far as the Advisory Board, and that is exactly what I am going to do - go back and speak with the Manager and the Board of Selectmen and let them know - I will get their input. Of course you are going to go through your Board of Commissioners?

Ms. O'Brien confirmed that she would be speaking to that at the next meeting. Obviously, with every rate increase we want to be looking at everything - we are keeping an eye on our expenses. There are a

lot of things that we are juggling, but I think (as Mr. Seavey spoke) the predominant reason why this occurred was the sluggish sales and the load growth over the last two years - it starts to compound very quickly. We want to at least be as proactive as the time will allow now that we have sufficient data. We want to ensure that the RMLD remains stable financially and meets all of their commitments. Mr. Hooper, cautioned that something that we need to be careful of also is, we are doing a 4.5% increase and talking about another for a total of nine. Is that what we are going to need? I would not want to have to go back and take another bite of this apple.

Ms. O'Brien responded, the 4.5% is the figure if this was on a six year plan and implemented last July. In order to collect between now and the end of June 2014 the figure is 9% of base charges, as discussed - what Mr. Seavey was confirming and I think Jane confirmed this earlier - would get us the revenue stream that we need to make all of our payments and to have the budget be where it was projected and as voted for approval. I don't think there would be another increase in order to make that revenue. The COS and Cost Allocation, though, is going from July 1, 2014, out five or six years so that will be another request to look at what the rate structure will be - if the rate structure changes, if there's new rate designs like the LED rate, and what that might look at. I can't tell right now whether there will be an adjustment down or any type of adjustment up at this time. We can wait and see what that data says for the next five or six years. But, I will tell you that having that done, and having that done in a six year fashion, if we go towards unbundling, we have that ability to really monitor where we are on our rate of return every single month. It gives us that ability to monitor it monthly and to always be on top of things. You can make a lot of dynamic decisions when you know what's happening monthly, and when the imbedded costs are broken out, you know exactly what you're being charged and where the costs are coming from.

Mr. Ollila added, we can also more proactively get that message out to the customer so they understand and they can hopefully adjust their planning and efficiency programs, or whatever, to get the most bang for their buck - to minimize their expenses. Ms. O'Brien agreed.

Mr. Hooper asked (relative to the LED street lights), because we've just changed a lot of our incandescents over to the 50 watt high pressure sodium, could you give us a cost of what you expect it to be from the 50 watt high pressure sodium to an LED fixture. Ms. O'Brien agreed to provide that information. It will be the comparison between a residential 50 watt high pressure sodium to an LED. The savings is in energy - that's why there's a new rate. But, there is a capital cost to do the conversion. A determination hasn't been made exactly who's going to bare the capital costs - I haven't finished that analysis to see what recommendation I would make of where that would come from. The utility could pay for the conversion and then the energy is saved through the tax rate - so it's not necessarily a rate of return for the RMLD on the capital investment. I just want to make sure that I present that with staff recommendations of how that fits into the rate as well. I understand that the towns want to save money on their energy, but at the same time it's hard to balance expenses while trying to do major capital improvements - not only on the reliability of the system and making the system more flexible for demand response, and costs associated with peak shaving in the future, and then also doing LED conversions. So, we are going to start off slow with just an LED pilot and rate structure so we have those mechanisms to make informed decisions. We also have that opportunity to talk to some of the other cities and towns that have made full conversions - what are their lessons learned? What would they do differently? Would they have done it at all? Did maintenance go up? Can you see through them? Who paid for the physical conversion? How much energy are they saving? Are they too bright? We will get all of that data that will come out of the pilot. So, slow and steady will win that race down the pike.

Chair Norton asked Ms. O'Brien to provide a write-up for each one of the members so that when making a presentation to the respective boards - we have a sheet that we are actually reading off in regards to this proposed rate increase. Ms. O'Brien agreed to provide that information.

Mr. Capobianco asked, are we looking for an immediate 9% increase? Ms. O'Brien replied, on the base charges only, which is about \$3.00 per month. Mr. Capobianco asked, on what bill - the December or January bill? Ms. O'Brien replied, the January bill. Mr. Capobianco asked, that's because our expenses

are exceeding our revenues? Ms. O'Brien replied, essentially. Mr. Capobianco asked about the LEDs – you had experience with that in your previous role in Danvers? Ms. O'Brien replied, right. Mr. Capobianco stated, one thing I was asked during my Board of Selectmen meeting was why couldn't we leverage that experience – is there a difference – things need to be set up differently here? Ms. O'Brien replied, because we don't have an Energy Efficiency Engineer yet (that would be the key person), I worked with Engineering to see if we couldn't free up one of the project managers to help out for the interim with a pilot study – I have heard from both groups that you want me to move with this. So, Brian Smith has been assigned. I gave him the LED pilot to use as a template using the same exact lights (because they have already been vetted) and he has been asked to look at any new lights that may have been developed by some of the companies just in the last several months (the pilot that was done previously is still fairly new) and to call some of these towns or cities, like Cambridge, to get their lessons learned. Then we'll proceed with trying to get different vendors to come in – some of the vendors might donate lights – some of them charge a rental fee and then you keep them up for six months – there are different ways of working with the vendors for those lights that we've targeted – those that seem to work well for not only illumination, but also for the linemen, with respect to operability, functionality and the other attributes that we look at.

Mr. Hooper stated, that technology seems to be advancing. Ms. O'Brien agreed, and the price is coming down too so that's fantastic. Mr. Capobianco asked, is that bad for the RMLD – LED street lights generating less revenue? Ms. O'Brien replied using less electricity and costing us \$2m or so if that's what we're paying – then yes, it would. Ms. O'Brien noted municipal street lighting is annual revenues of \$340,000 and annual expenses of \$497,000. Mr. Ollila commented, to use that example – this is already a negative 15% because our expenses are more. Would going to LEDs help us because our expenses would go down? Ms. O'Brien replied, I'd probably have to do a breakout of the expenses, but I would say that after your capital expenditure, whatever you are putting in for your depreciation expense to pay for whatever portion RMLD is going to contribute – your expenses should go down somewhat especially if they're good for as long as the manufacturers say they are. Some of the problems are not necessarily just the LED assembly lights – they last a good amount of time, but you also have driver mechanisms in there that give off an awful lot of heat. So how they are designed has a lot to do with how well they maintain and how long they last. There is a trade-off and the trade-off really lands on the RMLD side because it would be doing the maintenance and operation of the lamp and then the energy savings is realized by the towns.

#### **6. RMLD Policy on Payment in Lieu of Taxes – R. Fournier**

*Materials: October 21, 2013, Memo from Rubin and Rudman, LLP*

Chairman Norton noted that Mr. Nelson had reported that he was satisfied with what was written by Rubin and Rudman relative to this agenda item. There were no other questions.

#### **7. Asset Inspection Program – C. O'Brien**

Ms. O'Brien gave an overview of an Asset Inspection Program. For the most part, asset management is preventative and predictive maintenance – it improves reliability, allows better planning and scheduling of projects and crews, staffing, and reduces costs. The Reliability Study which is being called for as an integral part of the Organizational Study will be taking a look at asset inspection. When you look at the reliability of the entire system, it will help to identify the inspection programs that we do not have in place. That doesn't mean that I cannot create or have an inspection program of transformers or other assets that I can send out, but I'm waiting for that independent review going forward. Asset inspections allow a tracking and trending of each piece of equipment so that you can address a problem before it either fails or you have an outage. There is a whole array of inspection programs that will help to save money and to work getting RMLD from more of a reactive, to a proactive and preventative nature type of utility. In the longer run, it will improve the reliability and save money.

Ms. O'Brien addressed the recent leaks, and fuse and transformer failures. Out of the 700 or 800 transformers (because there really wasn't an inspection program before) there have only been 200 of them done so far. We have another 500 to go and a lot of them are much larger, so we are working to see how quickly we can get that done – hopefully before next summer.



Mr. Capobianco asked if any of the 200 resulted in needing to replace any others. Ms. O'Brien replied, there were two others that were weeping that were handled with minimal cleanup and then I believe there was another 30 that needed replacement. The whole point of that is to have the GIS to the point where it's collecting the data of what the usage is and you have a little macro program that adds up all of the customers that are connected to the transformer, it spits out a pretty easy formula that says here's your transformer – it can't be loaded more than this – you add up what your usage is and you know you want to keep your loading on your transformer in the middle – under-load is not efficient and over-load is not efficient - they both cost you money, and overloaded means either an oil leak or an outage. Uninspected transformers over long periods of time can rust out as we saw up in Wilmington.

- 8. Use of LED Street Lights- T. Capobianco**  
Included with Cost of Service Study discussion.

**9. Review of CAB Policy #1 – J. Norton, Chairman**

*Materials: CAB Policy No. 1 Revision No. 1 (included in Packet) and Mr. Nelson's Edits (distributed).*

Chairman Norton stated that Mr. Nelson had provided some additional comments/edits for CAB Policy No. 1. Chairman Norton asked that discussion of Policy 1 be tabled for a future meeting when Mr. Nelson is present to discuss his suggested edits. Mr. Nelson's draft was distributed to the CAB members.

**10. 2014 Board of Commissioners Meeting Coverage – J. Norton, Chairman**

Chair Norton asked Mr. Pacino if he knew what the anticipated schedule would be for the BOC meetings (the fourth or last Wednesday of the month where there were five Wednesday's in the month). Mr. Pacino responded that he did not know – that needs to be checked out with the Chairman. Ms. Parenteau stated that we typically indicated to the Board that the last Wednesday of the month would be preferable from the department standpoint. The January meeting is scheduled for the 29<sup>th</sup>. Chairman Norton asked Mr. Pacino to ask the BOC Chairman what his intention is for scheduled meeting dates for 2014.

The schedule for BOC meeting coverage for 2014 was set. A schedule will be forwarded to each CAB member.

**11. Election of Officers – J. Norton, Chairman**

Chairman Norton tabled this discussion until all members could be present.

Commissioner Pacino asked to address the CAB. Mr. Pacino thanked the CAB for inviting him – and noted it's always been one of his pleasures to come here (as one of the architects of the 20-Year Agreement) and see this body work – it gives me a lot of pride.

Mr. Pacino noted that the Town of Reading is presently having a Charter Review Commission - nothing has been finalized yet, but there are some changes in the Charter that we are talking about. Mr. Pacino noted that proposed changes could be found on the Town of Reading website, under By-Laws. If there is any input or concerns please communicate them back. Mr. Pacino is a member of that Committee representing Precinct 5 in Reading. The idea is to coordinate what is really going on and update some of the language. It is all tentative and far from final at this time.

**12. Next Meeting – J. Norton, Chairman**

The group discussed the timing for the next meeting in order to consider the request for a rate increase. Mr. Pacino noted that the BOC will meet on the 12<sup>th</sup> of December with a presentation to be made by the Department to the Board. Then the Board will look to the CAB - so you start the clock running on the 30 days. Mr. Pacino stressed the importance of moving on this quickly. Mr. Pacino also asked, Mr. Chairman, if you are going to appear in front of your different towns, we ask you to let the Department know those dates if you need some of the commission members in support.

