



## Town of Reading Meeting Minutes

2016-09-22 LAG

### Board - Committee - Commission - Council:

RMLD Citizens Advisory Board

Date: 2021-10-20

Time: 6:30 PM

Building:

Location:

Address:

Session: Open Session

Purpose: General Business

Version:

#### Attendees: **Members - Present:**

Mr. Jason Small, Chair (North Reading); Mr. Vivek Soni, Vice Chair (Reading); Mr. Dennis Kelley (Wilmington)

#### **Members - Not Present:**

Mr. George Hooper, Secretary (Wilmington); Lynnfield Position Vacant

#### **Others Present:**

Ms. Coleen O'Brien, Mr. Brian Hatch, Mr. Hamid Jaffari, Ms. Wendy Markiewicz, Mr. Gregory Phipps, Ms. Kathleen Rybak, Ms. Janet Walsh

**Minutes Respectfully Submitted By:** Mr. Jason Small, Vice Chair

*Jason Small*  
Jason Small (Jan 21, 2022 10:44 EST)

### Topics of Discussion:

1. Call Meeting to Order – J. Small, Chair  
Chair Small called the meeting of the Citizens' Advisory Board to order at 6:30 PM and noted the meeting was being audio recorded. Chair Small asked all members present to state their names.
2. Approval of Minutes – J. Small, Chair  
Materials: Draft Minutes from January 20, 2021, and June 3, 2021, meetings.  
  
Mr. Soni made a **motion** that the Citizens' Advisory Board approve the minutes of the January 20, 2021, and June 3, 2021, meetings as written, seconded by Mr. Kelley. **Motion carried** (3:0:1) by a roll call vote of those present: Mr. Soni, aye; Mr. Kelley, aye; Chair Small, aye. Mr. Hooper was not present.
3. General Manager's Update – C. O'Brien, General Manager  
  
Ms. O'Brien reported that the Air Source Heat Pump Webinar (Residential) Owners Panel is confirmed for November 9th. It will be taped and posted on the RMLD website. Staff will also put together a webinar for the commercial heat pumps, to be announced.

Ms. O'Brien reported that she gave a presentation to the Town of Reading on the Electric Vehicle (EV) Equipment grant. Staff continues to work with the Town on the license agreement to allow the RMLD to put EV equipment on public property rather than using an easement (which would need to go to Town Meeting). Wilmington is also working on their license agreement. Ms. O'Brien noted she is hoping to use a standardized license form for this use of public land. The RMLD wants to be sure that RMLD customer money, including the State grant money, is well invested for the long-term. If within three years RMLD is asked to take a unit out, the grant money would need to be returned to the State.

Ms. O'Brien reported that the AV (conference) room is being redesigned to include technology updates to accommodate hybrid/virtual meetings. Comments on functionality will be solicited from CAB members as the CAB will be a user of the AV room once in-person meetings resume.

4. 2022 Budget Presentation

Materials: RMLD 2022 Budget; Reading Municipal Light Department CY22 Operating Budget Presentation Slides

Mr. Jaffari began the presentation with an overview of the CY22 Capital Budget Planned Programs (page 11-13 - RMLD 2022 Budget). Mr. Jaffari provided a review the Facilities projects (Lines 1-7). Of note, in CY21 a Physical Security Assessment was completed by Burns and McDonnell to identify NERC mandated compliance areas and improve existing security. These recommendations will be implemented through 2022.

Mr. Jaffari then reviewed the Electric Vehicle Supply Equipment (Line 8). For CY22 RMLD is budgeting \$744,000 on Electric Vehicle Supply Equipment (EVSE); \$177,286 is a Massachusetts Grant for level two and level three charges. RMLD plans to apply for another grant for additional chargers to be installed at retail locations and the at the Reading Library. This project supports the Climate Law electrification mandate.

Mr. Jaffari then reviewed the planned spending for Information Technology (IT) (Lines 9-14) including routine hardware and software upgrades as well as various other IT initiatives: Customer Portal Mobile Application; IT Infrastructure Enhancements to accommodate anticipated growth for system applications and databases such as TLM, AMI and MDM; and IT Security. Mr. Jaffari noted the RMLD is continually monitoring both the cyber and internal environments to assess and respond.

