



Reading Municipal Light Department
RELIABLE POWER FOR GENERATIONS

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AGENDA

REGULAR SESSION

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

WEDNESDAY, DECEMBER 4, 2013

6:30 PM

at

230 Ash Street

Reading, MA 01867

Winfred Spurr/Audio Visual Room

1. Call Meeting to Order – J. Norton, Chairman
2. Cost of Service Study – C. O'Brien
3. Approval of Minutes from September 18, 2013, Meeting – J. Norton, Chairman
Suggested Motion: Move that the Citizens' Advisory Board Approve the Minutes of September 18, 2013, meeting as written.
4. FY13 Annual Financial Report – R. Fournier
5. FY14 Financial Report: October YTD – R. Fournier
6. RMLD Policy on Payment in Lieu of Taxes – R. Fournier
7. Asset Inspection Program – C. O'Brien
8. Use of LED Street Lights – T. Capobianco
9. Review of CAB Policy #1 – J. Norton, Chairman
10. 2014 Board of Commissioners Meeting Coverage – J. Norton, Chairman
11. Election of Officers – J. Norton, Chairman
12. Next Meeting: J. Norton, Chairman
13. Executive Session
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 September 18, 2013, to discuss competitively sensitive issues, and return to regular session for the sole purpose of adjournment. *Note Roll call vote required.*
14. Adjournment

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:

Thursday, December 12, 2013 – CAB Representative: Mr. Tom Ollila

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

**MINUTES
Regular Session**

Time: 6:30 p.m.
Date: Wednesday, September 18, 2013
Place: RMLD, 230 Ash Street, Reading, MA, Winfred Spurr/Audio Visual Room

CAB Members Present:

Mr. Tony Capobianco (Reading), Mr. David Nelson (Lynnfield), Mr. John Norton, Chairman (North Reading), Mr. Thomas Ollila, Secretary (Wilmington)

CAB Members Absent:

Mr. George Hooper, Vice Chairman (Wilmington)

RMLD Commissioner(s) Present:

Mr. David Mancuso

RMLD Staff Present:

Ms. Coleen O'Brien, Ms. Jane Parenteau, Ms. Kathleen Rybak, Mr. William Seldon, Mr. Kevin Sullivan

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

Chairman Norton called the meeting of the Citizens' Advisory Board to order at 6:30 p.m.

2. General Manager Introduction and Remarks – Coleen O'Brien

Chairman Norton introduced Coleen O'Brien the new General Manager.

Ms. O'Brien thanked Chairman Norton. Ms. O'Brien presented a handout regarding celebration plans for National Public Power Week. RMLD will be hosting an Open House during the week with the focus on education - electrical safety, careers in the public power utility business. There will be a number of educational booths set up and customer incentives. Anyone who signs up for paperless billing or the water heater program will get an LED bulb. There will be a raffle co-sponsored with Home Depot that will pay up to \$500 for an LED home conversion. RMLD will work with the winner to study the usage before and after so that we can comment on actual changes to a home when making this type of conversion. Between 400-600 kids (an estimate based on previous gatherings) are expected to attend. Each of the RMLD areas will be represented and staff will be available to answer questions. Ms. O'Brien welcomed CAB members to attend.

Other events that week include a breakfast on Tuesday that is open to everyone that contributes to the successes of RMLD. The CAB is invited to attend. Wednesday will be an employee appreciation lunch. A group picture will be taken and then there will be some team building activities.

Ms. O'Brien reported that she has met with all four town managers and attended three boards of selectmen meetings. She has met with each of the Commissioners individually and also with a number of CAB members (and is scheduled to meet with the remaining two). Ms. O'Brien stated that she is moving ahead with a strategic plan. Ms. O'Brien reported that she is working on an RFP for an organizational study and is in the midst of performing the preliminary assessments and designing a strategic road-map for all four major key utility functions: Business, Customer Service, Engineering and Operations, and Energy Services. Things are moving ahead and it's going quite well. Ms. O'Brien thanked the CAB for their support.

3. June and July 2013 Reliability Report – K. Sullivan

Mr. Sullivan reviewed the June Budget Variance report included in the Agenda packet. There were between 35-40 new residential services in the month. The total number of cutouts replaced fiscal year-to-date is 195. As we get closer to completing this project the numbers are dwindling as it takes outages to make those replacements. Mr. Sullivan reported that CAIDI for the month was at a very low level – the average June CAIDI is 45.39 minutes; June 2013 was 18.56 minutes. The CAIDI monthly average is at its lowest level in the last 12 months due to the number of customers that saw outage in June (3,819) and were restored under the RMLD four-year average outage duration of 51 minutes. SAIFI is in the opposite direction. The average June SAIFI is 1.15, not too far away from the average June numerical value. SAIFI is at its highest for the past twelve months due to the number of customers that had outages in the month. The MBTI is at 30.8 months between interruptions and as the SAIFI continues to climb (in a month like June or July) when MBTI drops off. MBTI has been as high as 40 months (when the SAIFI goes up that MBTI goes down).

Mr. Sullivan provided an update on the meter project. The Department is still tweaking the optimal field placement of its repeaters and will be for some time. The commercial meter replacements will be increasing as the weather gets cooler. There is demand reset on those meters, and therefore, they could not be replaced during months of June, July and August except right after they were read (very limited time). The meter project is complete for the residential sector. Commercial is at about 80%. Mr. Sullivan reported that we will deploy the fixed network for the meters in place and begin using those values for billing (once we validate each one of the values). Currently, we are reading on the fixed network for 99.4% of the territory for residential customers. About 157-160 customers are not being read which is why we continue to tweak repeater locations.

Mr. Capobianco asked, those (repeaters) are up on the poles and they are just not picking up wirelessly? Mr. Sullivan confirmed and added, there might be a better placement – maybe one pole away does it – we're looking into those things. Mr. Sullivan stated a propagation study was done by the vendor and we've tweaked this constantly since that point in time. We're getting down to the nitty gritty and want to get as close as possible to 100%. Mr. Capobianco asked, if this was all tested during good weather, will the poor weather affect much of the rebuilding of the computers? Mr. Sullivan replied, actually it doesn't – what really affects this is leaves. Fully leafed-out, we are at a 99.4% read rate – that's just fantastic – so it can only go up. Mr. Sullivan reported that we would like - while it's fully-leafed out - to optimize it. Every day values are pulled to try and figure out which of those meters are going in and going out from the reads. We can then see what repeater needs to be moved.

Mr. Sullivan reported on the June reliability stats. There were two separate heat waves in early June and then one in late June, and two storms where lightning affected the system. There were 168 customer calls for the month, 36 outage incidents with customers affected at 3,819. There were no feeder outages, 27 area outages and 10 service outages. The causes of outage were pretty much vanilla. We had six (6) faulted transformers in June and two (2) faulted in May. There were 21 faulted transformers throughout the summer for various reasons (overloads, lightning, etc.). Lightning damage for the month ravaged the system in six different areas.

Mr. Ollila asked about transformers in Wilmington that were leaking or had some issues, and asked if it had been resolved. Mr. Sullivan responded, RMLD became aware of a leaking transformer due to outage. Since that point, we have looked at about 300-400 transformers. There are a total of about 700 single-phase transformers, and a couple of hundred three-phase transformers. We are going to be looking at them all. The situation on Houghton Road has been resolved – it's been cleaned up – totally taken care of. RMLD is doing transformer inspections in each of the four towns we serve.

Mr. Ollila asked if that inspection was a result of what we saw or were we doing that anyway. Mr. Sullivan responded that it was the result of what we saw.

Mr. Nelson asked if we have seen an increase in hazmat or oil spills with the transformers; Mr. Sullivan asked – because of the inspection program? Mr. Nelson replied, because of that or any outage that may happen. Mr. Sullivan responded, no. Mr. Sullivan stated what happened on Houghton Road was a 60 gallon incident and that was taken care of. RMLD has since replaced one other transformer (that was leaking) that had been hit during the winter and not noticed because it was still in and running. That was cleaned up by RMLD staff. So, no.

Mr. Sullivan provided a wrap-up to FY13. There is only one project that was worked on in July (for FY14) - Project 3 Old Lynnfield Center URD upgrade. As in years past, we continue to work on projects that did not complete on June 30. It is a very fluid business – there are things that effect what you do each and every day. We lost 20 days because of Hurricane Sandy, not only in the preparation, but the clean-up and then moving from temporary to permanent installations and beyond. We were down a lineman (who was on disability) for nine and a half months. Things like that are largely out of our control. Things that come in that you have to handle - take the capital budget and push it aside.

Mr. Sullivan reported that there is a project (in FY13) that we did not get to. We purchased the wire for it, but didn't get to it. However, in FY14's Capital Budget there's a very similar project out of the same substation for the same wire replacement for \$80,000 less. Mr. Sullivan reported that we will take the wire that was purchased in FY13 and do the install in FY14. The FY14 project (Project 11, Station 4 (Gaw) Getaway Replacement, 4W9) will then be delayed to the following year.

Mr. Sullivan went on to review the July Engineering & Operations Report. CAIDI for the month was up to 35.78 minutes, whereas, the average July CAIDI is 70 minutes of outage. Again, there were a good number of customers (2,494) that were out of service during the month of July. In June and July, we saw significant outage for our customers. There were 17 days during the months of June and July that were over 90 degrees. The CAIDI monthly average is very low at 36 minutes compared to the average July minutes of outage (70 minutes). The CAIDI rolling average continues to show stability at approximately 60 minutes of outage. Seeing stability, next month (August) we will use data from 2008-12. Data used currently is 2006-09, whereas SAIFI shows 2008-12; we are going to align the CAIDI and the SAIFI information. Mr. Sullivan reported that the SAIFI value came down somewhat, but there were still almost 2,500 customers out of service. The average July SAIFI is 0.93, whereas, our numerical value for the month is 0.99; we are not too far away from the average July SAIFI. MBTI (tied directly to SAIFI in an inverse relationship), is 28.6 months, whereas last month we were just over 30 months. We had two heat waves in July and two lightning events. Calls for the month were 149, customers effected 2,494; there were 39 outage incidents, 33 area outages and six (6) service outages. For the month of July, we have 13 overloaded or faulted transformers due to lightning.

Mr. Capobianco asked about the outages with the heat wave. What was the cause - overloading or did demand out-stripped supply? Mr. Sullivan responded that demand did not outstrip supply. We were very close to that on one day. Mr. Capobianco asked if the equipment that overloaded was scheduled for maintenance or to be replaced. Mr. Sullivan replied that it just gave out.

Ms. O'Brien stated that RMLD will have a transformer load management program (typically incorporated as a GIS function tying customer data with system assets). It will take the connectivity between the crib of everyone connected to a transformer, there's a calculation, and it will spit out which transformers are nearing overload. Preventatively, we can address them before the heat season comes. In conjunction with that, we work with the wire inspectors and the Utility Authorization Number so when people are adding load, we would know about it. That gets put into the calculation so that we are continuously monitoring what's coming from the billing data for usage and it does self-calculations and will spit out those that are outside of the tolerance of what the transformer is designed for. That way you can try to address them – separate the crib or upgrade the transformer - before the summer. We will be heading in that direction.

Mr. Nelson asked about the response from the four municipalities during the heat waves when RMLD asked them to conserve energy. Mr. Sullivan responded that it is difficult to tell. Some folks were very

amenable to doing what we asked and did so. It is difficult though on an aggregate perspective to really understand how many complied.

Ms. O'Brien added that we are working to develop an emergency operating procedure that follows the REMVEC (Rhode Island, Eastern Massachusetts, and Vermont Energy Control) - you go from a public appeal to the next step of public appeal, to a power warning. We're looking at the best way to reach out to voltage sensitive customers - reverse 911, code red or similar IVR (Integrated Voice Recognition) - different types of systems. We will be following that appeal process to try and get as much of a reduction as we can - proactively - before we anticipate the peak. Ms. Parenteau noted that we have a new peak for this year - 163 in July.

Mr. Ollila asked if there were standardized protocols or programs through NEPPA or other towns that we could use as a template for that kind of warning or notification program. Ms. O'Brien replied that different towns work differently - an IVR system (RMLD's IVR is old and would need to be updated) or reverse 911 - each town uses a different system. The important part is that we follow the appeal process that's being mandated to us, and that we get that information out to the public so that no one is caught off guard that we may need to take some action. We want to educate the public on the ISO load reduction steps, including appeals and warnings, so that the customer can anticipate requests for curtailment to mitigate the potential for voltage reductions and/or load sheds. In addition to the customer education, Energy Services will be developing demand response programs with our larger commercial customers to augment with the peak shaving objectives. We are looking into the best way to reach the public.

Mr. Ollila, asked if there is a tiering structure within that, so you go to your biggest customers first. Ms. O'Brien responded, that the demand response program with the larger customers would be initiated coincident with an overall public appeal.

4. July 2013 Power Supply Report – J. Parenteau

Ms. Parenteau presented the July Purchase Power Summary which was included in the Agenda packet. Energy Costs were equivalent to a little less than \$0.045 per kilowatt hour; the fuel charge adjustment for July was set at \$0.045 and sales totaled 65.6 M kilowatt hours. As a result, RMLD under collected by approximately \$564,000, resulting in a deferred fuel cash reserve balance of \$2M. The August fuel charge adjustment was increased to \$0.05, and was set back to \$0.045 in September. It is currently forecasted to decrease to \$0.04 for the remainder of the year which would hit the target levels of between \$2.5 to \$3.0M for the deferred fuel cash reserve. Ms. Parenteau noted that after meeting with Ms. O'Brien and her meeting with the Commissioners, we thought it would be helpful to graphically represent the mix which is right under Table 2. Ms. Parenteau went on to review Capacity noting that she had misspoke earlier regarding the peak – we hit a peak of 168 megawatts which occurred on Friday, July 19 at 4:00. The average temperature at that hour was 97 degrees. This compares to a peak demand a year ago of 164, so it was about 4 megawatts higher. The average temperature was 94 degrees a year ago. Ms. Parenteau went on to review Table 4. Hydro generation for the month of July, which tends to be on the lower month, was 4.8%. Ms. Parenteau reviewed Table 5. The RMLD sold 4,600 quarter one RECs to EDF Trading for \$246,000 or \$53 per REC. Ms. Parenteau reviewed Table 6 – Transmission.

Mr. Capobianco questioned whether \$53.00 for the RECs that were just sold was comparable to the price when we went through the whole REC discussion, or has the value dropped. Mr. Seldon responded that since the discussion the price for RECs has gone up; in 2011 the average was about \$47.00; 2012 went to \$49.00, and now it is around \$53.00 on average.

5. Approval of Minutes of May 15, 2013 – J. Norton, Chairman

Chairman Norton asked for a motion to approve the minutes.