Ms. O'Brien stated, if you know what the proposal is and you have the sheets (because it is just a preliminary finding), couldn't the 30 days start from today. Chairman Norton answered, no. The 30 days starts when the Board of Light Commissioners takes it up, as set by the 20-Year Agreement. Ms. Parenteau, commented, obviously you'll pick a date that works for you, but, if the BOC meets next Thursday, and if this was to go another month and you weren't able to meet until January, it wouldn't be effective until February. That 9% on the base would go to 10.5%, which would go to 14% the longer you postpone. A recommendation might be to meet the following week. Mr. Hooper asked, because you are looking for this to be effective on January billing? Mr. Norton, stated you are down to a narrow timeframe – you have a very short month here too - that's the problem.

Ms. O'Brien asked for clarification of the 30 days – once the CAB is notified by the Commissioners, they have up to 30 days? Mr. Pacino answered, 30 days on any agreement. Ms. O'Brien clarified, up to 30 days; if the CAB wanted to make that decision – they could make it right away - so any date after the 12th. If we can't make the numbers work and we can try and get a meeting before February... we have to have the rate to Bob before February 1<sup>st</sup> in order to make the February billing and then it would be 10.5%.

Mr. Capobianco, Mr. Hooper and Mr. Ollila were able to commit to the 19th. Mr. Capobianco said that he could not make a recommendation without first meeting with the Board of Selectmen. Chair Norton, noted that the CAB could meet and do whatever is necessary, but cannot act without consulting their town management. I can't guarantee that we can get to our respective Board of Selectmen. Ms. O'Brien noted, the cost of service will adjust it - if it wasn't needed, or it can be pulled back a little bit, then it will be adjusted July 1. Mr. Ollila asked, when the last rate increase was. Ms. O'Brien responded, 2010.

Chair Norton asked, in the meantime, if you could get whatever information is available out to the members so that we can at least contact our respective Chairs and see what agenda's we can get on, but, it's a very narrow timeframe. Ms. O'Brien noted that she would be happy to come to the meetings and would put together the requested information. Mr. Ollila noted that the competitive information on the increases for National Grid and others would be a helpful part of that as well. Ms. O'Brien noted, that another issue that Jane brought up, was because of the natural gas constraints, National Grid just went up 37% November 1 – just for that issue. So, there are a lot of adjustments that are being made right now for a number of reasons. This again, is a more sluggish economy. There hasn't been any major change in expenses or anything other than the sales are sluggish and it's just compounded.

**13. Executive Session – J. Norton, Chairman**

Mr. Hooper made a motion that the CAB go into Executive Session based on Chapter 164, Section 47D exemption from public records and open meeting requirements in certain instances to approve Executive Session Minutes of September 18, 2013, to discuss competitively sensitive issues, and return to regular session for the sole purpose of adjournment, seconded by Mr. Capobianco. ***Motion carried 4:0:1 (4 in favor, 0 opposed, 1 absent)***, by a poll of members present: Mr. Hooper, aye; Chairman Norton, aye; Mr. Capobianco, aye; Mr. Ollila, aye.

**14. Motion to Adjourn – J. Norton, Chairman**

Mr. Hooper made a Motion to Adjourn the Citizens' Advisory Board meeting, seconded by Mr. Capobianco. Hearing no further discussion, ***Motion carried 4:0:1 (4 in favor, 0 opposed, 1 absent)***.

The Citizens' Advisory Board Meeting adjourned at 7:48 p.m.

Respectfully submitted,

---

Thomas Ollila, Secretary

Minutes approved on: \_\_\_\_\_



**Residential Schedule A Rate**

**Designation:**

Residential A Rate

**Available in:**

Reading, Lynnfield Center, North Reading, and Wilmington

**Applicable to:**

Individual residential customers for all domestic uses where service is taken through one meter. Incidental commercial use, not exceeding 20% of the total energy used on the same premises is permitted.

**Character of service:**

A.C. 60 cycles: single phase.

**Customer Charge:**

\$3.78 per month

**Energy Charge:**

\$.09118 per Kilowatt-hour for all Kilowatt-hours usage

**Budget Billing:**

The customers under this rate will have available to them a budget billing program under which the customer is required to pay a levelized amount to the Department each billing period during the calendar year. The specifics of this program are outlined in the Department's General Terms and Conditions.

**Farm Discount:**

Customers who meet the eligibility requirements set forth by the Massachusetts Department of Food and Agriculture for being engaged in the business of agriculture or farming, and upon certification to the RMLD by the Massachusetts Department of Food and Agriculture, will be eligible for an additional 10% discount, prior to the RMLD prompt payment discount, on rates and charges applicable on their monthly billing statement.

**Energy Conservation Charge:**

The bill for service hereunder may be increased or decreased as provided by the Energy Conservation Charge.

**Fuel Adjustment:**

The bill for service hereunder may be increased or decreased as provided by the Standard Fuel Adjustment Clause.

**Rate Filed: January 30, 2014**

**Effective: On Billings on or After February 1, 2014**

**Filed By: Coleen M. O'Brien, General Manager**

**Residential Schedule A Rate (cont'd)**

**Purchase Power Adjustment:**

The bill for service hereunder may be increased or decreased as provided by the Purchase Power Adjustment.

**Meter Reading and Billing:**

Bills under this schedule will be rendered monthly. A prompt payment discount of 10% will be allowed on the current bill, excluding fuel adjustment charges and the New York Power Authority credit or charge, only if the entire bill is paid-in-full by the discount due date.

**General Terms and Conditions:**

Service hereunder is subject to the General Terms and Conditions which are incorporated herein and are a part of this rate schedule.

**Residential Schedule RW  
Controlled Water Heater Rate**

**Designation:**

Residential RW Rate

**Available in:**

Reading, Lynnfield Center, North Reading, and Wilmington

**Applicable to:**

Individual residential customers for all domestic uses where service is taken through one meter. Incidental commercial use, not exceeding 20% of the total energy used on the same premises is permitted.

**Character of service:**

A.C. 60 cycles: single phase.

**Terms of Use:**

When a customer regularly uses an electric water heater of a type approved by the Department. Service to the water heater will be controlled by a Department owned time switch in an approved outdoor socket. Internal wiring will be the responsibility of the customer. Water heater with two elements shall be interlocked to prevent simultaneous operation.

**Customer Charge:**

\$3.79 per month.

**Energy Charge:**

\$.08799 per Kilowatt-hour for the first 100 kWh

\$.03992 per Kilowatt-hour for energy in excess of 100 kWh up to 433 kWh

\$.08799 per Kilowatt-hour for energy in excess of 433 kWh

**Budget Billing:**

The customers under this rate will have available to them a budget billing program under which the customer is required to pay a levelized amount to the Department each billing period during the calendar year. The specifics of this program are outlined in the Department's General Terms and Conditions.

**Farm Discount:**

Customers who meet the eligibility requirements set forth by the Massachusetts Department of Food and Agriculture for being engaged in the business of agriculture or farming, and upon certification to the RMLD by the Massachusetts Department of Food and Agriculture, will be eligible for an additional 10% discount, prior to the RMLD prompt payment discount, on rates and charges applicable on their monthly billing statement.

**Rate Filed: January 30, 2014**

**Effective: On Billings on or After February 1, 2014**

**Filed By: Coleen M. O'Brien, General Manager**

**Residential Schedule RW  
Controlled Water Heater Rate (Contd.)**

**Energy Conservation Charge:**

The bill for service hereunder may be increased or decreased as provided by the Energy Conservation Charge.

**Fuel Adjustment:**

The bill for service hereunder may be increased or decreased as provided by the Standard Fuel Adjustment Clause.

**Purchase Power Adjustment:**

The bill for service hereunder may be increased or decreased as provided by the Purchase Power Adjustment.

**Meter Reading and Billing:**

Bills under this schedule will be rendered monthly. A prompt payment discount of 10% will be allowed on the current bill, excluding fuel adjustment charges and the New York Power Authority credit or charge, only if the entire bill is paid-in-full by the discount due date.

**General Terms and Conditions:**

Service hereunder is subject to the General Terms and Conditions which are incorporated herein and are a part of this rate schedule.

**Rate Filed: January 30, 2014**

**Effective: On Billings on or After February 1, 2014**

**Filed By: Coleen M. O'Brien, General Manager**

**Residential Time-of-Use Schedule A2 Rate**

**Designation:**

Residential Time-of-Use A2 Rate

**Available in:**

Reading, Lynnfield Center, North Reading, and Wilmington

**Applicable to:**

Individual residential customers for all domestic uses where service is taken through one On-Peak and Off-Peak meter. Incidental commercial use, not exceeding 20% of the total energy used on the same premises is permitted.

**Character of service:**

A.C. 60 cycles: single phase.

**Customer Charge:**

\$6.01 per month.

**Energy Charge:**

\$1.14567 per Kilowatt-hour for all Kilowatt-hours usage during the On-Peak hours.

\$0.05015 per Kilowatt-hour for all Kilowatt-hours usage during the Off-peak hours.

**Definition of Periods:**

The On-Peak period is defined as the hours between 12:00 Noon and 7:00 P.M. Monday through Friday except holidays as listed under the "Granted Holidays" paragraph listed below. The Off-Peak period is defined as the hours between 7:00 P.M. and 12:00 Noon Monday through Friday and all hours Saturday, Sunday and granted holidays as listed below.

**Controlled Water Heater Allowance:**

When a customer regularly uses an electric water heater of a type approved by the Department, 333 kWh will be credited to usage during the Off-Peak period and will be billed at \$.03815 kWh. All kWh used Off-Peak above 333 kWh will be charged at the regular Off-Peak rate. If less than 333 kWh are used Off-Peak then only that amount of kWh will be billed at \$.03815 per kWh. Water heater with two elements shall be interlocked to prevent simultaneous operation. Service to the water heater will be controlled by a Department owned time switch in an approved outdoor socket.

**Term:**

A customer electing to be billed under this rate must remain on this rate for a minimum of one year. At the end of one year on this rate customer may elect to remain on this rate or be billed under the Residential A Rate.

**Rate Filed: January 30, 2014**

**Effective: On Billings on or After February 1, 2014**

**Filed By: Coleen M. O'Brien, General Manager**



**Residential Time-of-Use Schedule A2 Rate (cont'd)**

**Budget Billing:**

The customers under this rate will have available to them a budget billing program under which the customer is required to pay a levelized amount to the Department each billing period during the calendar year. The specifics of this program are outlined in the Department's General Terms and Conditions.

**Farm Discount:**

Customers who meet the eligibility requirements set forth by the Massachusetts Department of Food and Agriculture for being engaged in the business of agriculture or farming, and upon certification to the RMLD by the Massachusetts Department of Food and Agriculture, will be eligible for an additional ten percent discount, prior to the RMLD prompt payment discount, on rates and charges applicable on their monthly billing statement.

**Energy Conservation Charge:**

The bill for service hereunder may be increased or decreased as provided by the Energy Conservation Charge.

**Fuel Adjustment:**

The bill for service hereunder may be increased or decreased as provided by the Standard Fuel Adjustment Clause.

**Purchase Power Adjustment:**

The bill for service hereunder may be increased or decreased as provided by the Purchase Power Adjustment.

**Meter Reading and Billing:**

Bills under this schedule will be rendered monthly. A prompt payment discount of 10% will be allowed on the current bill, excluding fuel adjustment charges and the New York Power Authority credit or charge, only if the entire bill is paid-in-full by the discount due date.

**Granted Holidays**

Under the Residential Time-of-Use Schedule A2 Rate the holidays granted for Off-Peak are: New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Columbus Day, Veteran's Day and Christmas Day.

**General Terms and Conditions:**

Service hereunder is subject to the General Terms and Conditions which are incorporated herein and are a part of this rate schedule.