Mr. Jaffari noted that Line 14 (New Production Environment Disaster Recovery) represents the unbudgeted item for 2021. This project was approved by the CAB and BOC (in June 2021) and added to the CY21 Budget. Staff has provided a Project Summary and Cost Sheet for this project as reference; there are no expenses anticipated for this project as part of the CY22 Budget.

Mr. Jaffari then moved onto review of the Engineering and Operations (E&O) projects (Line 15-50), which include capital improvements related to the electric distribution system including: substation upgrades, primary metering, relay protection upgrades, pad mount switchgear, the new Wilmington substation, grid modernization and optimization, AMI mesh network expansion, transformer and meter stock (for projects), long-term upgrade reliability projects, service connections, and routine construction, as well as a State project.

Mr. Jaffari noted the increase in the budget amount for Transformers and Capacitors for Stock (CY21 to CY22), is due to increasing the transformer inventory to accommodate the Aged Transformer Replacement Program; this program will be expedited in CY22. Starting in CY22 staff will annually inspect all transformers aged 10-years and up, evaluate their physical condition and historic load data, and then schedule and prioritize replacement as needed based on the scorecard evaluation.

Mr. Jaffari concluded his presentation stating the RMLD is seeking Board approval of \$13,225,575 for the CY22 Capital Plan. Mr. Jaffari asked if there were any questions.

Mr. Soni noted that according to the information from last year's documents and this year's documents, the RMLD did not spend \$3.2 million of the Capital Budget in CY20 and will not spend \$3.1 million of the Capital Budget in CY21; have these expenses been pushed out; how does that play out over time.

Mr. Jaffari responded that the RMLD continues to look for land to purchase and construct a new Wilmington substation; these costs (purchase, construction, and commissioning) have been pushed out. Also, the AMI project was pushed out. Management requires a more thorough study; technology was on the verge of transition, so staff wants to be sure that the RMLD is proceeding appropriately.

Ms. Markiewicz began the presentation of the CY22 Operating Budget by stating when looking at the Operating Budget (which encompasses the Capital Budget), there are many components to determining what the RMLD will have available for funds and what needs to be prioritized. Slide 2: Financial Strategic Balance was reviewed. Ms. Markiewicz noted that there is a motion that

says that the rate stabilization is supposed to be \$6.5 million (plus or minus \$500,000); RMLD needs to keep within that limit.

Ms. Markiewicz then reviewed Slide 3: CY22 Operating Budget Fixed Costs. Fixed costs include power supply costs (65.82%), which have decreased by 2%. Most of this expense is in contracts with no real leeway (for budgeting purposes). This is the costs to RMLD customers (what is going to be collected from revenue). Depreciation expense of 5.52% has increased ~4% due to the continuous necessary capital investments made in the system. The voluntary payment to the Town of Reading reflects the formula change commitment. The town payments related to 2% net plant have increased approximately ~3% and that is driven by our capital projects improvements.

Ms. Markiewicz then reviewed Slide 4: CY22 Operating Budget Semi-Variable Costs. These costs represent 24% of the budget. When you look at each component of the semi-variable costs, there is not much room for adjustment. Ms. Markiewicz noted for the labor expense that there are three labor contracts that RMLD must follow. The efficiency and electrification expenses are ~3%; there was an RMLD motion to increase the efficiency and electrification charge to three-tenths of a cent to continue to support rebates.

Ms. Markiewicz then reviewed Slide 5: Significant Increase Budget to Budget, which provides a high-level look at what each cost represents in the total budget with a description of the significant increases.

Ms. Markiewicz then reviewed Slide 6: Projected Rate Increases. Ms. Markiewicz noted that the RMLD would like to balance the rate stabilization fund. Therefore, will plan to partially supplement rates with the rate stabilization fund for the first half of CY22; approximately 1.4%, or up to \$1.2 million (tentatively), depending on power supply. The second half of the year (July – December) the rates are going to stay exactly as outlined for the first half of the year, but there will be no supplement from the rate stabilization fund.

Ms. Markiewicz noted that she had completed her presentation and asked if there were any questions.

Mr. Kelley asked how the 2.2-4.7% rate increase would impact the average customer bill. Mr. Phipps responded that the residential increase will be 4.7%, which is ~\$5.81 for an average monthly bill.