Mr. Nelson made a motion to approve the Reading Municipal Light Department Citizens' Advisory Board Meeting Minutes of Wednesday, May 15, 2013, as written, seconded by Chairman Norton. Mr. Capobianco asked for confirmation that he could vote even though he was not present at the meeting. Chairman Norton confirmed that he could. Hearing no further discussion, ***Motion carried 4:0:1 (4 in favor, 0 opposed, 1 absent).***

6. Review of CAB Policies – D. Nelson

Mr. Nelson stated that he has been on the CAB for a little over a year. He thought as he was looking through the CAB handouts, that this would be an opportune time – with a fairly new Board of Commissioners (the CAB pretty much has stayed the same) and a new General Manager – to take a look at the policies (dated November 1998) and some of the other documents (such as the 20-Year Agreement) and review and update them as necessary. If no revisions are necessary, we could update them with the date that shows that we at least reviewed these policies.

Chair Norton noted, that Policy 1 needs to be updated to reflect the current structure of the CAB and the addition of a Vice Chair. Proposed changes were: Under responsibilities add: B. CAB Vice Chair: 1. Preside over meetings in the absence of the Chair. The current B would become C and add Item 3 to that: Presides over meetings in the absence of the Chair and Vice Chair. The current C would become new D and stay the same. Chair Norton asked to have the changes in writing for a formal vote at the next meeting. Chair Norton asked if anyone else had anything under Policy 1 or 2. Mr. Nelson responded that (as it relates to Item 7 on the Agenda – Code of Conduct) Policy 1 provides an outline of the CAB and how they act in accordance with certain situations. Mr. Nelson noted that the Board of Commissioners established a very short, simple and to the point, code of conduct and suggested incorporating a code of conduct into CAB Policy 1 (as opposed to creating another document). Mr. Nelson agreed to provide some input as we go through this. Chair Norton said that would be fine; we'll do that at the next meeting. Chair Norton asked if there was anything else under one and two.

Ms. O'Brien asked for clarification. Do you want a draft of the changes discussed for vote or wait until you meet and decide if there are any other changes to include in Policy 1? Chair Norton replied, that his proposal is to be done at the next meeting so it is in compliance with the way we operate now. Mr. Nelson added, to clarify, the Vice Chair position would be added in, but it will be ongoing to look at the documents for several meeting. Chair Norton confirmed.

Commissioner Mancuso stated that the Commissioners will be going through a very similar process. We have not really gotten into the meat of that discussion, but I think that we are in agreement that the timing is excellent to be able to really reset and update. As the CAB goes through the process and the Commissioners go through the process, it will be good to stay in lock-step so that we're coordinating some of our efforts to make sure that we're all on the same page.

7. Code of Conduct – Consideration – D. Nelson

Mr. Nelson stated that Code of Conduct had been discussed as part of the policies discussion. Instead of creating another document, it's worth our efforts to look at Policy 1 and maybe see how that is worded and to have it in one place instead of two.

8. CAB Annual Goals – Consideration – D. Nelson

Mr. Nelson talked about the importance of goals for committees, commissions and boards and suggested, the CAB think about what we may want to create as a goal for ourselves as we go into next year. If the Board was agreeable, we could come back and talk a bit more about a goal. Mr. Nelson offered to write something a little more descriptive of what he had just talked about. Chair Norton said that was fine.

Mr. Ollila asked, are you talking about an overall mission statement, or something more specific. Nelson replied, I'm just looking at the different projects that are going on within the RMLD - from the CAB's relationship to the Commissioner Board and how we interact with the municipality management and the selectmen, to the educational programs that are going to be generating for the community - maybe a goal could be to help make that be better and bring it up to other municipalities. Mr. Nelson continued, we can think about a mission statement, or maybe put something at the beginning of the policies about our charge. Mr. Ollila clarified, so you're thinking at the beginning of our calendar year (or fiscal year) we, at one or two of the meetings, agree what our focus is for the year. Mr. Nelson responded, maybe it doesn't have to be goal that everyone has to do, but that he certainly would come up with a goal for himself, and he would let the CAB know what that goal is, what he plans to do with it, and how he plans to present that to the CAB.

9. Discussion – RMLD Policy on Payment in Lieu of Taxes – D. Nelson

Chair Norton noted that Mr. Fournier provided a memo regarding this Agenda item which was included in the packet.

Mr. Nelson stated that the documentation regarding the payment in lieu of taxes was dated 1987. It does discuss some Massachusetts General Laws that deal with how that is set up through the RMLD. The 20-Year Agreement is resigned every ten years. Is that a document that needs to be looked at and does it hold true today as it did in 1987? Are the Mass General Laws quoted there applicable laws today or are there new laws? Mr. Nelson noted Mass General Law Chapter 164A, Section 8, which really doesn't reflect in the 20-Year Agreement.

Chair Norton stated, this is pretty much set by the 20-Year Agreement and noted that Mr. Fournier will be at the meeting next month and may be able answer the question a little bit more in-depth. Chair Norton, cautioned, if you start changing too much in the 20-Year Agreement, you then have to go back before all the Boards of Selectmen to re-vote things. In some communities it has to go before their town meeting.

Mr. Nelson replied, well at least maybe look at it. Mr. Nelson noted that the 20-year Agreement and the policies for the CAB (and some of the other documents) are pretty old. If you can't look at it because you can't change it, then that's fine, maybe wait for a cycle that you can. But, it's one of those things that seems like it's gone by so many years that it's just easy to overlook. Chair Norton, stated if we're going to make changes, we should do it in a wholesale type way. Mr. Nelson agreed, it should be done in a way that's going to work for everybody and it's going to be a smooth transition and not cause a lot of problems. Chairman Norton asked Ms. O'Brien to put a flag out to Mr. Fournier to have a little bit more information on this particular item for next month.

Ms. O'Brien asked for clarification. Specifically, what's in your packet discusses the calculations and the amounts paid out. What additional information would you like me to have Mr. Fournier look at? Mr. Nelson replied, one of the things would be Mass General Law Chapter 164A, Section 8 – is that applicable to our 20-Year Agreement? Sometimes things are grandfathered and you don't have to deal with it but, that was one of the questions.

10. Discussion RMLD RECs Policy – D. Nelson

Mr. Nelson thanked staff for putting information together regarding the payment in lieu of taxes and the RECs. Mr. Nelson stated that he has spoken with his Town Administrator about RECs and they still have questions. Retire RECs? Sell RECs? You sell 40% and you retire 60% - well why can't they all be sold? Some RECs are worthless, but is that worthlessness at the end of their cycle or is it given to us being worthless in the first place? The money that goes to the RECs, goes toward our fuel budget, right? Are there other places the money could go, or is that what RMLD chooses to have as the best place? Another example would be alternative energy possibilities for different communities or the RMLD to look into. Mr. Nelson noted that Ms. O'Brien heard some of these questions when meeting with the Town Administrator and Mr. Nelson, and may have felt the frustration about RECs.

Ms. O'Brien acknowledged the frustration, which is why she had instructed Energy Services to put together a document (a draft was included with the Agenda packet) that explains the process in detail. Mr. Seldon stated, the way we determine the value (of RECs) is unique from facility to facility. It becomes extremely unique and challenging for the smaller hydro units to qualify for more expensive – more valuable – RECs for the different states, which is one reason why one unit that we have in our portfolio of the four hydro's that generate the RECs pretty much don't have any value to the traders – they do have value for a specific program in Connecticut. We didn't know that going into it – we were pretty new to the RECs market. It was a learning process for all of us. That's why, in our portfolio, we have some RECs that hold zero value when you look at the table of the monthly power supply report that both boards get every month.

Ms. Parenteau, elaborated. The RECs are only valuable for one calendar year at a time, and there's a six month lag for that. 2012 RECs had to be sold by June 15 of 2013. If they are not sold at that time, they become worthless, because there is no longer a market for them. That ties into the value - are they worth something or they are not - because after a certain window of time, if you haven't banked them, sold them or retired them, they are worth nothing.

Mr. Nelson noted the revenue going into the fuel account. The RMLD, the Commissioners and the CAB have agreed that that's the best place to put that - is there any possible alternative?

Mr. Seldon replied, that was predicated on a Board vote after the Sustainability Policy came into play, based on a clause that's in the Sustainability Policy to best use the value of the RECs to lower the supply or the cost. It was agreed by Board vote to take the money and put it to offset the costs of fuel, that way it's a benefit to everybody.

Ms. Parenteau added, when those contracts were negotiated, it was a bundled contract. We didn't negotiate separately for capacity, energy and RECs. We were dealing with a developer, and we negotiated a bundled rate. For example, for 2012 the Swift River Projects the average cost for those units was \$0.0985, which is significantly higher than our average portfolio of about \$0.05. When you take the revenue that we received in 2012, of approximately \$776,000, against the money that we paid, it brings it down to about \$0.055. That discount, or that additional revenue, offsets that higher price that was bundled into the project and all our customers benefit from that. That was the thought process going into how we handled that revenue.

Mr. Nelson thanked the staff and noted that Ms. Parenteau is an expert in this field and that anyone that has a question about RECs should talk to her. Chair Norton asked if there were any further questions or comments on number 10. Mr. Nelson asked if the other municipalities had any questions or concerns about RECs. Chair Norton stated there was quite a bit of discussion when this whole thing flared up, back some time ago (about a year and half), but it was recently taken care of and there's been nothing since. Chair Norton stated that his Board is satisfied with the way that things have developed as far as that particular issue.

11. Report on 2013 Northeast Public Power Association Annual Conference – T. Ollila

Mr. Ollila gave a brief review of the NEPPA conference held in August. Mr. Ollila noted that he found it, personally, very interesting and educational, and offered to share materials from the conference if anyone was interested. Mr. Ollila stated he thought a lot of the benefit of conferences like these is just the opportunity to meet peers in the industry, other municipalities or other organizations - general manager to general manager, or power supply person to other – you pick up a lot that way. Those sort of general, intangible things are always a benefit of NEPPA and the APPA type events.

Mr. Ollila gave a brief overview of the formal programs and the topics presented at the Conference.

Chair Norton thanked Mr. Ollila.

12. Next Meeting – J. Norton, Chairman

October 23 was identified as a tentative date for the next meeting.

Mr. Ollila asked to bring up a new item before moving onto Item 13. Mr. Ollila stated that he came across an article about the City of Boston. They have put in place a Building Energy Reporting Ordinance which requires all buildings over a certain size to report their energy and water use. It is a first step in trying to encourage energy efficiency. Mr. Ollila acknowledged that RMLD is understaffed on the energy efficiency side and doesn't have time to take on new projects, but wanted to bring this information forward. When we get that bandwidth back, we could see if there's something that the City of Boston is doing that we could benefit from – is that something we could leverage to help our towns manage their energy.

Ms. Parenteau responded that prior to the vacancy, RMLD was working with the towns. The Town of Reading received energy use from all their municipal buildings and we were using the energystar.gov website to input that information to benchmark the towns through the MAPC affiliate that we were working with at the time. Ms. Parenteau went on to state that she believes there was something that we were tracking that is probably reflective, but really can't say that until she sees the article. Mr. Ollila agreed to send the article to Ms. Parenteau. Mr. Ollila acknowledged that Energy Services is understaffed, and volunteered to look into this to see what details can be found and present it to the town folks to see if it is any value to our customers.

13. Executive Session – J. Norton, Chairman

Mr. Nelson 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 May 15, 2013, and to 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. Nelson, aye; Chairman Norton, aye; Mr. Capobianco, aye; Mr. Ollila, aye.

14. Return to Regular Session – J. Norton, Chairman

Mr. Nelson made a motion to return to regular session, seconded by Mr. Capobianco. Hearing no further discussion, Motion ***carried 4:0:1 (4 in favor, 0 opposed, 1 absent)***

15. Motion to Adjourn – J. Norton, Chairman

Mr. Nelson 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 8:55 p.m.

Respectfully submitted,

Thomas Ollila, Secretary

Minutes approved on: _____

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

Annual Financial Statements

For the Year Ended June 30, 2013



MELANSON HEATH & COMPANY, PC

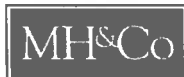
Chartered Public Accountants

**1250 Main Street, Suite 200
Reading, MA 01860**

Reading Municipal Light Department

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MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Municipal Light Board
Town of Reading Municipal Light Department

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Town of Reading Municipal Light Department ("the Department") (an enterprise fund of the Town of Reading, Massachusetts), as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Town of Reading Municipal Light Department as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Melanson, Heath + Company P.C.

Andover, Massachusetts
September 25, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Town of Reading Municipal Light Department's ("the Department") annual financial report, management provides a narrative discussion and analysis of the Department's financial activities for the year ended June 30, 2013. The Department's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Proprietary Fund Statements of Net Position is designed to indicate our financial position as of a specific point in time. At June 30, 2013, it shows our net worth of \$98,317,179 which comprises \$70,194,418 invested in capital assets, \$2,733,147 restricted for depreciation fund, and \$25,389,614 unrestricted.

The Proprietary Fund Statements of Revenues, Expenses and Changes in Net Position summarize our operating results and reveal how much, if any, of a profit was earned for the year. As discussed in more detail below, our net profit for the year ended June 30, 2013 was \$1,783,119.

The Proprietary Fund Statements of Cash Flows provide information about cash receipts, cash payments, investing, and financing activities during the accounting period. A review of our Statements of Cash Flows indicates that cash receipts from operating activities adequately covered our operating expenses in fiscal year 2013.

The following is a summary of the Department's financial data for the current and prior fiscal years.

Summary of Net Position

	<u>2013</u>	<u>2012</u>
Current assets	\$ 19,793,703	\$ 20,331,949
Noncurrent assets	<u>88,266,629</u>	<u>87,919,610</u>
Total assets	<u>\$ 108,060,332</u>	<u>\$ 108,251,559</u>
Current liabilities	\$ 6,996,149	\$ 7,515,556
Noncurrent liabilities	<u>2,747,004</u>	<u>4,201,943</u>
Total liabilities	9,743,153	11,717,499

(continued)

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Net position:		
Net investment in capital assets	70,194,418	68,670,917
Restricted for depreciation fund	2,733,147	2,635,206
Restricted for OPEB trust	-	1,344,829
Unrestricted	<u>25,389,614</u>	<u>23,883,108</u>
Total net position	<u>98,317,179</u>	<u>96,534,060</u>
Total liabilities and net position	<u>\$ 108,060,332</u>	<u>\$ 108,251,559</u>

Summary of Changes in Net Position

	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 82,294,531	\$ 81,764,964
Operating expenses	<u>(79,045,634)</u>	<u>(77,383,674)</u>
Operating income	3,248,897	4,381,290
Non-operating revenues (expenses)	<u>(1,465,778)</u>	<u>(1,450,812)</u>
Change in net position	1,783,119	2,930,478
Beginning net position	<u>96,534,060</u>	<u>93,603,582</u>
Ending net position	<u>\$ 98,317,179</u>	<u>\$ 96,534,060</u>

B. FINANCIAL HIGHLIGHTS

Electric sales (net of discounts) were \$80,816,527 in fiscal year 2013, a decrease of 2.1% from the prior year. In fiscal year 2013, kilowatt hours sold increased by 2.3% to 701,896,340, compared to 685,978,955 in fiscal year 2012. In fiscal year 2013, customers were charged \$339,810 in fuel charge adjustments, compared to credits of \$(785,180) in fiscal year 2012. In fiscal year 2013, customers were charged purchase power adjustments of \$1,138,194, compared to \$3,203 in fiscal year 2012.