**Rate Filed: January 30, 2014**

**Effective: On Billings on or After February 1, 2014**

**Filed By: Coleen M. O'Brien, General Manager**

**Town of Reading, Massachusetts  
Municipal Light Department**

**MDPU # 231 supersedes  
and cancels MDPU # 223**

**Commercial Schedule C Rate**

**Designation:**

Commercial C Rate

**Available in:**

Reading, Lynnfield Center, North Reading, and Wilmington

**Applicable to:**

Service under this rate is available to industrial or commercial customers who take all their requirements under this rate. All electricity furnished under this rate will be metered through one service unless it is convenient for the Department to do otherwise.

**Notice:**

All customers taking electric service under the Commercial Schedule C Rate and/or the Industrial Time of Use Rate will be required to give the Department two (2) years prior written notice of its intention to take its energy requirements from other supplier and/or resource other than this Department while remaining on the Department's service territory.

**Character of service:**

AC 60 cycles: single phase or three phase.

**Customer Charge:**

\$6.51 per month.

**Firm Demand Charge:**

\$6.81 per Kilowatt for all demand usage.

**Energy Charge:**

\$.05657 per Kilowatt-hour for all Kilowatt-hours usage.

**Budget Billing:**

The customers under the C Rate may elect the Budget Billing program under which the customer is required to pay the levelized amount to the Department each billing period during the calendar year. This rate is not available to C Rate Customers electing the Contract Demand Rate, or the Non Firm Demand Rate. The specifics of this program are outlined in the Department's General Terms and Conditions.

**Energy Conservation Charge:**

The bill for service hereunder may be increased or decreased as provided by the Energy Conservation Charge.

**Rate Filed: January 30, 2014**

**Effective: On Billings on or After February 1, 2014**

**Filed By: Coleen M. O'Brien, General Manager**

**Commercial Schedule C Rate (cont'd)**

**Fuel Adjustment:**

The bill for service hereunder may be increased or decreased as provided by the Standard Fuel Adjustment Clause.

**Purchase Power Adjustment:**

The bill for service hereunder may be increased or decreased as provided by the Purchase Power Adjustment.

**Measurement of Billing Demand:**

The billing demand shall be the highest of the fifteen minute kilowatt demand established during the billing period, but not less than eighty percent of the maximum demand established during the preceding summer or sixty percent of the maximum demand established during the winter season.

**Definitions of Seasons:**

The summer season is defined as the months of June through September and the winter season is defined as the months of October through May.

**Farm Discount:**

Customers who meet the eligibility requirements set forth by the Massachusetts Department of Food and Agriculture for being engaged in the business of agriculture or farming, and upon certification to the RMLD by the Massachusetts Department of Food and Agriculture, will be eligible for an additional ten percent discount, prior to the RMLD prompt payment discount, on rates and charges applicable on their monthly billing statement.

**Non-Firm Demand:**

A Customer under this rate may designate any amount of load, in kilowatts, as Non-Firm. Any amount so designated shall be capable of being removed from service during any On-Peak hour as may be requested by the Department. A customer will be charged \$4.38 per kW-month for each kilowatt of demand designated as Non-Firm demand. Failure to remove load designated as Non-Firm load shall result in a charge of \$14.46 per kW of Non-Firm demand for that bill month.

The Department shall have the right to limit the requests for curtailment for Non-Firm load. The Department, at its option, may request separate metering for Non-Firm loads.

The energy and fuel portion of this Non-Firm Demand rate will be billed at the normal Commercial C rate levels.

A customer must contract to be on the Non-firm rate for a minimum of one year.

**Rate Filed: January 30, 2014**

**Effective: On Billings on or After February 1, 2014**

**Filed By: Coleen M. O'Brien, General Manager**

**Commercial Schedule C Rate (cont'd)**

**Optional Contract Demand:**

The customer may contract for a specific demand requirement on the Optional Contract Demand rate. The customer shall select a demand level, which will cover its highest annual peak. The cost of the Contract Demand rate is \$8.03 per kilowatts. The customer will be billed for that amount of kilowatts each month for the entire year. If in any month the customer exceeds the contract demand amount then, the contract demand will be billed at a rate of \$14.46 per kilowatt. The contract demand level will be re-established at the higher billing amount.

The energy and fuel portion of the Optional Contract Demand will be billed in the same manner as the Industrial Time of Use rate and is described below:

\$0.09208 per kilowatt-hour for all kilowatt-hours used between 12:00 Noon and 7:00 P.M., Monday through Friday, excluding holidays.

\$0.02763 per kilowatt-hour for all kilowatt-hours used between 7:00 P.M. and 1200 Noon, Monday through Friday and all hours Saturday, Sunday and holidays as listed in the General Terms and Conditions.

A customer must contract to be on the Contract Demand rate for a minimum of one year.

The Department may, at its own discretion, move a customer exceeding the contract demand level to the general Commercial C Rate.

**Customer Transformer Ownership:**

A customer requiring a minimal transformer capacity of over 2,000 kW will be required to furnish its own transforming and protective equipment, including mat, vault, primary and secondary cables, conduits, etc., which must comply with the specifications of the Department. The following discounts apply when the above is complied with:

\$0.12 per kilowatt of demand when the service is taken at 2,400/4,160 volts.

\$0.25 per Kilowatt of demand when the service is taken at 13,800 volts.

\$0.375 per Kilowatt of demand when the service is taken at 34,500 volts.

**Commercial Schedule C Rate (cont'd)**

**Metering:**

The Department may, at its option, meter at the customer's utilization voltage or on the high side of the transformers through which the service is furnished.

In the latter case, or if the customer's utilization voltage requires no transformation, a discount of 1.8% will be applied to the bill exclusive of the fuel charge but in no case will such a discount be allowed if the metering voltage is less than 2,400 volts.

**Meter Reading and Billing:**

Bills under this schedule will be rendered monthly. A prompt payment discount of 10% will be allowed on the current bill, excluding fuel adjustment charges, only if the entire bill is paid-in-full by the discount due date.

**General Terms:**

Service hereunder is subject to the General Terms and Conditions which are incorporated herein and are a part of this rate schedule.

**Rate Filed: January 30, 2014**

**Effective: On Billings on or After February 1, 2014**

**Filed By: Coleen M. O'Brien, General Manager**

**Industrial Time-of-Use Schedule I Rate**

**Designation:**

Industrial Time-of-Use Rate

**Available in:**

Reading, Lynnfield Center, North Reading, and Wilmington

**Applicable to:**

Service under this rate is available to industrial or commercial customers who take all their requirements under this rate. All electricity furnished under this rate will be metered using an electronic meter capable of metering On-Peak and Off-Peak energy as well as kW demand.

**Notice:**

All customers taking electric service under the Industrial Time-of-Use I Rate will be required to give the Department two (2) years prior written notice of its intention to take its energy requirements from other supplier and/or resource other than this Department while remaining on the Department's service territory.

**Character of service:**

A.C. 60 cycles: single phase or three phase.

**Customer Charge:**

\$30.02 per month.

**Demand Charge:**

\$8.61 per Kilowatt for all demand usage.

**Energy Charge:**

\$.09208 per Kilowatt-hour for all Kilowatt-hours usage during the On-Peak hours.

\$.02763 per Kilowatt-hour for all Kilowatt-hours usage during the Off-Peak hours.

**Definition of Periods:**

The On-Peak period is defined as the hours between 12:00 Noon and 7:00 P.M., Monday through Friday except holidays as listed below. The Off-Peak period is defined as the hours between 7:00 P.M. and 12:00 Noon, Monday through Friday and all hours Saturday, Sunday and granted holidays as listed below.

**Rate Filed: January 30, 2014**

**Effective: On Billings on or After February 1, 2014**

**Filed By: Coleen M. O'Brien, General Manager**

**Industrial Time-of-Use Schedule I Rate (cont'd)**

**Term:**

A customer electing to be billed under this rate must remain on this rate for a minimum of one year. At the end of one year on this rate customer may elect to remain on this rate or be billed under the C Rate.

**Energy Conservation Charge:**

The bill for service hereunder may be increased or decreased as provided by the Energy Conservation Charge.

**Fuel Adjustment:**

The bill for service hereunder may be increased or decreased as provided by the Standard fuel Adjustment Clause.

**Purchase Power Adjustment:**

The bill for service hereunder may be increased or decreased as provided by the Purchase Power Adjustment.

**Measurement of Billing Demand:**

The Billing demand shall be the highest of the fifteen minute kilowatt demand established during the billing period, but not less than eighty percent of the maximum demand established during the preceding summer or sixty percent of the maximum demand established during the winter period.

**Definitions of Seasons:**

The summer Season is defined as the months of June through September and the Winter Season is defined as the months of October through May.

**Farm Discount:**

Customers who meet the eligibility requirements set forth by the Massachusetts Department of Food and Agriculture for being engaged in the business of agriculture or farming, and upon certification to the RMLD by the Massachusetts Department of Food and Agriculture, will be eligible for an additional ten percent discount, prior to the RMLD prompt payment discount, on rates and charges applicable on their monthly billing statement.

**Rate Filed: January 30, 2014**

**Effective: On Billings on or After February 1, 2014**

**Filed By: Coleen M. O'Brien, General Manager**

**Industrial Time-of-Use Schedule I Rate (cont'd)**

**Customer Transformer Ownership:**

A customer requiring a minimal transformer capacity of over 2000 kW will be required to furnish its own transforming and protective equipment, including mat, vault, primary and secondary cables, conduits, etc., which must comply with the specifications of the Department. The following discounts apply when the above is complied with:

\$.12 per Kilowatt of demand when the service is taken at 2,400/4,160 volts.

\$.25 per Kilowatt of demand when the service is taken at 13,800 volts.

\$.375 per Kilowatt of demand when the service is taken at 34,500 volts.

**Metering:**

The Department may, at its option, meter at the customer's utilization voltage or on the high side of the transformer through which the service is furnished. In the latter case, or if the customer's utilization voltage requires no transformation, a discount of 1.8% will be applied to the bill exclusive of the fuel charge but in no case will such discount be allowed if the metering voltage is less than 2,400 voltage

**Meter Reading and Billing:**

Bills under this schedule will be rendered monthly. A prompt payment discount of 10% will be allowed on the current bill, excluding fuel adjustment charges, only if the entire bill is paid-in-full by the discount due date.

**Granted Holidays**

Under the Industrial Time-of-Use Schedule I Rate the holidays granted for Off-Peak are; New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Columbus Day, Veteran's Day and Christmas Day.

**General Terms and Conditions:**

Service hereunder is subject to the General Terms and Conditions which are incorporated herein and are a part of this rate schedule.

**Rate Filed: January 30, 2014**

**Effective: On Billings on or After February 1, 2014**

**Filed By: Coleen M. O'Brien, General Manager**



**School Schedule SCH Rate**

**Designation:**

School SCH Rate

**Available in:**

Reading, Lynnfield Center, North Reading, and Wilmington

**Applicable to:**

Applicable to public or private schools offering kindergarten, regular elementary, middle, and high school as approved by the Department, who take all their requirements under this rate. All electricity furnished under this rate will be metered through one service unless it is convenient for the Department to do otherwise.

**Notice:**

All customers taking electric service under the School Rate will be required to give the Department two (2) years prior written notice of its intention to take its energy requirements from other supplier and/or resource other than this Department while remaining on the Department's service territory.

**Character of service:**

AC 60 cycles: single phase or three phase.

**Customer Charge:**

\$6.01 per month.