Operating expenses were \$79,045,634 in fiscal year 2013, an overall increase of 2.1% from fiscal year 2012. The largest portion of this total, \$61,423,332, was for purchase power expenses. Other operating expenses included \$12,580,772 for general operating and maintenance costs, \$1,375,900 for voluntary payments to Towns, and depreciation expense of \$3,665,630. In fiscal year 2013, the depreciation rate was 3.0%.

In fiscal year 2013, the Department contributed \$1,000,000 to the Reading Municipal Light Department Employees' Pension Trust (the "Pension Trust") and the Pension Trust contributed \$1,288,076 to the Town of Reading Contributory Retirement System on behalf of the Department's employees.

In fiscal year 2013, the Department contributed \$1,483,007 to an Other Post-Employment Benefits Trust (the "OPEB Trust"), which was equal to its actuarially determined liability at June 30, 2013. As a result, the Department had no OPEB liability at June 30, 2013. Additional information on the Department's OPEB contributions can be found in Note 15 on pages 20-22 of this report.

C. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in land at year end amounted to \$1,265,842; there was no change from the prior year. Total investment in depreciable capital assets at year end amounted to \$68,928,575 (net of accumulated depreciation), an increase of \$1,523,500 from the prior year. This investment in depreciable capital assets includes structures and improvements, equipment and furnishings, and infrastructure assets.

Long-term debt. At the end of the current fiscal year, the Department has no outstanding bonded debt.

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

REQUESTS FOR INFORMATION

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

Accounting/Business Manager
Town of Reading Municipal Light Department
230 Ash Street
Reading, Massachusetts 01867

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

BUSINESS-TYPE PROPRIETARY FUND
STATEMENTS OF NET POSITION

JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current:		
Unrestricted cash and short-term investments	\$ 9,151,851	\$ 9,957,960
Receivables, net of allowance for uncollectable	8,381,377	8,115,722
Prepaid expenses	691,445	762,930
Inventory	1,569,030	1,495,337
Total current assets	<u>19,793,703</u>	<u>20,331,949</u>
Noncurrent:		
Restricted cash and short-term investments	18,035,438	19,187,119
Investment in associated companies	36,774	61,574
Land and construction in progress	1,265,842	1,265,842
Capital assets, net of accumulated depreciation	68,928,575	67,405,075
Total noncurrent assets	<u>88,266,629</u>	<u>87,919,610</u>
TOTAL ASSETS	108,060,332	108,251,559
LIABILITIES		
Current:		
Accounts payable	4,978,818	4,934,861
Accrued liabilities	527,638	469,906
Customer deposits	700,021	631,268
Customer advances for construction	405,154	363,459
Due to retirement trust	-	1,000,000
Current portion of long-term liabilities:		
Accrued employee compensated absences	384,518	116,062
Total current liabilities	<u>6,996,149</u>	<u>7,515,556</u>
Noncurrent:		
Accrued employee compensated absences	2,747,004	2,866,854
Other post-employment benefits	-	1,335,089
Total noncurrent liabilities	<u>2,747,004</u>	<u>4,201,943</u>
TOTAL LIABILITIES	9,743,153	11,717,499
NET POSITION		
Net investment in capital assets	70,194,418	68,670,917
Restricted for depreciation fund	2,733,147	2,635,206
Restricted for other post-employment benefits	-	1,344,829
Unrestricted	25,389,614	23,883,108
TOTAL NET POSITION	<u>\$ 98,317,179</u>	<u>\$ 96,534,060</u>

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

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

BUSINESS-TYPE PROPRIETARY FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues:		
Electric sales, net of discounts of \$4,380,927 and \$4,229,951, respectively	\$ 80,816,527	\$ 82,546,941
Purchase power and fuel charge adjustments:		
Fuel charge adjustment	339,810	(785,180)
Purchase power adjustment	<u>1,138,194</u>	<u>3,203</u>
Total Operating Revenues	82,294,531	81,764,964
Operating Expenses:		
Purchase power	61,423,332	60,361,614
Operating	10,325,066	9,882,934
Maintenance	2,255,706	2,235,228
Depreciation	3,665,630	3,552,330
Voluntary payments to towns	<u>1,375,900</u>	<u>1,351,568</u>
Total Operating Expenses	<u>79,045,634</u>	<u>77,383,674</u>
Operating Income	3,248,897	4,381,290
Nonoperating Revenues (Expenses):		
Interest income	24,435	88,705
Contributions in aid of construction	30,965	17,226
MMWEC surplus	445,278	516,183
Purchased power refunds	327,297	-
Intergovernmental grants	53,074	325,007
Return on investment to Town of Reading	(2,265,427)	(2,205,957)
Loss on disposal of capital assets	(385,199)	(563,957)
Other	<u>303,799</u>	<u>371,981</u>
Total Nonoperating Revenues (Expenses), Net	<u>(1,465,778)</u>	<u>(1,450,812)</u>
Change in Net Position	1,783,119	2,930,478
Net Position at Beginning of Year	<u>96,534,060</u>	<u>93,603,582</u>
Net Position at End of Year	<u>\$ 98,317,179</u>	<u>\$ 96,534,060</u>

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

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

BUSINESS-TYPE PROPRIETARY FUND
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers and users	\$ 80,619,625	\$ 83,250,940
Payments to vendors and employees	(77,467,006)	(72,408,534)
Customer purchase power and fuel charge adjustments	<u>1,478,004</u>	<u>(781,977)</u>
Net Cash Provided By (Used For) Operating Activities	4,630,623	10,060,429
<u>Cash Flows From Noncapital Financing Activities:</u>		
Return on investment to Town of Reading	(2,265,427)	(2,205,957)
MMWEC surplus	445,278	516,183
Intergovernmental revenues	53,074	325,007
Other	<u>631,096</u>	<u>371,981</u>
Net Cash Provided By (Used For) Noncapital Financing Activities	(1,135,979)	(992,786)
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(5,574,329)	(5,226,695)
Contributions in aid of construction	<u>72,660</u>	<u>17,226</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	(5,501,669)	(5,209,469)
<u>Cash Flows From Investing Activities:</u>		
Investment income	24,435	88,705
(Increase) decrease in restricted cash and investments	<u>1,176,481</u>	<u>(585,553)</u>
Net Cash Provided By (Used For) Investing Activities	<u>1,200,916</u>	<u>(496,848)</u>
Net Change in Cash and Short-Term Investments	(806,109)	3,361,326
Unrestricted Cash and Short Term Investments, Beginning of Year	<u>9,957,960</u>	<u>6,596,634</u>
Unrestricted Cash and Short Term Investments, End of Year	<u>\$ 9,151,851</u>	<u>\$ 9,957,960</u>
<u>Reconciliation of Operating Income to Net Cash:</u>		
Operating income	\$ 3,248,897	\$ 4,381,290
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation expense	3,665,630	3,552,330
(Increase) decrease in:		
Accounts receivable	(265,655)	634,116
Prepaid and other assets	71,485	(9,798)
Inventory	(73,693)	90,908
Accounts payable and accrued liabilities	250,295	64,932
Due to pension trust	(1,000,000)	1,000,000
Other post-employment benefits	(1,335,089)	169,289
Other liabilities	<u>68,753</u>	<u>177,362</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 4,630,623</u>	<u>\$ 10,060,429</u>

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

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

FIDUCIARY FUNDS
STATEMENTS OF FIDUCIARY NET POSITION

JUNE 30, 2013 AND 2012

	<u>Pension Trust</u>		<u>OPEB Trust</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>
<u>ASSETS</u>			
Cash and short-term investments	\$ 5,197,092	\$ 4,476,777	\$ 1,495,511
Due from proprietary fund	<u>-</u>	<u>1,000,000</u>	<u>-</u>
TOTAL ASSETS	<u>5,197,092</u>	<u>5,476,777</u>	<u>1,495,511</u>
<u>NET POSITION</u>			
Total net position held in trust	\$ <u>5,197,092</u>	\$ <u>5,476,777</u>	\$ <u>1,495,511</u>

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

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

FIDUCIARY FUNDS
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	Pension Trust		OPEB Trust
	<u>2013</u>	<u>2012</u>	<u>2013</u>
Additions:			
Contributions from Reading Municipal Light Department	\$ 1,000,000	\$ 1,000,000	\$ 1,483,007
Interest and dividend income	<u>8,391</u>	<u>25,605</u>	<u>12,504</u>
Total additions	1,008,391	1,025,605	1,495,511
Deductions:			
Paid to Reading Contributory Retirement System	<u>1,288,076</u>	<u>1,336,326</u>	<u>-</u>
Total deductions	<u>1,288,076</u>	<u>1,336,326</u>	<u>-</u>
Net increase (decrease) in net position	(279,685)	(310,721)	1,495,511
Net position:			
Net Position, Beginning of Year	<u>5,476,777</u>	<u>5,787,498</u>	<u>-</u>
Net Position, End of Year	<u>\$ 5,197,092</u>	<u>\$ 5,476,777</u>	<u>\$ 1,495,511</u>

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

Town of Reading, Massachusetts Municipal Light Department

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

- A. Business Activity - The Department purchases electricity which it distributes to consumers within the towns of Reading, North Reading, Wilmington, and Lynnfield.
- B. Regulation and Basis of Accounting - Under Massachusetts General Laws, the Department's electric rates are set by the Municipal Light Board. Electric rates, excluding the fuel charge, cannot be changed more often than once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities (DPU). While the DPU exercises general supervisory authority over the Department, the Department's rates are not subject to DPU approval. The Department's policy is to prepare its financial statements in conformity with generally accepted accounting principles.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Department has elected not to follow subsequent private-sector guidance.

- C. Concentrations - The Department operates within the electric utility industry which has undergone significant restructuring and deregulation. Legislation was enacted by the Commonwealth of Massachusetts in 1998 which changed the electric industry. The law introduced competition and pro-

vided consumers with choices while assuring continued reliable service. Municipal utilities are not currently subject to this legislation.

- D. Retirement Trust - The Reading Municipal Light Department Employees' Pension Trust (the "Pension Trust") was established on December 30, 1966, by the Reading Municipal Light Board pursuant to Chapter 164 of the General Laws of the Commonwealth of Massachusetts.

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

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

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

- F. Revenues - Revenues are based on rates established by the Department and filed with the DPU. Revenues from sales of electricity are recorded on the basis of bills rendered from monthly meter readings taken on a cycle basis and are stated net of discounts. Recognition is given to the amount of sales to customers which are unbilled at the end of the fiscal period.
- G. Cash and Short-term Investments - For the purposes of the Statement of Cash Flows, the Department considers both restricted and unrestricted cash on deposit with the Town Treasurer to be cash or short-term investments. For purpose of the Statement of Net Position, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.
- H. Investments - State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from date of purchase.

Investments for the Department and the Trust consist of shares in the Massachusetts Municipal Depository Trust (MMDT). Because of their

immediate liquidity, these funds are classified as cash and short-term investments in the accompanying financial statements.

- I. Inventory - Inventory consists of parts and accessories purchased for use in the utility business for construction, operation, and maintenance purposes and is stated at average cost. Meters and transformers are capitalized when purchased.
- J. Capital Assets and Depreciation - Capital assets, which include property, plant, equipment, and utility plant infrastructure, are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

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

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

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

- K. Accrued Compensated Absences - Employee vacation leave is vested annually but may only be carried forward to the succeeding year with supervisor approval and, if appropriate, within the terms of the applicable Department policy or union contract. Generally, sick leave may accumulate according to union and Department contracts and policy, and is paid upon normal termination at the current rate of pay. The Department's policy is to recognize vacation costs at the time payments are made. The Department records accumulated, unused, vested sick pay as a liability. The amount recorded is the amount to be paid at termination at the current rate of pay.
- L. Long-Term Obligations - The proprietary fund financial statements report long-term debt and other long-term obligations as liabilities in the Proprietary Fund Statement of Net Position.
- M. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of

assets and liabilities and disclosures for contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenues and expenses during the fiscal year. Actual results could vary from estimates that were used.

- N. Rate of Return - The Department's rates must be set such that earnings attributable to electric operations do not exceed eight percent of the net cost of plant. The audited financial statements are prepared in accordance with auditing standards generally accepted in the United States of America. To determine the net income subject to the rate of return, the Department performs the following calculation. Using the net income per the audited financials, the return on investment to the Town of Reading is added back, the fuel charge adjustment is added or deducted, and miscellaneous debits/credits (i.e., gain/loss on disposal of fixed assets, etc.) are added or deducted, leaving an adjusted net income figure for rate of return purposes. Investment interest income and bond principal payments are then deducted from this figure to determine the net income subject to the rate of return. The net income subject to the rate of return is then subtracted from the allowable eight percent rate of return, which is calculated by adding the book value of net plant and the investment in associated companies less the contributions in aid of construction multiplied by eight percent. From this calculation, the Municipal Light Board will determine what cash transfers need to be made at year end.
- O. Comparative Financial Information - The financial statements include certain prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Department's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

2. Cash and Short-Term Investments

Cash and short-term investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statements of net position:

Unrestricted cash and short-term investments	\$ 9,151,851
Restricted cash and short-term investments	18,035,438

Fiduciary funds:

Cash and short-term investments - Pension Trust	5,197,092
Cash and short-term investments - OPEB Trust	<u>1,495,511</u>
Total cash and investments	<u>\$ 33,879,892</u>

Cash and short-term investments at June 30, 2013 consist of the following:

Cash on hand	\$ 3,000
Deposits with financial institutions	<u>33,876,892</u>
Total cash and investments	<u>\$ 33,879,892</u>

Disclosures Relating to Interest Rate Risk

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

As of June 30, 2013, all Department (including the Pension Trust and OPEB Trust) investments were held in pooled investments with the Massachusetts Municipal Depository Trust (MMDT). Because of their immediate liquidity, these funds are classified as cash and short-term investments in the accompanying financial statements and are not considered to be exposed to significant interest rate risk.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assigning of a rating by a nationally recognized statistical rating organization. As of June 30, 2013, none of the Department's (including Pension Trust and OPEB Trust) short-term investments were exposed to significant credit risk.

Concentration of Credit Risk

The Department follows the Town of Reading's investment policy, which does not limit the amount that can be invested in any one issuer beyond that stipulated by Massachusetts General Laws. At June 30, 2013, the Department's (including Pension Trust and OPEB Trust) short-term investments were held in MMDT's investment pool.

Custodial Credit Risk

Custodial Credit Risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Department will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the

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

Because the Department pools its cash with the Town of Reading, the specific custodial credit risk of the Department's deposits could not be determined at June 30, 2013.

As of June 30, 2013, none of the Department's (including Pension Trust and OPEB Trust) short-term investments were exposed to custodial credit risk.