**Firm Demand Charge:**

\$6.28 per Kilowatt for all demand usage.

**Energy Charge:**

\$.05265 per Kilowatt-hour for all Kilowatt-hours usage.

**Budget Billing:**

The customers under the School Rate may elect the Budget Billing program under which the customer is required to pay levelized amount to the Department each billing period during the calendar year. This rate is not available to School Rate Customers electing the Contract Demand Rate, or the Non Firm Demand Rate. The specifics of this program are outlined in the Department's General Terms and Conditions.

**Rate Filed: January 30, 2014**

**Effective: On Billings on or After February 1, 2014**

**Filed By: Coleen M. O'Brien, General Manager**

**School Schedule SCH Rate (cont'd)**

**Energy Conservation Charge:**

The bill for service hereunder may be increased or decreased as provided by the Energy Conservation Charge.

**Fuel Adjustment:**

The bill for service hereunder may be increased or decreased as provided by the Standard Fuel Adjustment Clause.

**Purchase Power Adjustment:**

The bill for service hereunder may be increased or decreased as provided by the Purchase Power Adjustment.

**Measurement of Billing Demand:**

The billing demand shall be the highest of the fifteen minute Kilowatt demand established during the billing period, but not less than eighty percent of the maximum demand established during the preceding summer or sixty percent of the maximum demand established during the winter season.

**Definitions of Seasons:**

The summer Season is defined as the months of June through September and the Winter Season is defined as the months of October through May.

**Customer Transformer Ownership:**

A customer requiring a minimal transformer capacity of over 2000 kW will be required to furnish its own transforming and protective equipment, including mat, vault, primary and secondary cables, conduits, etc., which must comply with the specifications of the Department. The following discounts apply when the above is complied with:

\$ .12 per kilowatt of demand when the service is taken at 2,400/4,160 volts.

\$ .25 per Kilowatt of demand when the service is taken at 13,800 volts.

\$ .375 per Kilowatt of demand when the service is taken at 34,500 volts.

**Metering:**

The Department may, at its option, meter at the customer's utilization voltage or on the high side of the transformers through which the service is furnished.

In the latter case, or if the customer's utilization voltage requires no transformation, a discount of 1.8% will be applied to the bill exclusive of the fuel charge but in no case will such a discount be allowed if the metering voltage is less than 2,400 volts.

**Rate Filed: January 30, 2014**

**Effective: On Billings on or After February 1, 2014**

**Filed By: Coleen M. O'Brien, General Manager**

**School Schedule SCH Rate (cont'd)**

**Meter Reading and Billing:**

Bills under this schedule will be rendered monthly. A prompt payment discount of 10% will be allowed on the current bill, excluding fuel adjustment charges, only if the entire bill is paid-in-full by the discount due date.

**General Terms:**

Service hereunder is subject to the General Terms and Conditions which are incorporated herein and are a part of this rate schedule.

**Rate Filed: January 30, 2014  
Effective: On Billings on or After February 1, 2014  
Filed By: Coleen M. O'Brien, General Manager**

**Street Lighting Rate Schedule D**

**Designation:**

Street Light D Rate

**Available:**

Reading, Lynnfield Center, North Reading, and Wilmington

**Applicable to:**

Street Light service on all public, private, and unaccepted streets where the Department has private facilities for supplying electricity and where the installation work involved is limited to the necessary lighting unit and connection on the same pole.

**Energy Charge:**

The rate per year for the standard 4,000-hour schedule is as follows:

<u>Fixture Type</u>	<u>Annual Rate</u>	<u>Annual kWh</u>
58 Watt Incandescent	\$55.40	232
92 Watt Incandescent	\$55.40	368
50 Watt HPS	\$29.98	244
100 Watt HPS	\$30.03	508
100 Watt Mercury	\$41.38	520
100 Watt Mercury UG	\$41.38	520
175 Watt Mercury	\$41.73	860
250 Watt HPS	\$55.22	1,228
400 Watt Mercury	\$54.18	1,840
400 Watt HPS	\$54.24	1,828

**Note:** Incandescent and Mercury lamps will no longer be supplied for new installations.

**Fuel Adjustment:**

The bill for service hereunder may be increased or decreased as provided by the Standard fuel Adjustment Clause.

The Fuel Adjustment will appear on the bill as the monthly fuel charge multiplied by one twelfth of the Annual kWh shown above for each Fixture Type.

**Rate Filed: January 30, 2014**

**Effective: On Billings on or After February 1, 2014**

**Filed By: Coleen M. O'Brien, General Manager**

**Street Lighting Rate Schedule D (cont'd)**

**Purchase Power Adjustment:**

The bill for service hereunder may be increased or decreased as provided by the Purchase Power Adjustment.

The Purchase power Adjustment will appear on the bill as the monthly charge multiplied by one twelfth of the Annual kWh shown above for each Fixture Type.

**Extra Pole Cost**

When an extra pole is required, specifically for street lighting, there will be an extra cost based upon pole size, including up to 100 feet of secondary.

30 foot or 35 foot Class 4 pole	\$44.00 per year
40 foot Class 4 pole	\$48.00 per year

**Meter Reading and Billing:**

Bills under this schedule will be rendered monthly. A prompt payment discount of 10% will be allowed on the current bill, excluding fuel adjustment charges, only if the entire bill is paid-in-full by the discount due date.

**General Terms and Conditions:**

Service hereunder is subject to the General Terms and Conditions which are incorporated herein and are a part of this rate schedule.

**Rate Filed: January 30, 2014  
Effective: On Billings on or After February 1, 2014  
Filed By: Coleen M. O'Brien, General Manager**

**Cooperative Resale Schedule G Rate**

**Designation:**

Cooperative G Rate

**Available in:**

Available to municipal lighting plants and private companies whose service territory is adjacent to the service territory of the Department and for distribution to such customers that cannot be served from the existing distribution lines, provided that the Department has available facilities for furnishing the service

**Character of Service:**

A.C. 60 cycles: single phase.

**Customer Charge:**

\$3.49 per month.

**Energy Charge:**

\$.08349 per Kilowatt-hour for all Kilowatt-hours usage.

**Fuel Adjustment:**

The bill for service hereunder may be increased or decreased as provided by the Standard Fuel Adjustment Clause.

**Purchase Power Adjustment:**

The bill for service hereunder may be increased or decreased as provided by the Purchase Power Adjustment.

**Meter Reading and Billing:**

Bills under this schedule will be rendered monthly. A prompt payment discount of 10% will be allowed on the current bill, excluding fuel adjustment charges, only if the entire bill is paid-in-full by the discount due date.

**General Terms and Conditions:**

Service hereunder is subject to the General Terms and Conditions which are incorporated herein and are a part of this rate schedule.

**Rate Filed: January 30, 2014**

**Effective: On Billings on or After February 1, 2014**

**Filed By: Coleen M. O'Brien, General Manager**



## READING MUNICIPAL LIGHT DEPARTMENT

To: RMLD Board, Citizens' Advisory Board

Date: January 16, 2014

From: Coleen O'Brien



Subject: RMLD Rate Increase

RMLD is seeking an approximate 5% increase to the overall bill. This increase equates to 9% of the customer and base energy charges on the residential bill, and the customer, base energy and demand charges on the commercial/industrial bill. Attachment 1, as an example, reflects the impact on a residential customer at a net increase of \$3.21 per month for 500 kilowatt hours.

The kilowatt hour sales projections over the last several years assumed unrealistic load growth assumptions, which were not adjusted in the FY 2014 budget. These assumptions supported increased base revenues to cover expenses, including the four town payments, and the annual Reading payment in-lieu-of tax (PILOT) which was approximately \$2.3 million. Attachment 2 addresses the reforecasted sales for fiscal year 2014 which includes four months of actual data.

Massachusetts General Law, Chapter 164, Section 58, does not allow RMLD to have rates that are below production costs. A net loss adversely impacts RMLD's ability to make its payment commitments and increases RMLD's credit risk in qualifying for low cost contracts with power suppliers.

RMLD was in a transition phase during the FY 2014 budget process with an Interim General Manager performing two critical job functions and the RMLD continuing its search for a General Manager. The necessity of the rate increase is a result of a recent diligent review of the budget to actual financials. It is with fiduciary duty that this issue must be addressed proactively to ensure solid financial positioning by the end of the fiscal year; delays only compound the revenue issue.

RMLD has not had a rate increase or an updated Cost of Service Study in over three and a half years. RMLD is developing a long term Strategic Plan which focuses on reliability, rates, staffing and process efficiencies. An RMLD Cost of Service Study model is currently being developed and its resultant study findings and six year projections will be completed and presented later this spring.

Moving forward, the economy combined with the forecasted energy hikes due to transmission and capacity over the next couple of years, will keep electric bill topics in the press for both the municipalities and investor-owned utilities alike. RMLD is a not-for-profit municipal and will, with due diligence, remain with rates amongst the lowest in the state.

Attachment 3 reflects all the rate classes which the rate increase will affect: Residential Schedule A Rate, Residential Schedule RW Controlled Water Heater Rate, Residential Time-of-Use Schedule A2 Rate, Commercial Schedule C Rate, Industrial Time-of-Use Schedule I Rate, School Schedule SCH Rate, Streetlighting Rate Schedule D, and the Cooperative Resale Schedule G Rate.

Attachments are as follows:

Attachment 1 – Residential Breakout

Attachment 2 – Fiscal Year 2014 Reforecast

Attachment 3 – Salient Points e-mail from RMLD General Manager

Attachment 4 – PowerPoint presentation



## EXISTING JANUARY 2014 RATES

## RESIDENTIAL

CUSTOMER CHARGE				***	\$3.47
BASE RATE CHARGE	500	@	\$0.08365	per kWh***	\$41.83
ENERGY CONSERVATION CHARGE	500	@	\$0.00100	per kWh***	\$0.50
FUEL CHARGE PER KWH	500	@	\$0.04500	per kWh	\$22.50
HAZMAT	500	@	\$0.00100	per kWh***	\$0.50
NYPA CREDIT	500	@	(\$0.00375)	per kWh	(\$1.88)
PURCHASE POWER ADJUSTMENT	500	@	\$0.001270	per kWh***	\$0.64
TOTAL WITHOUT DISCOUNT					\$67.56
10% PROMPT PAYMENT DISCOUNT					(\$4.69)
TOTAL NET					\$62.87

\*\*\*TOTAL BASE for DISCOUNT CALCULATION \$46.94

AVERAGE COST PER KWH \$0.12574

## PROPOSED FEBRUARY 2014 RATES

## RESIDENTIAL

CUSTOMER CHARGE				***	\$3.78	
BASE RATE CHARGE	500	@	\$0.09118	per kWh***	\$45.59	
ENERGY CONSERVATION CHARGE	500	@	\$0.00100	per kWh***	\$0.50	
FUEL CHARGE PER KWH	500	@	\$0.04500	per kWh	\$22.50	
HAZMAT	500	@	\$0.00000	per kWh***	\$0.00	
NYPA CREDIT	500	@	(\$0.00375)	per kWh	(\$1.88)	
PURCHASE POWER ADJUSTMENT	500	@	\$0.001270	per kWh***	\$0.64	
TOTAL WITHOUT DISCOUNT					\$71.13	
10% PROMPT PAYMENT DISCOUNT					(\$5.05)	
TOTAL NET					\$66.08	
***TOTAL BASE for DISCOUNT CALCULATION		\$50.51	\$\$ DIFFERENCE		\$3.21	
					% DIFFERENCE	5.11%
AVERAGE COST PER KWH	\$0.13216					

READING MUNICIPAL LIGHT DEPARTMENT  
REFORECAST FY 14  
12/16/13

	BUDGET 2013	AUDITED 2013	BUDGET 2014	REFORECAST W/O 9% FY 14	REFORECAST WITH 9% BASE RATE INC FROM 2/14-8/14	PRE COST OF SERVICE EST WITH ADD'L 3.5% BASE RATE INCREASE FY 15
<u>OPERATING REVENUE:</u>						
SALES OF ELEC - BASE	47,317,020	45,208,258	47,440,468	45,400,696	47,019,443	51,251,193
SALES OF ELEC - FUEL	31,200,000	34,351,757	32,608,270	29,725,681	29,725,681	30,596,451
PURCHASED POWER ADJUSTMENT	2,134,600	1,138,194	1,050,884	674,000	674,000	0
PASNY	(700,000)	(706,940)	(700,000)	(700,000)	(700,000)	(700,000)
FORFEITED DISCOUNTS	1,040,974	921,639	1,043,690	998,815	1,034,428	1,127,528
ENERGY CONSERVATION	704,661	685,481	707,288	699,200	699,200	699,200
GAW SOIL REVENUE	704,659	696,142	707,287	491,067	491,067	0
<b>TOTAL OPERATING REVENUE</b>	<b>82,401,914</b>	<b>82,294,531</b>	<b>82,857,887</b>	<b>77,289,469</b>	<b>78,943,819</b>	<b>82,974,370</b>
<u>OPERATING EXPENSES:</u>						
PURCHASED POWER - BASE	30,102,742	28,117,959	29,123,336	28,426,800	28,426,000	30,386,549
PURCHASED POWER - FUEL	30,500,000	33,305,373	31,789,470	29,025,681	29,025,681	29,896,451
OPERATION EXPENSE	9,400,066	9,812,541	9,538,128	9,729,580	9,729,580	10,021,467
MAINTENANCE EXPENSE	2,702,398	2,768,231	3,224,633	3,133,133	3,133,133	3,227,127
DEPRECIATION EXPENSE	3,650,000	3,685,630	3,775,200	3,778,634	3,778,634	3,932,695
TOWN PAYMENTS	1,368,000	1,375,900	1,400,000	1,400,000	1,400,000	1,471,682
<b>TOTAL OPERATING EXPENSES</b>	<b>77,723,206</b>	<b>79,045,635</b>	<b>78,850,767</b>	<b>75,494,828</b>	<b>75,494,828</b>	<b>78,935,971</b>
<b>TOTAL OPERATING INCOME</b>	<b>4,678,708</b>	<b>3,248,896</b>	<b>4,007,120</b>	<b>1,794,631</b>	<b>3,448,991</b>	<b>4,038,399</b>
<u>NONOPERATING REVENUES:</u>						
MIDSE AND JOBBING	120,000	334,635	240,000	240,000	240,000	250,000
INTEREST INCOME	100,000	24,435	50,000	50,000	50,000	150,000
MMWEC REFUND AND ADVANCE IN AID	800,000	946,040	750,000	750,000	750,000	725,000
<b>TOTAL OTHER INCOME</b>	<b>1,020,000</b>	<b>1,305,110</b>	<b>1,040,000</b>	<b>1,040,000</b>	<b>1,040,000</b>	<b>1,125,000</b>
<u>NONOPERATING EXPENSES:</u>						
CUSTOMER DEPOSIT INTEREST EXP	3,000	1,145	3,000	3,000	3,000	5,000
OTHER DEDUCTIONS (INCLUDING ROI)	2,415,000	2,769,742	2,451,221	2,451,221	2,451,221	2,408,762
<b>TOTAL MISCELLANEOUS DEDUCTIONS</b>	<b>2,418,000</b>	<b>2,770,887</b>	<b>2,454,221</b>	<b>2,454,221</b>	<b>2,454,221</b>	<b>2,413,762</b>
<b>NET INCOME</b>	<b>3,280,708</b>	<b>1,783,119</b>	<b>2,592,899</b>	<b>380,410</b>	<b>2,034,770</b>	<b>2,749,648</b>
<b>ROR %</b>	<b>7.60%</b>	<b>5.22%</b>	<b>6.82%</b>	<b>3.16%</b>	<b>5.71%</b>	<b>6.92%</b>

## Jeanne Foti

---

**From:** Coleen O'Brien  
**Sent:** Monday, December 23, 2013 3:34 PM  
**To:** RMLD Board Members Group; Tom Ollila (taollila@verizon.net); davidnelson@verizon.net; ghooper@townofwilmingtonma.com; tonycapobianco1@gmail.com  
**Cc:** Jane Parenteau; Bob Fournier; Kathleen Rybak; Jeanne Foti; Priscilla Gottwald; jhull@wilmingtonma.gov; gbalukonis@northreadingma.gov; LeLacheur, Bob; william-gustus@town.lynnfield.ma.us  
**Subject:** SALIENT POINTS ADDRESSING THE RMLD RATE INCREASE  
**Attachments:** RESIDENTIAL IMPACT.pdf

Good afternoon: I just sent a copy of a press release (being sent to the local papers today) to you as well as the Selectmen and Town Managers. It was noted in the press release that presentations to the Board of Commissioners and Citizens Advisory Board are scheduled for January. In the interim, I wanted to share the salient points for the rate increase with you.

The laws that govern utility financing can be quite different from regular business structures, as well as the terminology. The intent of this email is to consolidate the salient facts.

### RATE INCREASE

- For a 500 KWhr residential customer, a 9% increase to the base rate which affects only the customer and base rate charge portions of the bill, equates to a 5.3% increase to the overall bill or an increase of \$3.21. The attached delineates this break-out for the residential class only.
- KWhr sales projections over the last several years assumed unrealistic load growth assumptions. These assumptions supported increased base revenues to cover all expenses and commitments. These load growth assumptions were not monitored and did not come to fruition thereby leaving the projected net income for FY14 at \$380K. Realistically, the KWhr sales have trended flat (-.32%) with residential slightly up and commercial slightly down, however, commercial represents approximately 10% of all customers but a 65% of KWhr sales and pulls in a higher Rate of Return than the residential class.

### LEGAL AND OTHER ADVERSE IMPACTS

- Mass General Law (MGL) 164, Section 58, does not allow RMLD to have rates which are below production costs. Ending with a net loss is a violation of MGL 164, S58.
- Pursuant to DPU 85-121, RMLD's voluntary PILOT payment to the Town of Reading must come from net income.
- If the projected net income of \$380K gets depleted by the end of the fiscal year, RMLD would end with a net loss, which is violation of MGL 164, S58. This could affect the PILOT payment made to the Town of Reading.

### CREDIT IMPACT

- Rates which are below production costs will impact RMLD's excellent credit rating and the credit rating of the Town of Reading.
- Rates which are below production costs are deemed a security and credit risk to power suppliers. RMLD's ability to purchase power from suppliers will be adversely impacted.

### PLANNING AND EXPENSES

- Rate Stabilization and Deferred Fuel Funds should be set and used to cover catastrophic events such as the purchase of replacement energy for an unexpected generator shutdown. One month of replacement energy

could cost up to \$1.5M during a peak period. As in the case of Katrina in 2005, RMLD depleted in excess of \$3M fuel reserves within a few months. cash transfer of rate stabilization funds would not affect the net income.

- RMLD has reduced its staff approximately 13% over the last 5 years without a strategic or succession plan. RMLD has a number of key positions currently vacant. The Organizational Study will identify the staffing levels, create movement in positions, and support skill set development to ensure efficient processes and meet current and long term strategic objectives.
- The Long Term Reliability Study will identify and prioritize necessary capital improvements to ensure continued safe and reliable service.
- The Depreciation Fund covers capital construction costs. The capital costs for a given fiscal year should be delineated in an approved long term reliability plan. The base fund should be set to cover a catastrophic event such as the loss of a main transformer, substation or other facility.
- A Cost of Service Study splits the pie by dividing costs by rate classes. RMLD's business model objectives including setting its Rate of Return, as well as the Operating/ Maintenance and Power Supply budgets, are all input values into the COS model. The COS will be done in the early spring.

*Coleen M. O'Brien*

General Manager

Reading Municipal Light Department

230 Ash Street

Reading, MA 01867

# RMLD Rate Change Discussion

Coleen O'Brien  
General Manager  
December 2013

# Overview

- RMLD's rate increase is needed:
  - To ensure the RMLD meets Massachusetts criteria (G.L. c. 164) for meeting the cost to purchase, maintain plant, and deliver electricity
  - To maintain excellent system reliability
  - To meet Reading's Return on Investment needs
  - To maintain RMLD's and Town of Reading's overall bond credit rating

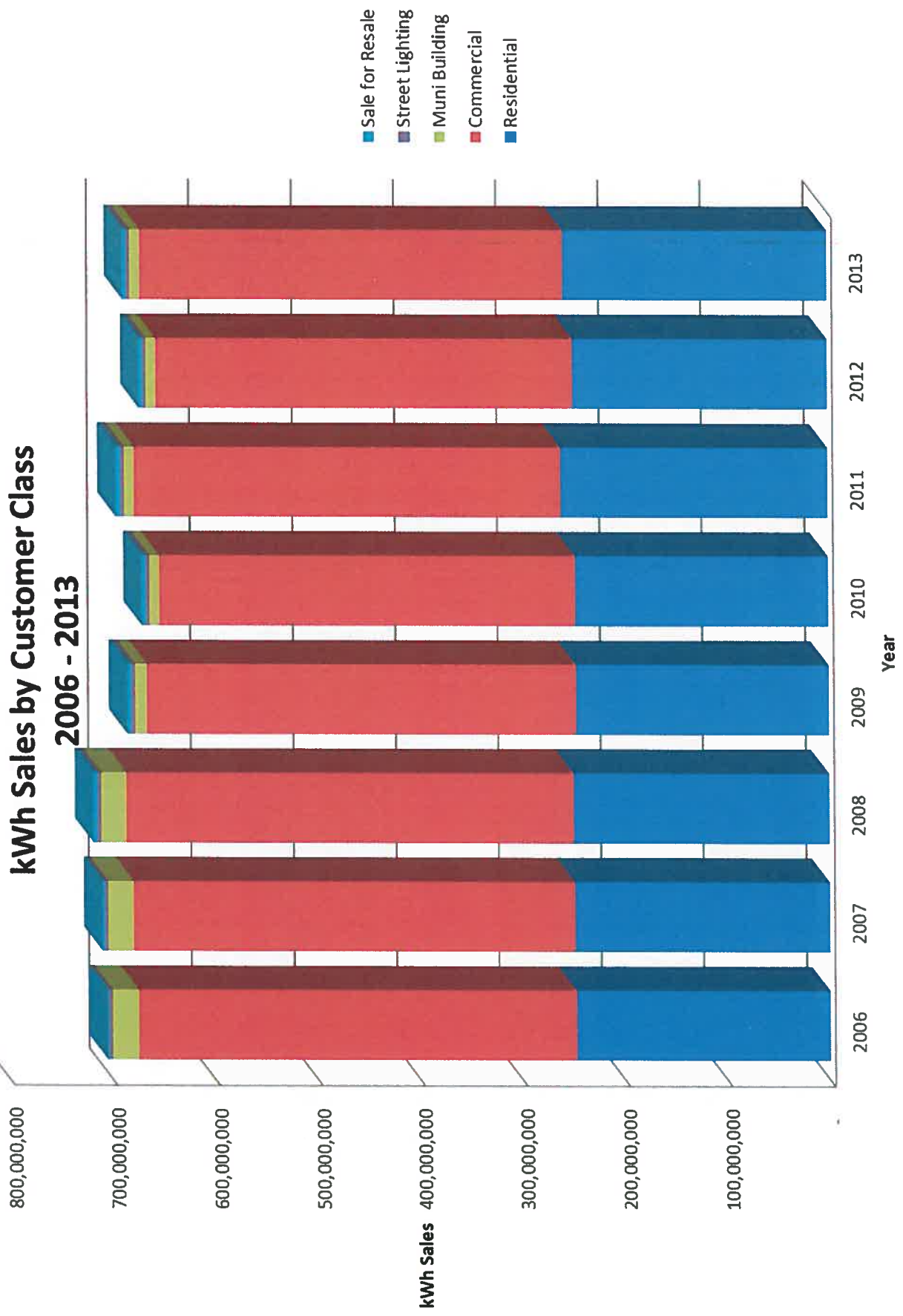
## Background Information

- Under Massachusetts GL c 164, the RMLD must meet the cost of delivering electricity to homes, businesses, and municipalities
- It has been 3 ½ years since the last rate increase
- NSTAR and others are planning on a 30% or greater increase in January
  - Even with the RMLD's requested rate increase, our service area electricity cost will still be much lower than customers served by NSTAR and NGRID