3. **Restricted Cash and Investments**

Restricted cash and investments consist of the following at June 30, 2013:

	<u>Cash</u>
Depreciation fund	\$ 2,733,147
Construction fund	1,500,000
Deferred fuel reserve	2,609,487
Deferred energy conservation reserve	319,022
Rate stabilization	6,692,239
Reserve for uncollectible accounts	200,000
Sick leave benefits	3,131,522
Hazardous waste fund	150,000
Customer deposits	<u>700,021</u>
Total	<u>\$ 18,035,438</u>

The Department maintains the following restricted cash accounts:

- Depreciation fund - The Department is normally required to reserve 3.0% of capital assets each year to fund capital improvements.
- Construction fund – This represents additional funds set aside to fund capital expenditures.
- Deferred fuel reserve - The Department transfers the difference between the customers' monthly fuel charge adjustment and actual fuel costs into this account to be used in the event of a sudden increase in fuel costs.

- Deferred energy conservation reserve - This account is used to reserve monies collected from a special energy charge added to customer bills. Customers who undertake measures to conserve and improve energy efficiency can apply for rebates that are paid from this account.
- Rate stabilization - This represents amounts set aside to help stabilize cost increases resulting from fluctuations in purchase power costs.
- Reserve for uncollectible accounts - This account was set up to offset a portion of the Department's bad debt reserve.
- Sick leave benefits - This account is used to offset the Department's actuarially determined compensated absence liability.
- Hazardous waste fund - This reserve was set up by the Board of Commissioners to cover the Department's insurance deductible in the event of a major hazardous materials incident.
- Customer deposits - Customer deposits that are held in escrow.

4. Accounts Receivable

Accounts receivable consists of the following at June 30, 2013:

Customer Accounts:		
Billed	\$ 4,107,834	
Less allowances:		
Uncollectible accounts	(200,000)	
Sales discounts	<u>(298,829)</u>	
Total billed		3,609,005
Unbilled, net		<u>4,158,023</u>
Total customer accounts		7,767,028
Other Accounts:		
Merchandise sales	121,089	
MMWEC surplus	433,900	
Intergovernmental grants	21,536	
Liens and other	<u>37,824</u>	
Total other accounts		<u>614,349</u>
Total net receivables		<u>\$ 8,381,377</u>

5. Prepaid Expenses

Prepaid expenses consist of the following:

Insurance and other	\$ 295,899
Purchase power	10,474
NYPA prepayment fund	242,261
WC Fuel - Watson	<u>142,811</u>
Total	<u>\$ 691,445</u>

6. Inventory

Inventory is comprised of supplies and materials at June 30, 2013, and is valued using the average cost method.

7. Investment in Associated Companies

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

Investment in associated companies consists of the following, at June 30, 2013:

New England Hydro-Transmission (NEH & NHH)	\$ 36,774
--	-----------

8. Capital Assets

The following is a summary of fiscal year 2013 activity in capital assets (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Structures and improvements	\$ 13,847	\$ 332	\$ -	\$ 14,179
Equipment and furnishings	30,471	1,290	(402)	31,359
Infrastructure	77,682	3,952	(1,185)	80,449
Total capital assets, being depreciated	122,000	5,574	(1,587)	125,987
Less accumulated depreciation for:				
Structures and improvements	(7,362)	(386)	-	(7,748)
Equipment and furnishings	(18,441)	(920)	402	(18,959)
Infrastructure	(28,792)	(2,360)	800	(30,352)
Total accumulated depreciation	(54,595)	(3,666)	1,202	(57,059)
Total capital assets, being depreciated, net	67,405	1,908	(385)	68,928
Capital assets, not being depreciated:				
Land	1,266	-	-	1,266
Total capital assets, not being depreciated	1,266	-	-	1,266
Capital assets, net	\$ 68,671	\$ 1,908	\$ (385)	\$ 70,194

9. Accounts Payable

Accounts payable represent fiscal 2013 expenses that were paid after June 30, 2013.

10. Accrued Liabilities

Accrued liabilities consist of the following at June 30, 2013:

Accrued payroll	\$ 289,204
Accrued sales tax	174,374
Other	<u>64,060</u>
Total	<u>\$ 527,638</u>

11. Customer Deposits

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

12. Customer Advances for Construction

This balance represents deposits received from vendors in advance for work to be performed by the Department. The Department recognizes these deposits as revenue after the work has been completed.

13. Accrued Employee Compensated Absences

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

14. Restricted Net Assets

The proprietary fund financial statements report restricted net assets when external constraints are placed on net assets. Specifically, restricted net assets represent depreciation fund reserves, which are restricted for future capital costs.

15. **Post-Employment Health Care and Life Insurance Benefits**

Other Post-Employment Benefits

The Department follows GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statements of Revenues, Expenses, and Changes in Net Position when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statements of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described in Note 16, the Department provides post-employment health and life insurance benefits for retired employees through the Town of Reading's Massachusetts Inter-local Insurance Association (MIIA) Health Benefits Trust. Benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2011, the actuarial valuation date, approximately 73 retirees and 50 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Department provides post-employment medical, prescription drug, and life insurance benefits to all eligible retirees and their surviving spouses. All active employees who retire from the Department and meet the eligibility criteria will be eligible to receive these benefits.

C. Funding Policy

As of the June 30, 2011, the actuarial valuation date, retirees were required to contribute 29% of the cost of the medical and prescription drug plan, as determined by the MIIA Health Benefits Trust. Retirees also contribute 50% of the premium for a \$5,000 life insurance benefit. The Department contributes the remainder of the medical, prescription drug, and life insurance plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Department's fiscal 2013 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB State-

ment No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of twenty years. The following table shows the components of the Department's annual OPEB cost for the year ending June 30, 2013, the amount actually contributed to the plan, and the change in the Department's net OPEB obligation based on an actuarial valuation as of June 30, 2011.

Annual Required Contribution (ARC)	\$ 506,576
Interest on net OPEB obligation	<u>98,411</u>
Annual OPEB cost	604,987
Projected benefit payments	<u>(457,069)</u>
Increase in net OPEB obligation	147,918
Net OPEB obligation - beginning of year	1,335,089
Contributions to OPEB Trust	<u>(1,483,007)</u>
(1) Net OPEB obligation - end of year	<u>\$ -</u>

(1) See Part E for additional information

The Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 and the two preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 604,987	100.00%	\$ -
2012	\$ 587,945	75.55%	\$ 1,335,089
2011	\$ 905,981	61.11%	\$ 1,165,800

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2011, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 8,643,438
Actuarial value of plan assets	<u>1,167,161</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 7,476,277</u>
Funded ratio (actuarial value of plan assets/AAL)	13.5%
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

In fiscal year 2010, the Department's Board of Commissioners voted to accept the provisions of Massachusetts General Law Chapter 32B §20, to create an *Other Post-Employment Benefits Liability Trust Fund* as a mechanism to set aside monies to fund its OPEB liability. In fiscal year 2013, the Board of Commissioners voted to create an OPEB trust instrument in alignment with the Town of Reading. In fiscal year 2013, the Department contributed \$1,483,007 to this trust, which was equal to all of its actuarially determined annual contributions through June 30, 2013. The assets and net position of this trust are reported in the Department's Statement of Fiduciary Net Position.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Department and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Department and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The Department's actuarial value of assets was \$1,167,161. The actuarial assumptions included a 7.75% investment rate of return and an initial annual health care cost trend rate of 9.0% which decreases to a 5.0% long-term rate for all health care benefits after seven years. The amortization costs for the initial UAAL is a level percentage of payroll amortization, with amortization payments increasing at 2.5% per year for a period of 20 years.

16. **Pension Plan**

The Department follows the provisions of GASB Statement No. 27, (as amended by GASB 50) *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The System issues a publicly available financial report which can be obtained through the Town of Reading Contributory Retirement system at Town Hall, Reading, MA.

A. **Plan Description**

The Department contributes to the Town of Reading Contributory Retirement System (the System), a cost-sharing, multiple-employer, defined benefit pension plan administered by a Town Retirement Board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases.

B. **Funding Policy**

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Department is required to pay into the System its share of the remaining system wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Department are governed by Chapter 32 of the Massachusetts General Laws. The Department's contributions to the System for the years ended June 30, 2013, 2012, and 2011 were \$1,288,076, \$1,336,326, and \$1,278,695, respectively, which were equal to its annual required contributions for each of these years.

17. **Participation in Massachusetts Municipal Wholesale Electric Company**

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

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its

own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its *pro rata* share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs.

MMWEC has issued separate issues of revenue bonds for each of its eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate, plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution (GBR) with respect to the bonds of that Project. The MMWEC revenues derived from each Project are used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC, a subsidiary of NextEra Energy Resources LLC, and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates the Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC (NextEra Seabrook), the majority owner and an indirect subsidiary of NextEra Energy Resources LLC. The operating license for Seabrook Station extends to March, 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

Pursuant to the PSAs, the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also the Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed

under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

Reading Municipal Light Department has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Department revenues. Under the PSAs, each Participant is unconditionally obligated to make all payments due to MMWEC, whether or not the Project(s) is completed or operating, and notwithstanding the suspension or interruption of the output of the Project(s).

MMWEC is involved in various legal actions. In the opinion of MMWEC management, the outcome of such actions will not have a material adverse effect on the financial position of the company.

Total capital expenditures for MMWEC's Projects amounted to \$1,599,051,000, of which \$114,471,000 represents the amount associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply Project Revenue Bonds totaling \$284,005,000, of which \$12,912,000 is associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. After the July 1, 2013 principal payment, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$253,040,000, of which \$10,488,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of Reading Municipal Light Department's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at June 30, 2013 and estimated for future years is shown below.

		<u>Annual Costs</u>
For years ended June 30,	2014	\$ 3,552,000
	2015	2,574,000
	2016	2,700,000
	2017	1,472,000
	2018	<u>190,000</u>
	Total	<u>\$ 10,488,000</u>

In addition, under the PSAs, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department's total O&M costs including debt service under the PSAs were \$12,353,000 and \$12,596,000 for the years ended June 30, 2013 and 2012, respectively.

18. Renewable Energy Certificates

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

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

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

Information regarding the Department's fiscal year 2013 REC activity and balances is as follows:

REC Sales During Fiscal 2013

	<u>Certificates</u>	<u>Amount</u>
Various	4,269	\$ 105,658
Various	2,504	158,378
Various	5,836	318,062
Various	1,924	104,858
Various	937	59,218
Various	206	12,978
Various	661	16,525
	<u>16,337</u>	<u>\$ 775,677</u> ⁽¹⁾

(1) Sale proceeds netted against fiscal year 2013 purchased power fuel charge

REC Holdings at June 30, 2013

	<u>Certificates</u>	<u>Amount</u>
CT Class I	3,272	\$ 176,688
MA Class II	4,024	109,893
Subtotal	7,296	286,581
Various	4,606	245,711 ⁽²⁾
Total	<u>11,902</u>	<u>\$ 532,292</u>

(2) RECs were in the process of being sold and transferred to purchaser at June 30, 2013

Because there are currently no clear accounting guidelines under GAAP or IFRS for RECs and the Department does not have a formal policy for the future disposition of RECs, the estimated fair value of the Department's REC holdings at June 30, 2013 are not reported as an asset on the Statements of Net Position.

19. Leases

Related Party Transaction - Property Sub-Lease

The Department is sub-leasing facilities to the Reading Town Employees Federal Credit Union. The original sub-lease agreement commenced in December 2000 and was extended by various amendments through November 30, 2011. An additional amendment, effective December 1, 2011, extends the lease through November 30, 2014. The following is the future minimum rental income for the years ending June 30:

2014	\$ 8,712
2015	<u>3,630</u>
Total	<u>\$ 12,342</u>

20. Implementation of New GASB Standards

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which the Department is required to implement in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Department's basic financial statements by requiring the Department to recognize, as a liability and expense, its applicable portion of the Town of Reading Contributory Retirement System's actuarially accrued unfunded pension liability. At January 1, 2012, the date of the most recent actuarial valuation of the Department's Retirement Trust, the Department's portion of the Town of Reading Contributory Retirement System's unfunded actuarially accrued liability was \$12,388,256.

TOWN OF READING, MASSACHUSETTS, MUNICIPAL LIGHT DEPARTMENT

SCHEDULE OF FUNDING PROGRESS

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2013

(Unaudited)

Other Post-Employment Benefits

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percent- age of Covered Payroll [(b-a)/c]</u>
06/30/08	\$ -	\$ 8,085,388	\$ 8,085,388	0.0%	N/A	N/A
06/30/11	\$ 1,167,161	\$ 8,643,438	\$ 7,476,277	13.5%	N/A	N/A

See Independent Auditors' Report.

Dt: December 2, 2013

To: RMLB, Coleen O'Brien, Jeanne Foti

Fr: Bob Fournier

Sj: October 31, 2013 Report

The results for the first four months ending October 31, 2013, for the fiscal year 2014 will be summarized in the following paragraphs.

1) Change in Net Assets: (Page 3A)

For the month of October, the net loss or the negative change in net assets was \$175,559 reducing the year to date net income to \$1,731,294. The year to date budgeted net income was \$2,725,204, resulting in net income being under budget by \$993,910 or 36.47%. Actual year to date fuel revenues exceeded fuel expenses by \$1,014,561.

2) Revenues: (Page 11B)

Year to date base revenues were under budget by \$554,628 or 3.2%. Actual base revenues were \$16.6 million compared to the budgeted amount of \$17.2 million.

3) Expenses: (Page 12A)

*Year to date purchased power base expense was under budget by \$201,999 or 1.9%. Actual purchased power base costs were \$10.0 million compared to the budgeted amount of \$10.2 million.

*Year to date operating and maintenance (O&M) expenses combined were over budget by \$99,955 or 2.3%. Actual O&M expenses were \$4.4 million compared to the budgeted amount of \$4.3 million.

*Depreciation expense and voluntary payments to the Towns were on budget.

4) Cash: (Page 9)

- *Operating Fund was at \$8,894,314.
- * Capital Fund balance was at \$4,371,683.
- * Rate Stabilization Fund was at \$6,696,777.
- * Deferred Fuel Fund was at \$3,624,048.
- * Energy Conservation Fund was at \$440,753.

5) General Information:

Year to date kwh sales (Page 5) were 255,873,497 which is 2.9 million kwh or 1.1%, behind last year's actual figure. GAW revenues collected ytd were \$255,902, bringing the total collected since inception to \$2,249,127.

6) Budget Variance:

Cumulatively, the five divisions were over budget by \$101,339 or 1.5%.