RMLD

## kWh Sales by Customer Class

2006 - 2013





# Why is kWh usage flat/shrinking?

## Multiple Reasons:

- Weak economy: 2008 through 2010
- Weather greatly influences kWh sales
- Electric conservation efforts; RMLD is proactive to assist all its customer classes reduce their bills
- Change in technology:
  - Residential, Commercial and Industrial customers are moving rapidly to CFL and/or LED lighting, which uses a fraction of incandescent lighting
  - Industrial users have moved to energy efficient devices, such as Adjustable Frequency Drive Motors, which use significantly lower power

## Why Increase Rates Now?

- RMLD should have addressed a rate increase prior to July, 2013.
- Waiting for Cost of Service Study to be completed will result in a larger increase.
- Delays in increase could have adverse credit implications for RMLD and Town of Reading.
- According to Mass GL c 164, rates must cover its cost to purchase, maintain plant and deliver electricity.

## Expenses

- Number of RMLD employees over the past five years has decreased by approximately 13%.
- O&M expenses have been reviewed.
- RMLD is also in the process of an Organizational Study to ensure that all resources are efficient and geared for future needs.

# Rate Stabilization

- If power provided from a low cost source has an outage, RMLD would be forced to buy from the spot market at a much higher rate.
- Cash transfer from rate stabilization will not change net income.
- Replacement of rate stabilization funds would compound rate increase.

# Options

Possible Options	Impact
Delay rate increase	<ul style="list-style-type: none"> <li>• Results in a larger increase later.</li> <li>• Adverse legal and financial implications.</li> <li>• Impacts reliability and customer service.</li> </ul>
Implement rate increase	<ul style="list-style-type: none"> <li>• Overall increase of approximately 5%.</li> <li>• Meet legal and financial obligations.</li> <li>• Maintain reliability and customer service.</li> </ul>

## Conclusion

- A rate increase is required now to allow RMLD to meet its financial and legal obligations as well as to maintain its excellent system reliability and customer service.
- RMLD is being proactive in:
  - Analyzing the trends to meet future needs
  - Completing Cost of Service Study
  - Performing Organizational and Reliability Studies





## ELECTRIC POWER ENGINEERING

35 MAIN STREET HOPKINTON, MA 01748 TELEPHONE (508) 435-9377

**To:** Coleen O'Brien, General Manager  
**Cc:** Jane Parenteau, Bob Fournier, Bill Selden  
**From:** Mayhew D. Seavey, Jr.  
**Date:** January 17, 2014  
**Subject:** Draft Proforma FY2014 Test Year Cost of Service

---

I have completed the 2014 Proforma Test Year Cost of Service analysis using the data that RMLD has provided. This memorandum summarizes the results of that analysis. The results confirm that, absent an immediate increase in rates, RMLD will have net income for the year, after deducting the Return on Investment payment to the Town of Reading, of less than \$400 thousand.

Starting with the FY2013 Historic Test Year Cost of Service Model that was shown to board members at the training session on December 4, I updated the data as follows:

- Operating expenses, including purchased power, were taken from the "2014 Budget Summary" dated 5/14/2013;
- Kilowatt-hour sales for each customer class were taken from your spreadsheet *"FY2014\_Jul thru Dec Actual\_Jan thru Jun Same as FY 2013 (no growth)"*. This represents total sales just slightly lower (0.2%) than the actual FY13 sales already in the model;
- I used the Cost of Service model to generate revenues from the existing and proposed rates, rather than using the revenues in your budget. This is the only difference between my results and yours;

The results show that, by our calculation and based on these assumptions, RMLD would have Net Income of \$297 thousand in FY2014. A calculation consistent with the regulations of the Massachusetts Department of Public Utilities yields a rate of return of approximately 3% which is far short of the 8% allowed under statute.

It appears to me that this outcome has resulted from flat or declining sales over the last few years, which will tend to erode earnings if purchased power costs are being passed through directly. It also appears that the decline in earnings was masked somewhat in FY2013 by an over-recovery of purchased power expense that increased revenues above the level that would have been received if all purchased power expenses had been passed through.

Because my Cost of Service model does not include monthly detail, it is not possible for me to calculate the rate increase that would be required to earn the target level of net income. Since my model agrees with RMLD's own projections for the entire fiscal year, I can be confident that RMLD's projections of the increase needed for the remainder of the fiscal year are in line with what I would project.

The next step of my analysis will be to look at FY2015 to determine the level of rates needed to meet budgeted expenses and produce the desired net income. This task can be completed as soon as final 2015 budget information is received.

If there are any questions regarding this, please do not hesitate to contact me.





# READING MUNICIPAL LIGHT DEPARTMENT

## RATE COMPARISON

Proposed RMLD Rates

vs.

Other Local Utilities

(Based on January 2014)