FINANCIAL REPORT

OCTOBER 31, 2013

ISSUE DATE: DECEMBER 2, 2013

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
BUSINESS-TYPE PROPRIETARY FUND
STATEMENT OF NET ASSETS
10/31/13

		PREVIOUS YEAR	CURRENT YEAR
ASSETS			
CURRENT			
UNRESTRICTED CASH	(SCH A P.9)	10,161,162.65	8,897,314.37
RESTRICTED CASH	(SCH A P.9)	19,204,956.13	20,609,666.59
RECEIVABLES, NET	(SCH B P.10)	7,412,425.34	7,132,879.48
PREPAID EXPENSES	(SCH B P.10)	1,216,522.99	1,082,856.98
INVENTORY		1,473,163.32	1,490,293.74
TOTAL CURRENT ASSETS		<u>39,468,230.43</u>	<u>39,213,011.16</u>
NONCURRENT			
INVESTMENT IN ASSOCIATED CO	(SCH C P.2)	46,958.35	31,379.32
CAPITAL ASSETS, NET	(SCH C P.2)	69,646,306.18	70,058,022.04
TOTAL NONCURRENT ASSETS		<u>69,693,264.53</u>	<u>70,089,401.36</u>
TOTAL ASSETS		<u>109,161,494.96</u>	<u>109,302,412.52</u>
LIABILITIES			
CURRENT			
ACCOUNTS PAYABLE		5,244,705.34	4,890,583.01
CUSTOMER DEPOSITS		636,420.42	759,104.12
CUSTOMER ADVANCES FOR CONSTRUCTION		390,463.15	416,584.15
ACCRUED LIABILITIES		1,545,517.46	55,107.57
TOTAL CURRENT LIABILITIES		<u>7,817,106.37</u>	<u>6,121,378.85</u>
NONCURRENT			
ACCRUED EMPLOYEE COMPENSATED ABSENCES		2,982,915.76	3,132,560.84
TOTAL NONCURRENT LIABILITIES		<u>2,982,915.76</u>	<u>3,132,560.84</u>
TOTAL LIABILITIES		<u>10,800,022.13</u>	<u>9,253,939.69</u>
NET ASSETS			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT		69,646,306.18	70,058,022.04
RESTRICTED FOR DEPRECIATION FUND (P.9)		3,662,561.96	3,995,166.03
UNRESTRICTED		25,052,604.69	25,995,284.76
TOTAL NET ASSETS	(P.3)	<u>98,361,472.83</u>	<u>100,048,472.83</u>
TOTAL LIABILITIES AND NET ASSETS		<u>109,161,494.96</u>	<u>109,302,412.52</u>

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
NONCURRENT ASSET SCHEDULE
10/31/13

SCHEDULE C

	PREVIOUS YEAR	CURRENT YEAR
SCHEDULE OF INVESTMENTS IN ASSOCIATED COMPANIES		
NEW ENGLAND HYDRO ELECTRIC	2,975.74	3,261.87
NEW ENGLAND HYDRO TRANSMISSION	43,982.61	28,117.45
TOTAL INVESTMENTS IN ASSOCIATED COMPANIES	<u>46,958.35</u>	<u>31,379.32</u>
 SCHEDULE OF CAPITAL ASSETS		
LAND	1,265,842.23	1,265,842.23
STRUCTURES AND IMPROVEMENTS	6,730,277.16	6,430,802.65
EQUIPMENT AND FURNISHINGS	12,851,923.34	12,529,390.07
INFRASTRUCTURE	<u>48,798,263.45</u>	<u>49,831,987.09</u>
TOTAL CAPITAL ASSETS, NET	<u>69,646,306.18</u>	<u>70,058,022.04</u>
 TOTAL NONCURRENT ASSETS	<u>69,693,264.53</u>	<u>70,089,401.36</u>

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
BUSINESS-TYPE PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
10/31/13

	MONTH LAST YEAR	MONTH CURRENT YEAR	LAST YEAR TO DATE	CURRENT YEAR TO DATE	YTD % CHANGE
OPERATING REVENUES: (SCH D P.11)					
BASE REVENUE	3,277,968.30	3,492,589.91	16,727,082.14	16,648,546.49	-0.47
FUEL REVENUE	2,389,147.98	2,147,543.67	12,283,719.39	11,582,191.59	-5.71
PURCHASED POWER CAPACITY	152,401.19	18,256.40	783,578.23	86,995.55	-88.90
FORFEITED DISCOUNTS	96,307.74	86,153.82	375,197.22	309,544.92	-17.50
ENERGY CONSERVATION REVENUE	49,522.68	52,860.87	254,827.02	252,123.73	-1.06
GAW REVENUE	50,311.27	53,711.38	258,658.69	255,902.40	-1.07
NYPA CREDIT	(48,781.28)	(23,964.99)	(201,732.78)	(173,262.24)	-14.11
TOTAL OPERATING REVENUES	5,966,877.88	5,827,151.06	30,481,329.91	28,962,042.44	-4.98
OPERATING EXPENSES: (SCH E P.12)					
PURCHASED POWER BASE	2,233,116.17	2,210,925.58	10,033,532.96	10,021,951.34	-0.11
PURCHASED POWER FUEL	2,595,375.45	1,994,534.42	12,402,011.25	10,394,368.11	-16.11
OPERATING	962,694.87	898,222.37	3,115,564.84	3,466,298.53	11.27
MAINTENANCE	313,038.01	297,243.82	771,858.33	970,756.33	25.77
DEPRECIATION	305,469.18	314,969.55	1,221,876.72	1,259,878.20	3.11
VOLUNTARY PAYMENTS TO TOWNS	114,000.00	116,666.67	456,000.00	466,666.68	2.33
TOTAL OPERATING EXPENSES	6,523,693.68	5,832,562.41	28,000,844.10	26,579,919.19	-5.00
OPERATING INCOME	(556,815.80)	(5,411.35)	2,480,485.81	2,382,123.25	-3.95
NONOPERATING REVENUES (EXPENSES)					
CONTRIBUTIONS IN AID OF CONST	3,601.00	12,631.70	40,347.75	17,569.08	-56.67
RETURN ON INVESTMENT TO READING	(188,785.58)	(191,768.42)	(755,142.32)	(767,073.67)	1.58
INTEREST INCOME	2,775.44	7,852.25	12,388.38	15,213.72	22.99
INTEREST EXPENSE	(255.95)	(257.94)	(1,032.41)	(1,028.32)	-0.40
OTHER (MDSE AND AMORT)	28,402.11	1,395.05	50,365.63	84,489.98	67.31
TOTAL NONOPERATING REV (EXP)	(154,262.98)	(170,147.36)	(653,072.97)	(650,829.21)	-0.35
CHANGE IN NET ASSETS	(711,078.78)	(175,558.71)	1,827,412.84	1,731,294.04	-5.20
NET ASSETS AT BEGINNING OF YEAR			96,534,059.99	98,317,178.79	1.85
NET ASSETS AT END OF OCTOBER			98,361,472.83	100,048,472.83	1.73

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
BUSINESS-TYPE PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
10/31/13

	ACTUAL YEAR TO DATE	BUDGET YEAR TO DATE	VARIANCE*	% CHANGE
OPERATING REVENUES: (SCH F P.11B)				
BASE REVENUE	16,648,546.49	17,203,175.00	(554,628.51)	-3.22%
FUEL REVENUE	11,582,191.59	11,909,584.00	(327,392.41)	-2.75%
PURCHASED POWER CAPACITY	86,995.55	384,551.00	(297,555.45)	-77.38%
FORFEITED DISCOUNTS	309,544.92	378,470.00	(68,925.08)	-18.21%
ENERGY CONSERVATION REVENUE	252,123.73	258,820.00	(6,696.27)	-2.59%
GAW REVENUE	255,902.40	258,820.00	(2,917.60)	-1.13%
NYPA CREDIT	(173,262.24)	(233,332.00)	60,069.76	-25.74%
TOTAL OPERATING REVENUES	28,962,042.44	30,160,088.00	(1,198,045.56)	-3.97%
OPERATING EXPENSES: (SCH G P.12A)				
PURCHASED POWER BASE	10,021,951.34	10,223,950.00	(201,998.66)	-1.98%
PURCHASED POWER FUEL	10,394,368.11	10,577,238.00	(182,869.89)	-1.73%
OPERATING	3,466,298.53	3,274,845.00	191,453.53	5.85%
MAINTENANCE	970,756.33	1,062,255.00	(91,498.67)	-8.61%
DEPRECIATION	1,259,878.20	1,258,400.00	1,478.20	0.12%
VOLUNTARY PAYMENTS TO TOWNS	466,666.68	466,664.00	2.68	0.00%
TOTAL OPERATING EXPENSES	26,579,919.19	26,863,352.00	(283,432.81)	-1.06%
OPERATING INCOME	2,382,123.25	3,296,736.00	(914,612.75)	-27.74%
NONOPERATING REVENUES (EXPENSES)				
CONTRIBUTIONS IN AID OF CONST	17,569.08	100,000.00	(82,430.92)	-82.43%
RETURN ON INVESTMENT TO READING	(767,073.67)	(767,200.00)	126.33	-0.02%
INTEREST INCOME	15,213.72	16,668.00	(1,454.28)	-8.72%
INTEREST EXPENSE	(1,028.32)	(1,000.00)	(28.32)	2.83%
OTHER (MDSE AND AMORT)	84,489.98	80,000.00	4,489.98	5.61%
TOTAL NONOPERATING REV (EXP)	(650,829.21)	(571,532.00)	(79,297.21)	13.87%
CHANGE IN NET ASSETS	1,731,294.04	2,725,204.00	(993,909.96)	-36.47%
NET ASSETS AT BEGINNING OF YEAR	98,317,178.79	98,317,178.79	0.00	0.00%
NET ASSETS AT END OF OCTOBER	100,048,472.83	101,042,382.79	(993,909.96)	-0.98%

* () = ACTUAL UNDER BUDGET

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
RECONCILIATION OF CAPITAL FUNDS
10/31/13

SOURCE OF CAPITAL FUNDS:

DEPRECIATION FUND BALANCE 7/1/13	2,733,146.78
CONSTRUCTION FUND BALANCE 7/1/13	1,500,000.00
INTEREST ON DEPRECIATION FUND FY 14	2,141.05
DEPRECIATION TRANSFER FY 14	<u>1,259,878.20</u>
TOTAL SOURCE OF CAPITAL FUNDS	5,495,166.03

USE OF CAPITAL FUNDS:

LESS PAID ADDITIONS TO PLANT THRU OCTOBER	1,123,482.63
GENERAL LEDGER CAPITAL FUNDS BALANCE 10/31/13	<u><u>4,371,683.40</u></u>

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
SALES OF KILOWATT HOURS
10/31/13

SALES OF ELECTRICITY:	MONTH LAST YEAR	MONTH CURRENT YEAR	LAST YEAR TO DATE	CURRENT YEAR TO DATE	YTD % CHANGE
RESIDENTIAL SALES	16,592,003	17,750,687	98,824,733	97,920,239	-0.92%
COMM. AND INDUSTRIAL SALES	31,442,265	33,478,174	150,183,420	147,943,090	-1.49%
PRIVATE STREET LIGHTING	73,263	74,261	292,550	296,264	1.27%
TOTAL PRIVATE CONSUMERS	<u>48,107,531</u>	<u>51,303,122</u>	<u>249,300,703</u>	<u>246,159,593</u>	-1.26%
MUNICIPAL SALES:					
STREET LIGHTING	237,606	239,799	950,384	958,304	0.83%
MUNICIPAL BUILDINGS	688,570	708,382	3,254,856	3,169,601	-2.62%
TOTAL MUNICIPAL CONSUMERS	<u>926,176</u>	<u>948,181</u>	<u>4,205,240</u>	<u>4,127,905</u>	-1.84%
SALES FOR RESALE	193,350	244,313	1,331,570	1,333,799	0.17%
SCHOOL	1,070,788	1,207,903	3,981,390	4,252,200	6.80%
TOTAL KILOWATT HOURS SOLD	<u>50,297,845</u>	<u>53,703,519</u>	<u>258,818,903</u>	<u>255,873,497</u>	-1.14%

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
KILOWATT HOURS SOLD BY TOWN
10/31/13

MONTH	TOTAL	READING	LYNNFIELD	NO. READING	WILMINGTON
RESIDENTIAL	17,750,687	5,495,732	2,370,310	4,296,495	5,588,150
COMM & IND	33,478,174	3,759,018	240,800	5,466,997	24,011,359
PVT ST LIGHTS	74,261	13,129	1,360	22,030	37,742
PUB ST LIGHTS	239,799	80,662	32,500	41,970	84,667
MUNI BLDGS	708,382	153,451	141,223	149,931	263,777
SALES/RESALE	244,313	244,313	0	0	0
SCHOOL	1,207,903	420,127	264,343	160,840	362,593
TOTAL	<u>53,703,519</u>	<u>10,166,432</u>	<u>3,050,536</u>	<u>10,138,263</u>	<u>30,348,288</u>

YEAR TO DATE

RESIDENTIAL	97,920,239	30,327,646	14,225,242	22,947,928	30,419,423
COMM & IND	147,943,090	17,783,567	1,201,854	23,186,599	105,771,070
PVT ST LIGHTS	296,264	52,516	5,440	88,556	149,752
PUB ST LIGHTS	958,304	322,648	130,000	166,988	338,668
MUNI BLDGS	3,169,601	720,471	646,868	645,056	1,157,206
SALES/RESALE	1,333,799	1,333,799	0	0	0
SCHOOL	4,252,200	1,531,188	990,961	519,800	1,210,251
TOTAL	<u>255,873,497</u>	<u>52,071,835</u>	<u>17,200,365</u>	<u>47,554,927</u>	<u>139,046,370</u>

LAST YEAR
TO DATE

RESIDENTIAL	98,824,733	30,442,396	14,569,224	23,183,082	30,630,031
COMM & IND	150,183,420	18,501,256	1,145,356	23,268,999	107,267,809
PVT ST LIGHTS	292,550	54,340	5,440	85,204	147,566
PUB ST LIGHTS	950,384	322,144	129,960	160,172	338,108
MUNI BLDGS	3,254,856	721,672	582,607	696,582	1,253,995
SALES/RESALE	1,331,570	1,331,570	0	0	0
SCHOOL	3,981,390	1,418,489	865,532	487,720	1,209,649
TOTAL	<u>258,818,903</u>	<u>52,791,867</u>	<u>17,298,119</u>	<u>47,881,759</u>	<u>140,847,158</u>

KILOWATT HOURS SOLD TO TOTAL

MONTH	TOTAL	READING	LYNNFIELD	NO. READING	WILMINGTON
RESIDENTIAL	33.05%	10.23%	4.41%	8.00%	10.41%
COMM & IND	62.34%	7.00%	0.45%	10.18%	44.71%
PVT ST LIGHTS	0.14%	0.02%	0.00%	0.04%	0.08%
PUB ST LIGHTS	0.45%	0.15%	0.06%	0.08%	0.16%
MUNI BLDGS	1.32%	0.29%	0.26%	0.28%	0.49%
SALES/RESALE	0.45%	0.45%	0.00%	0.00%	0.00%
SCHOOL	2.25%	0.78%	0.49%	0.30%	0.68%
TOTAL	<u>100.00%</u>	<u>18.92%</u>	<u>5.67%</u>	<u>18.88%</u>	<u>56.53%</u>

YEAR TO DATE

RESIDENTIAL	38.27%	11.85%	5.56%	8.97%	11.89%
COMM & IND	57.82%	6.95%	0.47%	9.06%	41.34%
PVT ST LIGHTS	0.12%	0.02%	0.00%	0.03%	0.07%
PUB ST LIGHTS	0.37%	0.13%	0.05%	0.07%	0.12%
MUNI BLDGS	1.24%	0.28%	0.25%	0.25%	0.46%
SALES/RESALE	0.52%	0.52%	0.00%	0.00%	0.00%
SCHOOL	1.66%	0.60%	0.39%	0.20%	0.47%
TOTAL	<u>100.00%</u>	<u>20.35%</u>	<u>6.72%</u>	<u>18.58%</u>	<u>54.35%</u>

LAST YEAR
TO DATE

RESIDENTIAL	38.18%	11.76%	5.63%	8.96%	11.83%
COMM & IND	58.03%	7.15%	0.44%	8.99%	41.45%
PVT ST LIGHTS	0.11%	0.02%	0.00%	0.03%	0.06%
PUB ST LIGHTS	0.37%	0.12%	0.05%	0.06%	0.14%
MUNI BLDGS	1.26%	0.28%	0.23%	0.27%	0.48%
SALES/RESALE	0.51%	0.51%	0.00%	0.00%	0.00%
SCHOOL	1.54%	0.55%	0.33%	0.19%	0.47%
TOTAL	<u>100.00%</u>	<u>20.39%</u>	<u>6.68%</u>	<u>18.50%</u>	<u>54.43%</u>

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
FORMULA INCOME
10/31/13

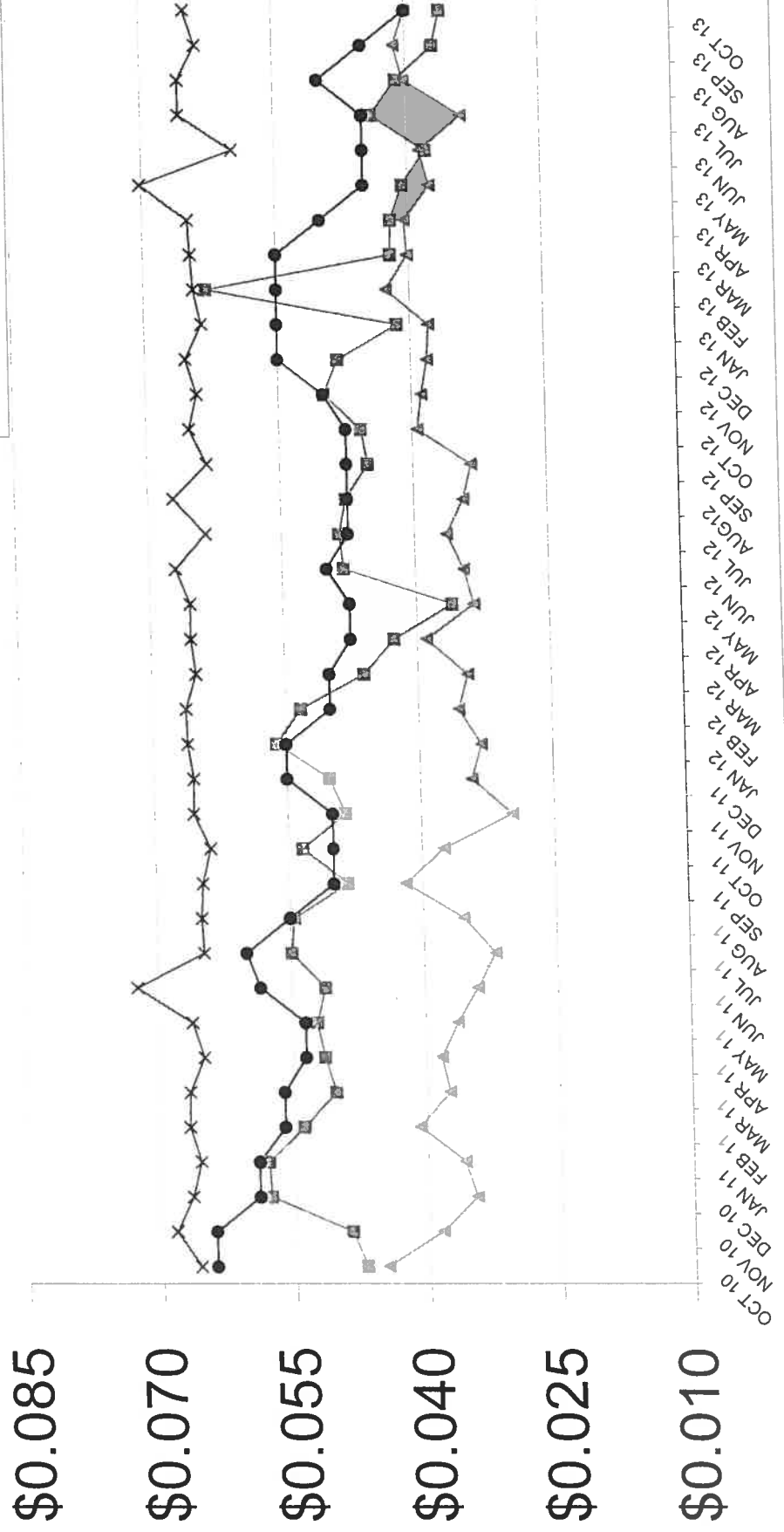
TOTAL OPERATING REVENUES	(P.3)	28,962,042.44
ADD:		
POLE RENTAL		77,296.08
INTEREST INCOME ON CUSTOMER DEPOSITS		464.06
LESS:		
OPERATING EXPENSES	(P.3)	(26,579,919.19)
CUSTOMER DEPOSIT INTEREST EXPENSE		(1,028.32)
FORMULA INCOME (LOSS)		<u>2,458,855.07</u>

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
GENERAL STATISTICS
10/31/13

		MONTH OF OCT 2012	MONTH OF OCT 2013	% CHANGE 2012 2013		YEAR OCT 2012	THRU OCT 2013
SALE OF KWH	(P.5)	50,297,845	53,703,519	-0.19%	-1.14%	258,818,903	255,873,497
KWH PURCHASED		56,606,524	55,270,986	1.42%	-1.54%	264,152,924	260,075,231
AVE BASE COST PER KWH		0.039450	0.040002	6.14%	1.45%	0.037984	0.038535
AVE BASE SALE PER KWH		0.065171	0.065035	0.04%	0.68%	0.064629	0.065066
AVE COST PER KWH		0.085299	0.076088	-4.31%	-7.57%	0.084934	0.078502
AVE SALE PER KWH		0.112671	0.105024	-5.46%	-1.57%	0.112089	0.110331
FUEL CHARGE REVENUE (P.3)		2,389,147.98	2,147,543.67	-12.22%	-5.71%	12,283,719.39	11,582,191.59
LOAD FACTOR		81.14%	76.03%				
PEAK LOAD		95,568	99,578				

kwh analysis

- base cost
- fuel cost
- fuel revenue
- base revenue



TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
SCHEDULE OF CASH AND INVESTMENTS
10/31/13

SCHEDULE A

	PREVIOUS YEAR	CURRENT YEAR
UNRESTRICTED CASH		
CASH - OPERATING FUND	10,158,162.65	8,894,314.37
CASH - PETTY CASH	3,000.00	3,000.00
TOTAL UNRESTRICTED CASH	<u>10,161,162.65</u>	<u>8,897,314.37</u>
RESTRICTED CASH		
CASH - DEPRECIATION FUND	3,662,561.96	3,995,166.03
CASH - CONSTRUCTION FUND	0.00	376,517.37
CASH - TOWN PAYMENT	1,211,142.00	1,233,740.36
CASH - DEFERRED FUEL RESERVE	1,950,019.84	3,624,048.62
CASH - RATE STABILIZATION FUND	6,684,768.87	6,696,777.33
CASH - UNCOLLECTIBLE ACCTS RESERVE	200,000.00	200,000.00
CASH - SICK LEAVE BENEFITS	2,985,384.73	3,133,559.37
CASH - HAZARD WASTE RESERVE	150,000.00	150,000.00
CASH - CUSTOMER DEPOSITS	636,420.42	759,104.12
CASH - ENERGY CONSERVATION	378,703.93	440,753.39
CASH - OPEB	1,345,954.38	0.00
TOTAL RESTRICTED CASH	<u>19,204,956.13</u>	<u>20,609,666.59</u>
TOTAL CASH BALANCE	<u>29,366,118.78</u>	<u>29,506,980.96</u>

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
SCHEDULE OF ACCOUNTS RECEIVABLE
10/31/13

SCHEDULE B

SCHEDULE OF ACCOUNTS RECEIVABLE	PREVIOUS YEAR	CURRENT YEAR
RESIDENTIAL AND COMMERCIAL	2,466,520.02	3,283,947.25
ACCOUNTS RECEIVABLE - OTHER	471,861.86	186,435.14
ACCOUNTS RECEIVABLE - LIENS	23,583.91	24,643.21
ACCOUNTS RECEIVABLE - EMPLOYEE ADVANCES	892.14	892.14
SALES DISCOUNT LIABILITY	(229,595.81)	(280,517.68)
RESERVE FOR UNCOLLECTIBLE ACCOUNTS	(236,773.61)	(240,543.08)
TOTAL ACCOUNTS RECEIVABLE BILLED	<u>2,496,488.51</u>	<u>2,974,856.98</u>
UNBILLED ACCOUNTS RECEIVABLE	4,915,936.83	4,158,022.50
TOTAL ACCOUNTS RECEIVABLE, NET	<u><u>7,412,425.34</u></u>	<u><u>7,132,879.48</u></u>

SCHEDULE OF PREPAYMENTS

PREPAID INSURANCE	641,141.72	629,971.19
PREPAYMENT PURCHASED POWER	73,594.29	17,554.34
PREPAYMENT PASNY	241,849.32	242,260.90
PREPAYMENT WATSON	245,413.96	178,546.85
PURCHASED POWER WORKING CAPITAL	14,523.70	14,523.70
TOTAL PREPAYMENT	<u><u>1,216,522.99</u></u>	<u><u>1,082,856.98</u></u>

ACCOUNTS RECEIVABLE AGING OCTOBER 2013:

RESIDENTIAL AND COMMERCIAL	3,283,947.25
LESS: SALES DISCOUNT LIABILITY	(280,517.68)
GENERAL LEDGER BALANCE	<u><u>3,003,429.57</u></u>

CURRENT	2,530,299.10	84.24%
30 DAYS	345,108.37	11.49%
60 DAYS	62,103.87	2.07%
90 DAYS	14,373.86	0.48%
OVER 90 DAYS	51,544.37	1.72%
TOTAL	<u><u>3,003,429.57</u></u>	<u><u>100.00%</u></u>

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
SCHEDULE OF OPERATING REVENUE
10/31/13

SCHEDULE D

SALES OF ELECTRICITY:	MONTH LAST YEAR	MONTH CURRENT YEAR	LAST YEAR TO DATE	CURRENT YEAR TO DATE	YTD % CHANGE
RESIDENTIAL SALES	2,097,174.39	2,110,778.50	12,347,572.86	12,072,421.59	-2.23%
COMM AND INDUSTRIAL SALES	3,313,242.89	3,269,240.46	15,557,137.08	15,057,428.86	-3.21%
PRIVATE STREET LIGHTING	5,707.37	5,245.44	22,778.04	22,424.23	-1.55%
TOTAL PRIVATE CONSUMERS	<u>5,416,124.65</u>	<u>5,385,264.40</u>	<u>27,927,487.98</u>	<u>27,152,274.68</u>	-2.78%
MUNICIPAL SALES:					
STREET LIGHTING	27,917.05	25,891.70	111,662.20	108,300.96	-3.01%
MUNICIPAL BUILDINGS	80,928.79	77,953.77	370,637.93	355,991.54	-3.95%
TOTAL MUNICIPAL CONSUMERS	<u>108,845.84</u>	<u>103,845.47</u>	<u>482,300.13</u>	<u>464,292.50</u>	-3.73%
SALES FOR RESALE	22,496.25	26,616.35	154,747.61	152,434.94	-1.49%
SCHOOL	<u>119,649.54</u>	<u>124,407.36</u>	<u>446,265.81</u>	<u>461,735.96</u>	3.47%
SUB-TOTAL	5,667,116.28	5,640,133.58	29,010,801.53	28,230,738.08	-2.69%
FORFEITED DISCOUNTS	96,307.74	86,153.82	375,197.22	309,544.92	-17.50%
PURCHASED POWER CAPACITY	152,401.19	18,256.40	783,578.23	86,995.55	-88.90%
ENERGY CONSERVATION - RESIDENTIAL	16,605.36	17,762.21	98,870.89	97,968.73	-0.91%
ENERGY CONSERVATION - COMMERCIAL	32,917.32	35,098.66	155,956.13	154,155.00	-1.15%
GAW REVENUE	50,311.27	53,711.38	258,658.69	255,902.40	-1.07%
NYPA CREDIT	(48,781.28)	(23,964.99)	(201,732.78)	(173,262.24)	-14.12%
TOTAL REVENUE	<u>5,966,877.88</u>	<u>5,827,151.06</u>	<u>30,481,329.91</u>	<u>28,962,042.44</u>	-4.91%

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
SCHEDULE OF OPERATING REVENUE BY TOWN
10/31/13

MONTH	TOTAL	READING	LYNNFIELD	NO.READING	WILMINGTON
RESIDENTIAL	2,110,778.50	657,371.26	280,588.21	509,285.71	663,533.32
INDUS/MUNI BLDG	3,347,194.23	422,216.32	42,140.43	560,698.33	2,322,139.15
PUB.ST.LIGHTS	25,891.70	8,405.16	3,316.77	4,601.52	9,568.25
PRV.ST.LIGHTS	5,245.44	913.80	94.41	1,618.66	2,618.57
CO-OP RESALE	26,616.35	26,616.35	0.00	0.00	0.00
SCHOOL	124,407.36	43,834.02	27,115.00	16,828.53	36,629.81
TOTAL	<u>5,640,133.58</u>	<u>1,159,356.91</u>	<u>353,254.82</u>	<u>1,093,032.75</u>	<u>3,034,489.10</u>

THIS YEAR TO DATE

RESIDENTIAL	12,072,421.59	3,760,328.38	1,743,641.10	2,829,199.86	3,739,252.25
INDUS/MUNI BLDG	15,413,420.40	2,029,173.48	203,698.16	2,487,634.43	10,692,914.33
PUB.ST.LIGHTS	108,300.96	35,233.88	13,917.08	19,183.61	39,966.39
PRV.ST.LIGHTS	22,424.23	3,938.89	404.84	6,938.03	11,142.47
CO-OP RESALE	152,434.94	152,434.94	0.00	0.00	0.00
SCHOOL	461,735.96	167,632.97	105,769.72	57,797.17	130,536.10
TOTAL	<u>28,230,738.08</u>	<u>6,148,742.54</u>	<u>2,067,430.88</u>	<u>5,400,753.11</u>	<u>14,613,811.55</u>