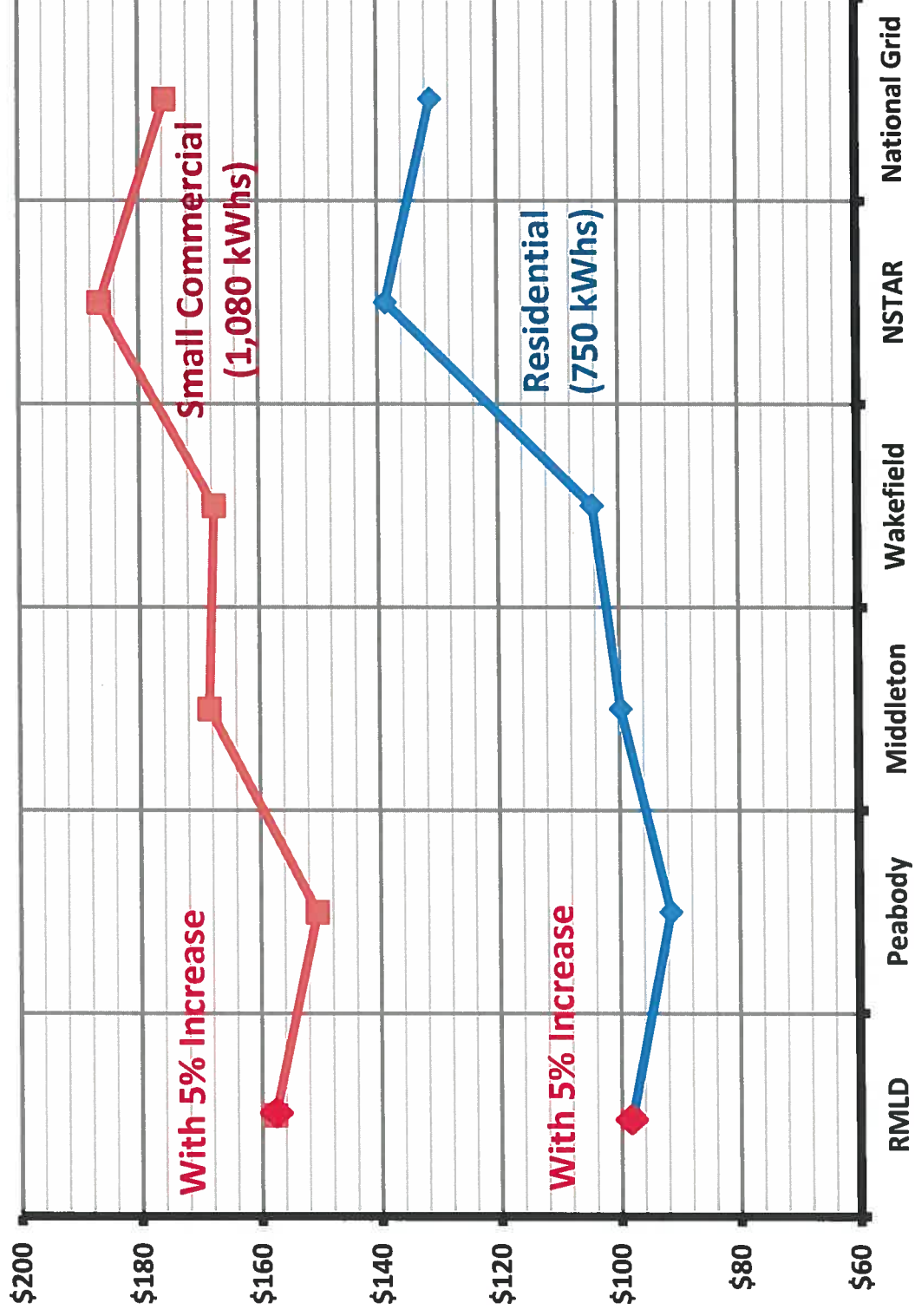
TOWN OF READING MUNICIPAL LIGHT DEPARTMENT

January-14

RATE COMPARISON READING (WITH PROPOSED RATE INCREASE) & SURROUNDING TOWNS

	RESIDENTIAL 750 kWh's	RESIDENTIAL-TOW 1500 kWh's 75/25 Split	RES. HOT WATER 1000 kWh's	COMMERCIAL 7,300 kWh's 25,000 kW Demand	SMALL COMMERCIAL 1,080 kWh's 10,000 kW Demand	SCHOOL RATE 35000 kWh's 130.5 kW Demand	INDUSTRIAL - TOU 109,500 kWh's 250,000 kW Demand 80/20 Split
READING MUNICIPAL LIGHT DEPT.							
TOTAL BILL	\$98.09	\$171.64	\$112.39	\$880.79	\$173.93	\$4,079.19	\$11,046.12
PER KWH CHARGE	\$0.13079	\$0.11442	\$0.11239	\$0.12066	\$0.16105	\$0.11655	\$0.10088
NATIONAL GRID							
TOTAL BILL	\$131.05	\$247.59	\$174.72	\$1,222.57	\$175.50	\$5,282.72	\$14,970.58
PER KWH CHARGE	\$0.17473	\$0.16506	\$0.17472	\$0.16748	\$0.16250	\$0.15093	\$0.13672
% DIFFERENCE	33.59%	44.25%	55.46%	38.80%	0.90%	29.50%	35.53%
NSTAR COMPANY							
TOTAL BILL	\$138.64	\$255.68	\$182.71	\$1,241.23	\$186.47	\$6,784.35	\$20,051.84
PER KWH CHARGE	\$0.18485	\$0.17045	\$0.18271	\$0.17003	\$0.17265	\$0.19384	\$0.18312
% DIFFERENCE	41.33%	48.97%	62.57%	40.92%	7.20%	66.32%	81.53%
PEABODY MUNICIPAL LIGHT PLANT							
TOTAL BILL	\$91.56	\$179.15	\$121.36	\$959.18	\$150.56	\$4,742.13	\$10,863.38
PER KWH CHARGE	\$0.12208	\$0.11943	\$0.12136	\$0.13139	\$0.13941	\$0.13549	\$0.09921
% DIFFERENCE	-6.66%	4.38%	7.99%	8.90%	-13.44%	16.25%	-1.65%
MIDDLETON MUNICIPAL LIGHT DEPT.							
TOTAL BILL	\$99.77	\$198.39	\$132.64	\$959.51	\$168.44	\$4,762.93	\$13,330.75
PER KWH CHARGE	\$0.13303	\$0.13226	\$0.13264	\$0.13144	\$0.15596	\$0.13608	\$0.12174
% DIFFERENCE	1.71%	15.59%	18.02%	8.94%	-3.16%	16.76%	20.68%
WAKEFIELD MUNICIPAL LIGHT DEPT.							
TOTAL BILL	\$104.31	\$202.32	\$136.98	\$1,039.27	\$167.49	\$4,864.08	\$13,421.07
PER KWH CHARGE	\$0.13908	\$0.13488	\$0.13698	\$0.14237	\$0.15509	\$0.13897	\$0.12257
% DIFFERENCE	6.34%	17.88%	21.88%	17.99%	-3.70%	19.24%	21.50%

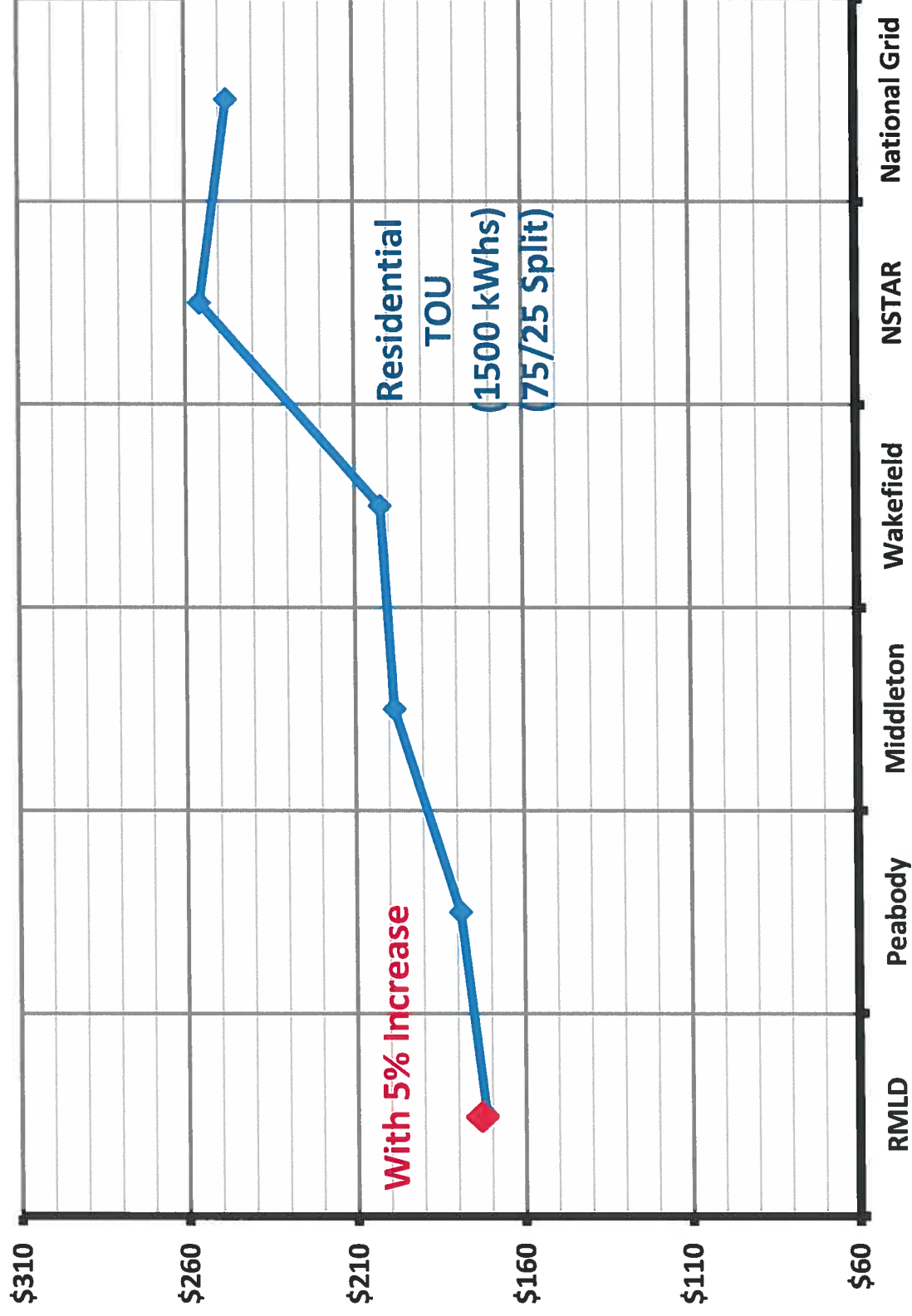
# Residential and Small Commercial



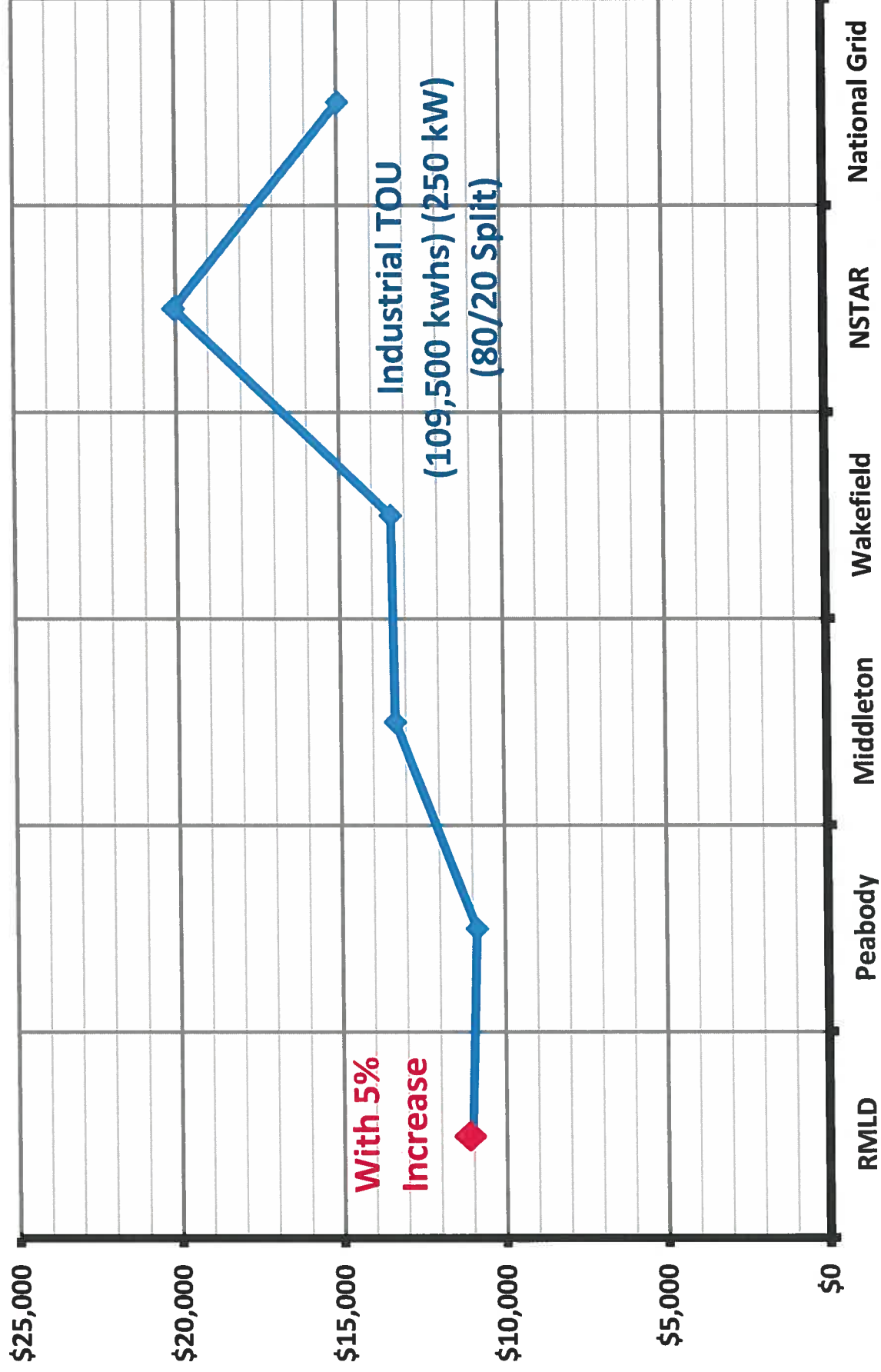
# Commercial



# Residential TOU



# Industrial TOU



# School









T: 617.330.7000 F: 617.330.7550  
50 Rowes Wharf, Boston, MA 02110

MEMORANDUM

BY EMAIL

To: Coleen O'Brien, General Manager  
Reading Municipal Light Department

From: Christopher Pollart and Karla Doukas

Re: Proposed Rate Increase and Issues Related to the 20-Year Agreement

Date: January 16, 2014

---

On behalf of the Reading Municipal Light Department ("RMLD"), you have asked us to address issues raised by the Lynnfield Board of Selectmen in its January 15, 2014 letter regarding RMLD's proposed rate increase for electric service.

At the outset, we note that it is our understanding from discussions with you that the rate increase being considered by RMLD is 5%, or \$3.21 per month on a residential customer's bill who uses 500 kWh per month and not 9% as referenced in the Lynnfield Board of Selectmen's letter. It is also our understanding from discussions with you that RMLD has paid \$2,301,221 to the Town of Reading in fiscal year 2014 for calendar year 2013 as a voluntary payment to the Town of Reading sourced from RMLD's below-the-line earnings or profit.

As you are aware, the Agreement between RMLD and the Towns of Wilmington, Lynnfield and North Reading requires, among other things, that RMLD make in-lieu of tax payments to the Towns for a 20-year term ("20-Year Agreement"). The 20-Year Agreement contemplates two types of payments: (1) payments-in-lieu of taxes made pursuant to special legislation, and (2) voluntary payments made from RMLD's below-the-line earnings as part of its discretionary authority if and to the extent special legislation is not in effect. Section 5 of the 20-Year Agreement specifically requires that RMLD's payments in lieu-of-taxes pursuant to special legislation be treated as expenses for ratemaking purposes. RMLD obtained special legislation, thus authorizing RMLD to include as annual operating expenses and recover through its rates, the in-lieu of tax payments made to the Towns of Reading, Wilmington, North Reading and Lynnfield. *See* St. 1990, c. 405, § 1.