LAST YEAR TO DATE

RESIDENTIAL	12,347,572.86	3,817,707.36	1,810,235.10	2,893,065.29	3,826,565.11
INDUS/MUNI BLDG	15,927,775.01	2,133,150.43	194,983.32	2,554,743.28	11,044,897.98
PUB.ST.LIGHTS	111,662.20	35,902.20	14,201.16	20,918.00	40,640.84
PRV.ST.LIGHTS	22,778.04	4,173.48	417.00	6,881.21	11,306.35
CO-OP RESALE	154,747.61	154,747.61	0.00	0.00	0.00
SCHOOL	446,265.81	160,825.16	96,083.89	56,345.84	133,010.92
TOTAL	<u>29,010,801.53</u>	<u>6,306,506.24</u>	<u>2,115,920.47</u>	<u>5,531,953.62</u>	<u>15,056,421.20</u>

PERCENTAGE OF OPERATING INCOME TO TOTAL

MONTH	TOTAL	READING	LYNNFIELD	NO.READING	WILMINGTON
RESIDENTIAL	37.42%	11.66%	4.97%	9.03%	11.76%
INDUS/MUNI BLDG	59.35%	7.49%	0.75%	9.94%	41.17%
PUB.ST.LIGHTS	0.46%	0.15%	0.06%	0.08%	0.17%
PRV.ST.LIGHTS	0.09%	0.02%	0.00%	0.03%	0.04%
CO-OP RESALE	0.47%	0.47%	0.00%	0.00%	0.00%
SCHOOL	2.21%	0.78%	0.48%	0.30%	0.65%
TOTAL	<u>100.00%</u>	<u>20.57%</u>	<u>6.26%</u>	<u>19.38%</u>	<u>53.79%</u>

THIS YEAR TO DATE

RESIDENTIAL	42.76%	13.32%	6.18%	10.02%	13.24%
INDUS/MUNI BLDG	54.60%	7.19%	0.72%	8.81%	37.88%
PUB.ST.LIGHTS	0.38%	0.12%	0.05%	0.07%	0.14%
PRV.ST.LIGHTS	0.08%	0.01%	0.00%	0.02%	0.05%
CO-OP RESALE	0.54%	0.54%	0.00%	0.00%	0.00%
SCHOOL	1.64%	0.59%	0.37%	0.20%	0.48%
TOTAL	<u>100.00%</u>	<u>21.77%</u>	<u>7.32%</u>	<u>19.12%</u>	<u>51.79%</u>

LAST YEAR TO DATE

RESIDENTIAL	42.56%	13.16%	6.24%	9.97%	13.19%
INDUS/MUNI BLDG	54.90%	7.35%	0.67%	8.81%	38.07%
PUB.ST.LIGHTS	0.38%	0.12%	0.05%	0.07%	0.14%
PRV.ST.LIGHTS	0.08%	0.01%	0.00%	0.02%	0.05%
CO-OP RESALE	0.53%	0.53%	0.00%	0.00%	0.00%
SCHOOL	1.55%	0.55%	0.33%	0.19%	0.48%
TOTAL	<u>100.00%</u>	<u>21.72%</u>	<u>7.29%</u>	<u>19.06%</u>	<u>51.93%</u>

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
BUDGETED REVENUE VARIANCE REPORT
10/31/13

SCHEDULE F

	ACTUAL YEAR TO DATE	BUDGET YEAR TO DATE	VARIANCE *	% CHANGE
SALES OF ELECTRICITY:				
RESIDENTIAL	7,618,091.90	7,926,823.00	(308,731.10)	-3.89%
COMM AND INDUSTRIAL SALES PRIVATE STREET LIGHTING MUNICIPAL BUILDINGS	8,601,095.62	8,841,888.00	(240,792.38)	-2.72%
PUBLIC STREET LIGHTING	65,178.73	66,526.00	(1,347.27)	-2.03%
SALES FOR RESALE	92,015.77	107,943.00	(15,927.23)	-14.76%
SCHOOL	<u>272,164.47</u>	<u>259,995.00</u>	<u>12,169.47</u>	4.68%
TOTAL BASE SALES	16,648,546.49	17,203,175.00	(554,628.51)	-3.22%
TOTAL FUEL SALES	<u>11,582,191.59</u>	<u>11,909,584.00</u>	<u>(327,392.41)</u>	-2.75%
TOTAL OPERATING REVENUE	28,230,738.08	29,112,759.00	(882,020.92)	-3.03%
FORFEITED DISCOUNTS	309,544.92	378,470.00	(68,925.08)	-18.21%
PURCHASED POWER CAPACITY	86,995.55	384,551.00	(297,555.45)	-77.38%
ENERGY CONSERVATION - RESIDENTIAL	97,968.73	98,825.00	(856.27)	-0.87%
ENERGY CONSERVATION - COMMERCIAL	154,155.00	159,995.00	(5,840.00)	-3.65%
GAW REVENUE	255,902.40	258,820.00	(2,917.60)	-1.13%
PASNY CREDIT	(173,262.24)	(233,332.00)	60,069.76	-25.74%
TOTAL OPERATING REVENUES	<u><u>28,962,042.44</u></u>	<u><u>30,160,088.00</u></u>	<u><u>(1,198,045.56)</u></u>	-3.97%

* () = ACTUAL UNDER BUDGET

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
SCHEDULE OF OPERATING EXPENSES
10/31/13

SCHEDULE E

OPERATION EXPENSES:	MONTH LAST YEAR	MONTH CURRENT YEAR	LAST YEAR TO DATE	CURRENT YEAR TO DATE	YTD % CHANGE
PURCHASED POWER BASE EXPENSE	2,233,116.17	2,210,925.58	10,033,532.96	10,021,951.34	-0.12
OPERATION SUP AND ENGINEERING EXP	66,592.72	49,980.89	186,135.02	182,135.58	-2.15
STATION SUP LABOR AND MISC	13,956.59	10,221.00	29,744.06	37,222.79	25.14
LINE MISC LABOR AND EXPENSE	79,054.60	71,301.38	211,993.96	231,943.18	9.41
STATION LABOR AND EXPENSE	77,365.14	52,514.07	186,724.92	174,469.79	-6.56
STREET LIGHTING EXPENSE	6,834.27	6,364.62	24,362.69	22,991.87	-5.61
METER EXPENSE	32,412.73	26,643.74	66,525.09	69,606.83	4.65
MISC DISTRIBUTION EXPENSE	41,385.07	35,839.01	115,344.01	117,750.71	2.08
METER READING LABOR & EXPENSE	8,123.39	1,240.62	32,093.41	12,267.04	-61.71
ACCT & COLL LABOR & EXPENSE	178,107.71	154,734.61	514,290.24	519,176.60	0.95
UNCOLLECTIBLE ACCOUNTS	8,333.33	10,500.00	33,333.32	42,000.00	26.00
ENERGY AUDIT EXPENSE	60,363.24	41,202.29	156,109.20	148,946.59	-4.55
ADMIN & GEN SALARIES	89,524.45	80,326.54	254,951.94	306,318.52	20.11
OFFICE SUPPLIES & EXPENSE	12,722.94	26,138.99	61,788.54	87,573.13	41.71
OUTSIDE SERVICES	44,881.09	76,027.61	124,813.17	146,662.00	17.51
PROPERTY INSURANCE	31,925.42	29,926.02	126,960.68	119,704.08	-5.71
INJURIES AND DAMAGES	5,005.55	3,553.51	15,321.99	13,034.11	-14.91
EMPLOYEES PENSIONS & BENEFITS	139,740.68	146,448.48	680,714.72	979,241.91	43.81
MISC GENERAL EXPENSE	10,345.81	12,213.85	48,960.68	56,505.01	15.41
RENT EXPENSE	13,774.20	13,798.14	76,113.08	68,356.79	-10.11
ENERGY CONSERVATION	42,245.94	49,247.00	169,284.12	130,392.00	-22.91
TOTAL OPERATION EXPENSES	962,694.87	898,222.37	3,115,564.84	3,466,298.53	11.21
MAINTENANCE EXPENSES:					
MAINT OF TRANSMISSION PLANT	227.10	227.08	908.40	908.32	-0.01
MAINT OF STRUCT AND EQUIPMT	23,850.98	19,624.34	45,548.55	60,592.75	33.11
MAINT OF LINES - OH	234,733.57	192,386.93	484,217.53	551,853.96	13.91
MAINT OF LINES - UG	4,772.57	10,141.50	28,845.22	59,995.19	107.11
MAINT OF LINE TRANSFORMERS	1,535.48	2,777.18	11,919.07	76,227.73	0.01
MAINT OF ST LT & SIG SYSTEM	18.13	(85.28)	(202.32)	(320.39)	58.11
MAINT OF GARAGE AND STOCKROOM	35,233.87	53,628.51	150,174.77	163,108.91	8.61
MAINT OF METERS	5,428.36	1,511.32	15,579.84	9,113.78	-41.11
MAINT OF GEN PLANT	7,237.95	17,032.24	34,867.27	49,276.08	41.11
TOTAL MAINTENANCE EXPENSES	313,038.01	297,243.82	771,858.33	970,756.33	25.11
DEPRECIATION EXPENSE	305,469.18	314,969.55	1,221,876.72	1,259,878.20	3.11
PURCHASED POWER FUEL EXPENSE	2,595,375.45	1,994,534.42	12,402,011.25	10,394,368.11	-16.11
VOLUNTARY PAYMENTS TO TOWNS	114,000.00	116,666.67	456,000.00	466,666.68	2.21
TOTAL OPERATING EXPENSES	6,523,693.68	5,832,562.41	28,000,844.10	26,579,919.19	-5.11

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
BUDGETED OPERATING EXPENSE VARIANCE REPORT
10/31/13

SCHEDULE G

OPERATION EXPENSES:	ACTUAL YEAR TO DATE	BUDGET YEAR TO DATE	VARIANCE *	% CHANGE
PURCHASED POWER BASE EXPENSE	10,021,951.34	10,223,950.00	(201,998.66)	-1.98%
OPERATION SUP AND ENGINEERING EXP	182,135.58	153,884.00	28,251.58	18.36%
STATION SUP LABOR AND MISC	37,222.79	28,797.00	8,425.79	29.26%
LINE MISC LABOR AND EXPENSE	231,943.18	240,616.00	(8,672.82)	-3.60%
STATION LABOR AND EXPENSE	174,469.79	144,727.00	29,742.79	20.55%
STREET LIGHTING EXPENSE	22,991.87	30,043.00	(7,051.13)	-23.47%
METER EXPENSE	69,606.83	64,055.00	5,551.83	8.67%
MISC DISTRIBUTION EXPENSE	117,750.71	128,882.00	(11,131.29)	-8.64%
METER READING LABOR & EXPENSE	12,267.04	15,319.00	(3,051.96)	-19.92%
ACCT & COLL LABOR & EXPENSE	519,176.60	506,065.00	13,111.60	2.59%
UNCOLLECTIBLE ACCOUNTS	42,000.00	42,000.00	0.00	0.00%
ENERGY AUDIT EXPENSE	148,946.59	132,228.00	16,718.59	12.64%
ADMIN & GEN SALARIES	306,318.52	256,864.00	49,454.52	19.25%
OFFICE SUPPLIES & EXPENSE	87,573.13	89,400.00	(1,826.87)	-2.04%
OUTSIDE SERVICES	146,662.00	173,486.00	(26,824.00)	-15.46%
PROPERTY INSURANCE	119,704.08	153,500.00	(33,795.92)	-22.02%
INJURIES AND DAMAGES	13,034.11	19,732.00	(6,697.89)	-33.94%
EMPLOYEES PENSIONS & BENEFITS	979,241.91	706,532.00	272,709.91	38.60%
MISC GENERAL EXPENSE	56,505.01	105,996.00	(49,490.99)	-46.69%
RENT EXPENSE	68,356.79	70,668.00	(2,311.21)	-3.27%
ENERGY CONSERVATION	130,392.00	212,051.00	(81,659.00)	-38.51%
TOTAL OPERATION EXPENSES	3,466,298.53	3,274,845.00	191,453.53	5.85%
MAINTENANCE EXPENSES:				
MAINT OF TRANSMISSION PLANT	908.32	1,000.00	(91.68)	-9.17%
MAINT OF STRUCT AND EQUIPMENT	60,592.75	34,195.00	26,397.75	77.20%
MAINT OF LINES - OH	551,853.96	527,424.00	24,429.96	4.63%
MAINT OF LINES - UG	59,995.19	161,706.00	(101,710.81)	-62.90%
MAINT OF LINE TRANSFORMERS	76,227.73	63,868.00	12,359.73	19.35%
MAINT OF ST LT & SIG SYSTEM	(320.39)	3,459.00	(3,779.39)	-109.26%
MAINT OF GARAGE AND STOCKROOM	163,108.91	202,817.00	(39,708.09)	-19.58%
MAINT OF METERS	9,113.78	19,668.00	(10,554.22)	-53.66%
MAINT OF GEN PLANT	49,276.08	48,118.00	1,158.08	2.41%
TOTAL MAINTENANCE EXPENSES	970,756.33	1,062,255.00	(91,498.67)	-8.61%
DEPRECIATION EXPENSE	1,259,878.20	1,258,400.00	1,478.20	0.12%
PURCHASED POWER FUEL EXPENSE	10,394,368.11	10,577,238.00	(182,869.89)	-1.73%
VOLUNTARY PAYMENTS TO TOWNS	466,666.68	466,664.00	2.68	0.00%
TOTAL OPERATING EXPENSES	26,579,919.19	26,863,352.00	(283,432.81)	-1.06%