G.L. c.164, § 58 governs the rate practices of municipal light plants such as RMLD. Under this statutory scheme, RMLD has broad discretion to expend money and set rates. *See Bertone v. Department of Pub. Utils.*, 411 Mass. 536, 543 (1992); *Municipal Light Comm'n of*

*Peabody v. Peabody*, 348 Mass. 266, 270-72 (1964). In fact, G.L. c. 164 grants the Department of Public Utilities (“DPU”) only limited power to review the rate practices of municipal light plants. *See e.g., Bertone*, 411 Mass. at 548; *Holyoke Water Power Co. v. Holyoke*, 349 Mass. 442, 445-46 (1965); *Stow Municipal Elec. Department*, D.T.E. 94-176-C, at 20-21 (2001) (stating that the DPU has limited ratemaking authority over municipal light plants); *Reading Municipal Light Department (“Reading”)*, D.P.U. 85-121/85-138/86-28-F (1987) (examining RMLD’s cost data and rate structure). The Court has recognized that municipal light plants do not nearly require the same degree of scrutiny and supervision as investor-owned utilities. *Bertone*, 411 Mass. at 547-48. Thus, the DPU generally defers to the ratemaking authority and policies of the municipal light plant. *Id.* at 543.

G.L. c.164, § 58 authorizes municipal light plants to set rates to earn an 8% return on the cost of plant and allows rate increases as often as every three months. Notably, Section 5(c) of the 20-Year Agreement expressly recognizes that nothing in the 20-Year Agreement precludes RMLD “from earning a return of eight percent per annum on the cost of plant in accordance with G.L. c. 164, § 58...”

In addition, Section 5(c) of the 20-Year Agreement explicitly recognizes RMLD’s right and authority to make additional voluntary payments to the Town of Reading from its unappropriated surplus, *i.e.*, below-the-line earnings. Below-the-line earnings are generated from the allowed return on cost of plant and any extra-period income, *i.e.*, surplus. *See, e.g., Littleton Electric Light Department* (Advisory Opinion), D.P.U. 96-11 (1996); *Reading, supra*; *In re Paras*, D.P.U. 86-16, at 1-2 (1986). RMLD has considerable authority over the management and use of its surplus funds and may determine the most effective use of the funds. Revenues generated from the return on plant or extra period income may be used for below-the-line items, such as discretionary payments. The DPU has recognized that municipal light plants may use unappropriated earned surplus revenues derived from the return on cost of plant or any “profit” to make voluntary payments to the host Town. *See Reading, supra*, at 15-16; *Peabody Municipal Light Plant*, D.P.U. 89-189, at 7; *In re Paras, supra*, at 2.

The DPU also has sanctioned the practice of budgeting monthly payments to the host Town based on its estimated rate of return as a reasonable exercise of the light plant’s management discretion. *See Peabody Municipal Light Plant, supra*, at 8. In *Peabody Municipal Light Plant*, the Petitioners questioned the light plant’s practice of including a profit estimate in its budget to be transferred to the City of Peabody. *Id.* at 8. The DPU concluded that the light plant could include up to eight percent of the cost of the plant in its net profit estimate in a properly prepared budget. *See id.* The DPU reasoned that in the light plant’s budget, the rate of return estimate appears to be eight percent and the fact that the payments are made on a monthly basis, after a profit is determined, is inconsequential if the cash management procedures followed by both City and the light plant make it more convenient to do so. *Id.*

Accordingly, there is no legal basis to challenge RMLD’s proposed rate increase to increase its rate of return in accordance with G.L. c. 164, § 58 or the making of any additional payments to the Town of Reading from RMLD’s rate of return.

Please do not hesitate to contact us if you have any questions.



# Town of LYNNFIELD

PHILIP B. CRAWFORD  
DAVID M. NELSON  
THOMAS D. TERRANOVA, JR.

WILLIAM J. GUSTUS  
Town Administrator

## BOARD OF SELECTMEN

January 15, 2014

Ms. Coleen O'Brien  
General Manager  
Reading Municipal Light Department  
230 Ash Street  
Reading MA 01867

RE: Rate Increase

Dear Ms. O'Brien:

Thank you for having your staff attend the January 6, 2014 meeting of the Lynnfield Board of Selectmen to discuss the proposed increase in rates to be charged for electric service in Lynnfield. The presentation was enlightening, pardon the pun, but concerning as well. On behalf of the Board of Selectmen, I want to express our collective concern in such a large rate increase at this time.

In looking at the documents previously provided, and in listening to the presentation last Monday, it is apparent that there has been a change in policy resulting in the decision to raise rates so dramatically at this time. While we understand that RMLD is allowed to earn up to 8% of net plant each year per state regulation, we are mindful that it is not required that it do so. We are also concerned that the additional PILOT payment made to the Town of Reading is shown as a current year expense rather than as a payment out of last year's unappropriated earned surplus. The whole purpose of the Special Legislation that was passed as a result of the four town agreement was to allow the payments to the four towns to be made out of current year revenue. The four town agreement specifically states that additional payments to Reading, over and above the four town payments, must come from unappropriated earned surpluses. This can only mean that these payments come from the prior year's surplus and are not current year obligations.

The rate increase has been justified by your staff as being required in order to insure that RMLD would have sufficient revenue to cover the cost of restoration of services in the event of a major failure occasioned by weather or other disaster in the current fiscal year. Without the charge for the additional PILOT payment against current year revenue, it

would seem that RMLD should have similar surpluses to those enjoyed in prior fiscal periods. While we understand that this could impact RMLD's ability to make next year's additional PILOT payment to the Town of Reading, we do not think that necessitates a 9% increase at this time.

The additional PILOT payments to Reading are clearly required to come out of earned surpluses as agreed by all four towns in the four town agreement. Reading, as a signatory to this agreement, must have understood that if a surplus did not exist, the payment would not be made. We have not been told of the existence of a formal PILOT agreement requiring these payments and we do not know how they have been calculated in the past. Nevertheless, we believe that the burden of increasing revenue this year to cover not only current year costs but also to generate sufficient surpluses to make additional PILOT payments to Reading next year should be borne not only by the rate payers but also the Town of Reading in the form of a reduced additional PILOT payment next year, if necessary.

In this way, RMLD could raise rates gradually over the course of the next few years in order to implement current policy to improve the revenue performance of RMLD. We think this is a far more equitable way to address this situation and one that will continue to foster the long standing reputation of RMLD as a cost effective energy provider to its customers.

Thank you for your consideration in this matter.

Very truly yours,

A handwritten signature in dark ink, appearing to read "William J. Gustus", written in a cursive style.

William J. Gustus  
Town Administrator

cc. John Stempeck  
CAB  
Board of Selectmen  
Jeffrey Hull  
Gregory Balukonis



**DRAFT REVISED**

Revision No. 1

CAB POLICY NO. 1

Effective Date

**RMLD**  
**CITIZENS' ADVISORY BOARD**

Per Board Vote  
Chairman/Date

**I. PURPOSE**

- A. To establish the role of the **RMLD** Citizens' Advisory Board (CAB) relative to the **Ratepayers customers**, the RMLD Commission, and the General Manager.
- B. To establish administrative controls for certain CAB activities.
- C. The RMLD will provide a minimum annual budget of \$15,000 annually to pay for incurred CAB expenses. The CAB agrees to prepare and submit a budget request for any additional costs above the \$15,000 by November 30<sup>th</sup> of each year the RMLD General Manager for review and approval.**

**II. GOVERNING LAWS**

- A. M.G.L., Chapter 164 and other applicable federal and state statutes and regulations.
- B. 1990 "20 Year" Agreement between the RMLD and the towns of Lynnfield, Reading, North Reading, and Wilmington.

**III. RESPONSIBILITIES**

**The CAB shall elect a chair, vice-chair and secretary.**

**A. CAB Chairman:**

- 1. Chairman is responsible for calling regular, emergency, and **executive session** meetings of the CAB Board as needed.
- 2. Chairman presides over the CAB meetings, **sets** the agenda and recognizes all speakers, including other **M m** members.
- 3. Chairman nominates Board members to represent the CAB at appropriate functions, events and meetings. Final decision is by a majority **vote** of the Board members.
- 4. Chairman nominates Board members to Board Subcommittees. Final appointment is by a majority **vote** of the Board members. **The Secretary serves as the Chairman of any such Subcommittees to which he/she is shall organize and select a chair and other officers as required once appointed.**

5. The Chairman may delegate some, none or all of the above responsibilities to the Vice-Chair Secretary. Though the final authority for these responsibilities resides with the Chairman, he/she is encouraged to actively consult with the Secretary as appropriate.

B. CAB Vice-Chair:

1. The CAB vice-chair shall act as chair in the absence of the chair.

B. C. CAB Secretary:

1. Final review of Board minutes.
2. Certifies, as required by law, votes of the CAB.
3. Signs, upon direction of a majority vote of the Board members, documents and legal settlements on behalf of the CAB. Alternatively any Member may be authorized to perform this function.
4. In the absence of the secretary, any other member may be assigned by the Chair, the duties of secretary for that specific meeting.

C. D. CAB, as a whole, by majority vote:

1. Provide decision-making inputs to the RMLD Board on issues concerning:
  - a. Significant expansion or retirement of RMLD's transmission, distribution, general plant or generation. "Significant" is defined as any item that is normally submitted for approval to the RMLD Commission under the annual capital budget.
  - b. Long-term power contracts and agreements and their mix. "Long-term" is defined as any energy and/or capacity contracts that exceed all the following conditions:
    - i. 10 megawatts in energy
    - ii. 6 months in duration
    - iii. 1 year in length
  - c. Cost-of-service and rate making practices.
  - d. Significant financial and accounting practices. The following actions are considered "significant".
    - i. Creation of reserve accounts or any alteration to existing reserve accounts. Alterations are defined as a transfer to or from a reserve account that is not a posting of accrued interest.



- e. Review the RMLD operating and capital budgets and recommend increases, decreases and alterations. The CAB shall review the proposed budgets for both their ability to ensure the proper maintenance and needed improvements to the physical plant of the RMLD, and for its fiscal responsibility and impact on rates.
  - f. Other issues as outlined in the most current "20 Year" Agreement, and as may be referred by the RMLD Commission.
2. Approves, in advance, attendance by CAB members at any meeting, conference, training session or similar function that requires RMLD expense compensation or use of RMLD Resources.

B. CAB Subcommittees

- 1. Serve as a mechanism for the Board to review and consider specific issues. Subcommittees can recommend but not approve unless specifically delegated, a course of action to the Board.

IV. POLICY ELEMENTS

A. It is the policy of the CAB:

- 1. To operate in accordance with the spirit, as well as the most current "20 Year" Agreement, and ~~the letter of~~ all applicable laws affecting its business and the business of the RMLD.
- 2. All Members are required to act with the highest level of integrity, business ethics and objectivity in any CAB transaction or where a Member represents the Board or the RMLD. No Member is allowed to misuse the authority or influence of their CAB position.
- 3. To operate in a respectful, businesslike and efficient manner in all aspects of the CAB meetings.
- 4. To hold regular open and public meetings to allow any and all customers to provide direct input on any open session matter before the Board.
- 5. To affirmatively and courteously respond to all requests for public information, subject to the constraints of Policy 12 (attached), Board Document Dissemination and Massachusetts Public Records Law. All requests will be arranged through the General Manager.