* () = ACTUAL UNDER BUDGET

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
BUDGETED OPERATING EXPENSE VARIANCE REPORT
10/31/13

OPERATION EXPENSES:	RESPONSIBLE SENIOR MANAGER	2014 ANNUAL BUDGET	ACTUAL YEAR TO DATE	REMAINING BUDGET BALANCE	REMAINING BUDGET %
PURCHASED POWER BASE EXPENSE	JP	<u>29,123,336.00</u>	<u>10,021,951.34</u>	<u>19,101,384.66</u>	65.59%
OPERATION SUP AND ENGINEERING EXP	KS	467,978.00	182,135.58	285,842.42	61.08%
STATION SUP LABOR AND MISC	KS	90,088.00	37,222.79	52,865.21	58.68%
LINE MISC LABOR AND EXPENSE	KS	729,521.00	231,943.18	497,577.82	68.21%
STATION LABOR AND EXPENSE	KS	446,308.00	174,469.79	271,838.21	60.91%
STREET LIGHTING EXPENSE	KS	90,729.00	22,991.87	67,737.13	74.66%
METER EXPENSE	KS	218,064.00	69,606.83	148,457.17	68.08%
MISC DISTRIBUTION EXPENSE	KS	396,379.00	117,750.71	278,628.29	70.29%
METER READING LABOR & EXPENSE	KS	46,322.00	12,267.04	34,054.96	73.52%
ACCT & COLL LABOR & EXPENSE	RF	1,570,864.00	519,176.60	1,051,687.40	66.95%
UNCOLLECTIBLE ACCOUNTS	RF	126,000.00	42,000.00	84,000.00	66.67%
ENERGY AUDIT EXPENSE	JP	416,982.00	148,946.59	268,035.41	64.28%
ADMIN & GEN SALARIES	CO	794,002.00	306,318.52	487,683.48	61.42%
OFFICE SUPPLIES & EXPENSE	CO	268,000.00	87,573.13	180,426.87	67.32%
OUTSIDE SERVICES	CO	419,150.00	146,662.00	272,488.00	65.01%
PROPERTY INSURANCE	KS	460,600.00	119,704.08	340,895.92	74.01%
INJURIES AND DAMAGES	KS	58,206.00	13,034.11	45,171.89	77.61%
EMPLOYEES PENSIONS & BENEFITS	KS	1,870,479.00	979,241.91	891,237.09	47.65%
MISC GENERAL EXPENSE	CO	219,695.00	56,505.01	163,189.99	74.28%
RENT EXPENSE	KS	212,000.00	68,356.79	143,643.21	67.76%
ENERGY CONSERVATION	JP	636,761.00	130,392.00	506,369.00	79.52%
TOTAL OPERATION EXPENSES		<u>9,538,128.00</u>	<u>3,466,298.53</u>	<u>6,071,829.47</u>	63.66%
MAINTENANCE EXPENSES:					
MAINT OF TRANSMISSION PLANT	KS	3,000.00	908.32	2,091.68	69.72%
MAINT OF STRUCT AND EQUIPMT	KS	105,738.00	60,592.75	45,145.25	42.70%
MAINT OF LINES - OH	KS	1,604,829.00	551,853.96	1,052,975.04	65.61%
MAINT OF LINES - UG	KS	485,432.00	59,995.19	425,436.81	87.64%
MAINT OF LINE TRANSFORMERS	KS	160,000.00	76,227.73	83,772.27	52.36%
MAINT OF ST LT & SIG SYSTEM	KS	10,487.00	(320.39)	10,807.39	103.06%
MAINT OF GARAGE AND STOCKROOM	KS	668,507.00	163,108.91	505,398.09	75.60%
MAINT OF METERS	KS	41,160.00	9,113.78	32,046.22	77.86%
MAINT OF GEN PLANT	RF	145,480.00	49,276.08	96,203.92	66.13%
TOTAL MAINTENANCE EXPENSES		<u>3,224,633.00</u>	<u>970,756.33</u>	<u>2,253,876.67</u>	69.90%
DEPRECIATION EXPENSE	RF	3,775,200.00	1,259,878.20	2,515,321.80	66.63%
PURCHASED POWER FUEL EXPENSE	JP	31,789,470.00	10,394,368.11	21,395,101.89	67.30%
VOLUNTARY PAYMENTS TO TOWNS	RF	1,400,000.00	466,666.68	933,333.32	66.67%
TOTAL OPERATING EXPENSES		<u>78,850,767.00</u>	<u>26,579,919.19</u>	<u>52,270,847.81</u>	66.29%

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT
PROFESSIONAL SERVICES
10/31/2013

PROFESSIONAL SERVICES BY PROJECT

ITEM	DEPARTMENT	ACTUAL	BUDGET	VARIANCE
1 RMLD AND PENSION TRUST AUDIT FEES	ACCOUNTING	32,500.00	32,250.00	250.00
2 PENSION ACTUARIAL EVALUATION	ACCOUNTING	0.00	0.00	0.00
3 LEGAL- FERC/ISO ISSUES	ENERGY SERVICE	0.00	6,000.00	(6,000.00)
4 LEGAL- POWER SUPPLY ISSUES	ENERGY SERVICE	37,203.52	15,000.00	22,203.52
5 PROFESSIONAL SERVICES	ENERGY SERVICE	6,445.00	8,000.00	(1,555.00)
6 NERC COMPLIANCE AND AUDIT	E & O	4,989.50	5,000.00	(10.50)
7 LEGAL	ENGINEERING	0.00	5,000.00	(5,000.00)
8 LEGAL-GENERAL	GM	43,429.33	50,000.00	(6,570.67)
9 LEGAL SERVICES- OTHER	HR	495.05	14,000.00	(13,504.95)
10 LEGAL SERVICES-NEGOTIATIONS	HR	15,121.95	0.00	15,121.95
11 LEGAL SERVICES-ARBITRATION	HR	4,629.73	21,900.00	(17,270.27)
12 LEGAL GENERAL	BLDG. MAINT.	0.00	500.00	(500.00)
13 SURVEY RIGHT OF WAY	BLDG. MAINT.	0.00	1,668.00	(1,668.00)
14 ENVIRONMENTAL	BLDG. MAINT.	0.00	1,668.00	(1,668.00)
15 INSURANCE CONSULTANT	GEN. BENEFIT	0.00	3,332.00	(3,332.00)
16 LEGAL	GEN. BENEFIT	64.60	1,668.00	(1,603.40)
17 LEGAL MATS MGMT	GEN. BENEFIT	950.00	7,500.00	(6,550.00)
18 DSA BASIC CLIENT SERVICE	ENGINEERING	833.32	0.00	833.32
TOTAL		<u>146,662.00</u>	<u>173,486.00</u>	<u>(26,824.00)</u>

PROFESSIONAL SERVICES BY VENDOR

	ACTUAL
MELANSON HEATH & COMPANY	32,500.00
UTILITY SERVICES, INC.	3,637.50
DUNCAN AND ALLEN	16,049.53
RUBIN AND RUDMAN	63,517.92
DOBLE ENGINEERING	833.32
CHOATE HALL & STEWART	20,246.73
WILLIAM CROWLEY	2,080.00
BERRYDUNN	6,445.00
PLM	1,352.00
TOTAL	<u>146,662.00</u>

RMLD
DEFERRED FUEL CASH RESERVE ANALYSIS
10/31/13

DATE	GROSS CHARGES	REVENUES	NYPA CREDIT	MONTHLY DEFERRED	TOTAL DEFERRED
Jun-13					2,609,487.1
Jul-13	3,464,349.32	2,953,072.91	(53,841.00)	(565,117.41)	2,044,369.9
Aug-13	2,767,250.13	3,385,440.39	(33,645.12)	584,545.14	2,628,915.1
Sep-13	2,168,234.24	3,096,134.62	(61,811.13)	866,089.25	3,495,004.1
Oct-13	1,994,534.42	2,147,543.67	(23,964.99)	129,044.26	3,624,048.1

RMLD
BUDGET VARIANCE REPORT
FOR PERIOD ENDING OCTOBER 31, 2013

DIVISION	ACTUAL	BUDGET	VARIANCE	CHANGE
ENGINEERING AND OPERATIONS	1,586,273	1,568,199	18,074	1.15%
ENERGY SERVICES	322,519	373,280	(50,762)	-13.60%
GENERAL MANAGER	267,231	323,088	(55,857)	-17.29%
FACILITY MANAGER	1,524,448	1,349,528	174,920	12.96%
BUSINESS DIVISION	3,231,232	3,216,268	14,964	0.47%
 SUB-TOTAL	 <u>6,931,703</u>	 <u>6,830,364</u>	 <u>101,339</u>	 1.48%
 PURCHASED POWER - BASE	 10,021,951	 10,223,950	 (1,321,494)	 -1.98%
 PURCHASED POWER - FUEL	 10,394,368	 10,577,238	 728,144	 -1.73%
 TOTAL	 <u>27,348,022</u>	 <u>27,631,552</u>	 <u>(492,011)</u>	 -1.03%

RMLD
STAFFING REPORT
FOR FISCAL YEAR ENDING JUNE, 2014

	14 BUD TOTAL	JUL 13	AUG 13	SEP 13	OCT 13
<u>GENERAL MANAGER</u>					
GENERAL MANAGER	2.00	2.00	2.00	2.00	2.00
HUMAN RESOURCES	1.00	1.00	1.00	1.00	1.00
COMMUNITY RELATIONS	1.00	1.00	1.00	1.00	1.00
TOTAL	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>
<u>BUSINESS</u>					
ACCOUNTING	2.00	2.00	2.00	2.00	2.00
CUSTOMER SERVICE	7.75	7.75	7.75	7.75	7.75
MGMT INFORMATION SYS	6.00	6.00	6.00	6.00	6.00
MISCELLANEOUS	1.00	1.00	1.00	1.00	1.00
TOTAL	<u>16.75</u>	<u>16.75</u>	<u>16.75</u>	<u>16.75</u>	<u>16.75</u>
<u>ENGINEERING & OPERATIONS</u>					
AGM E&O	2.00	2.00	2.00	2.00	2.00
ENGINEERING	5.00	5.00	5.00	5.00	5.00
LINE	22.00	21.00	21.00	21.00	21.00
METER	3.00	3.00	3.00	3.00	3.00
STATION	8.00	8.00	8.00	8.00	8.00
TOTAL	<u>40.00</u>	<u>39.00</u>	<u>39.00</u>	<u>39.00</u>	<u>39.00</u>
<u>PROJECT</u>					
BUILDING	2.00	2.00	2.00	2.00	2.00
GENERAL BENEFITS	2.00	2.00	2.00	2.00	2.00
TRANSPORTATION	-	-	-	-	-
MATERIALS MGMT	4.00	4.00	4.00	4.00	4.00
TOTAL	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>
<u>ENERGY SERVICES</u>					
ENERGY SERVICES	4.50	3.50	3.50	3.50	3.50
TOTAL	<u>4.50</u>	<u>3.50</u>	<u>3.50</u>	<u>3.50</u>	<u>3.50</u>
RMLD TOTAL	<u>73.25</u>	<u>71.25</u>	<u>71.25</u>	<u>71.25</u>	<u>71.25</u>
<u>CONTRACTORS</u>					
UG LINE	2.00	2.00	2.00	2.00	2.00
TOTAL	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
GRAND TOTAL	<u>75.25</u>	<u>73.25</u>	<u>73.25</u>	<u>73.25</u>	<u>73.25</u>



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50 Rowes Wharf, Boston, MA 02110

MEMORANDUM

BY EMAIL

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

From: Christopher Pollart and Karla Doukas

Re: 20-Year Agreement

Date: October 21, 2013

On behalf of the Reading Municipal Light Department ("RMLD"), you have asked us to discuss the applicability of the payment-in-lieu-of-tax provisions in G.L. c. 164A, § 8 to the Agreement between RMLD and the Towns of Wilmington, Lynnfield and North Reading, which 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 in-lieu of tax payments: (1) those made pursuant to special legislation, if enacted, and, (2) voluntary payments made from RMLD's below-the-line earnings as part of its discretionary authority if special legislation is not in effect. The 20-Year Agreement references RMLD's general statutory authority under G.L. c. 164, § 56, its ratemaking authority under G.L. c. 164, § 58 with respect to a street lighting rate issue, and its general right and obligation to provide service pursuant to G.L. c. 164. It does not include any references to G.L. c. 164A, which relates to the New England Power Pool.

At a recent meeting of the Citizen's Advisory Board ("CAB"), the CAB inquired why the 20-Year Agreement does not include any references to G.L. c. 164A, § 8 but does reference various provisions of G.L. c. 164. G.L. c. 164A, § 8 requires municipal light plants to make in lieu of tax payments on electric power facilities that it owns and allows the light plants to treat the payments as operating expenses. On its face, it seems to be directly on point by authorizing the payments sought by the Towns.

By way of background, in, *Reading Municipal Light Department* ("Reading"), D.P.U. 85-121/85-138/86-28-F (1987) ("Reading"), the Department of Public Utilities ("DPU") examined the accounting treatment of payments made by RMLD to the Towns of Wilmington and Reading. RMLD argued that the payments (particularly to the Town of Reading because it owns the system) should be treated as above-the-line costs, *i.e.*, operating expenses. The DPU, however, distinguished tax payments made by investor owned utilities, which are treated as

above-the-line costs, from payments made by municipal light plants. *See id.* The DPU stated that, in contrast to investor-owned utilities, the payments made by municipal light plants to the towns they serve (including the host town) are costs which the light plant “has chosen to incur, and are not imposed by statute or regulation and are not otherwise necessary to provide electric service.” *See id.* Therefore, according to the DPU, such payments, if made at all, may not be treated as an above-the-line expense and must be accounted for as below-the-line items. *See id.* at 15-16. In other words, any payments made to the towns are voluntary and are solely within RMLD’s discretion to the extent it has available any surplus funds.

In response, RMLD obtained special legislation authorizing RMLD to include as annual operating expenses and recover through its rates, voluntary in-lieu of tax payments made to the Towns of Reading, Wilmington, North Reading and Lynnfield. *See* St. 1990, c. 405, § 1. Without this special legislation, RMLD would be required to treat the payments as below-the-line costs.

While G.L. c. 164A, § 8 imposes a statutory obligation on municipal light plants to make certain in-lieu-of-tax payments from above-the-line earnings, that statute does not apply here. G.L. c. 164A, § 8 pertains to “electric power facilities,” which are defined for purposes of that statute as:

generating units rated twenty-five megawatts or above and transmission facilities rated sixty-nine kilovolts or above which (i) have been designated as pool or pool-planned facilities under the New England power pool agreement or (ii) are financed in whole or in part under the provisions of sections eleven to twenty-two, inclusive

G.L. c. 164A, § 8. In other words, G.L. c. 164A, § 8 only authorizes in-lieu-of-tax payments on PTF facilities or certain generating and transmission facilities financed through revenue bonds. Even then, that statute does not apply to facilities constructed prior to September 30, 1973. To our knowledge, RMLD does not own any PTF facilities in the Towns, and thus, G.L. c. 164A, § 8 would not apply to any payments made to the Towns under the 20-Year Agreement or any subsequent PILOT agreement.

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

CITIZENS' ADVISORY BOARD

Chairman/Date

Per Board Vote: 12/4/13

I. PURPOSE

- A. To establish the role of the Citizens' Advisory Board (CAB) relative to the Ratepayers, the RMLD Commission, and the General Manager.
- B. To establish administrative controls for certain CAB activities.

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

- 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 Members.
 - 3. Chairman nominates Board members to represent the CAB at appropriate functions, events and meetings. Final decision is by a majority of the Board members.
 - 4. Chairman nominates Board members to Board Subcommittees. Final appointment is by a majority of the Board members. The Secretary serves as the Chairman of any such subcommittees to which he/she is appointed.
 - 5. The Chairman may delegate some, none or all of the above responsibilities to the Secretary. Though the final authority for these responsibilities resides with the Chairman, he/she is encouraged to actively consult with the Secretary as appropriate.
 - 6. Signs, upon direction of a majority of the Board members, documents and legal settlements on behalf of the CAB. Alternatively any Member may be authorized to perform this function.

B. CAB Vice Chair:

1. Presides over meetings in the absence of Chair.

C. CAB Secretary:

1. Final review of Board minutes.
2. Certifies, as required by law, votes of the CAB.
3. Presides over meetings in the absence of the Chair and Vice Chair.

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

1. May 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 referred by the RMLD Commission.
 - g. Any and all matters as prescribed under the Twenty-Year Agreement. Twenty-Year Agreement superseded this policy.

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.

E. 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 letter of all 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 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.