Mr. Soni noted there is a 20% increase in semi-variable costs for the CY22 budget (\$22.165) versus the CY21 projected (\$18.45). In prior years it was flat, so that is a huge increase. In an environment where RMLD is going to be increasing rates, what are the consequences of taking a less aggressive stance on everything that is being planned.

Ms. Markiewicz responded that the budgets are set with the information available at the time, and in CY20 COVID really impacted those assumptions. The RMLD has been hindered in many areas including construction and hiring. CY21 has been up and down relative to regulations around COVID, and the RMLD has not been able to do as much as expected. Therefore, it is anticipated 2021 will come in under budget. It is unfortunate that RMLD finds itself in this situation, but that's the reason behind it.

Ms. Markiewicz noted the RMLD has not raised rates since 2018. Power supply drives a lot of those increases. The RMLD cannot sustain the infrastructure without having a budget that supports it.

Ms. Markiewicz stated the RMLD is very fortunate to have the ability to reserve the funds for capital, but at the same time the RMLD needs to meet the demands of the organization. The RMLD is adding more staff to meet the demands of the strategic planning. The Climate Law is putting a lot of demand on Integrated Resources as well as customer service, making all necessary changes and implementing best business standards.

Mr. Soni responded, speaking for Reading, the Town really cares about the climate aspect, but at the same time, people will be sensitive to the fact that there's a huge increase in the semi-variable spending. I wanted to make sure that questions were asked.

Chair Small noted if there was no more discussion, that he would entertain motions.

Mr. Soni made a **motion** that the Citizens' Advisory Board recommend to the RMLD Board of Commissioners the Calendar Year 2022 Operating Budget with a Net Income of \$2,533,060 as presented, seconded by Mr. Kelley. **Motion carried 3:0:1** (3 in favor, 0 opposed, 1 absent) by a roll call vote of those present: Mr. Soni, aye; Mr. Kelley, aye; Chair Small, aye. Mr. Hooper was not present.

Mr. Soni made a **motion** that the Citizens' Advisory Board recommend to the RMLD Board of Commissioners the Calendar Year 2022 Capital Budget in the amount of \$13,225,575 as presented. Any significant changes are to be submitted to the CAB for review and recommendation, seconded by Mr. Kelley. **Motion carried 3:0:1** (3 in favor, 0 opposed, 1 absent) by a roll call vote of those present: Mr. Soni, aye; Mr. Kelley, aye; Chair Small, aye. Mr. Hooper was not present.

Ms. O'Brien noted that she would follow-up with Mr. Hooper on the 2022 budget presentation, and thanked Mr. Jaffari and Ms. Markiewicz, as well as the other senior management for their presentations and contributions to the 2022 Budget.

5. Integrated Resources Report – G. Phipps, Director of Integrated Resources  
Materials: RMLD Rates 2Q21 Certificates, Wind Power - BOC and CAB Meetings 20-21 October 2021 Presentation Slides

Mr. Phipps began his presentation with a review of Slide 3: Summary of Changes Rate Classes - 2022, which summarizes what was presented at the August and September (CAB/BOC) meetings. Tonight's meeting will focus on the five major rate classes: Residential A, Residential TOU A, Commercial C, Industrial TOU, and School. One of the goals with these rate changes for 2022 is to cover the Budget that was just presented, which includes the initial investment in distribution investment to support upcoming load growth due to electrification.

Mr. Phipps then referenced Slides 8-12, which details, by rate class, the components of the rate and the impact of the proposed increases on an average customer bill. Slide 4: Overview 2022 Rate Recommendations summarizes this information (highlighted in the box at the center of the slide). Mr. Phipps noted the key takeaways are that the increases are very modest, are driven by the Climate Law (driving electrification and load growth), and are intended to dampen any rate shock in the near-term future. Ms. O'Brien added that the RMLD just completed a class cost of service study, which the RMLD is committed to do every three years. By law, the RMLD must get back the RMLD's cost of production. A class cost of service study looks at the rate-of-return for each rate, i.e., if the residential rates are being subsidized a little bit too much and should be closer to a zero rate-of-return. This is why the (percentage) adjustments are not the same for every class/rate, and why, in addition to the Climate Law, there are rate adjustments needed.

Mr. Soni noted that for last year's budget, kWh sales were forecast to be flat over the next six years. This year it is showing growth in kWh sales. How does the Climate Law (and electrification) impact that growth; how much will clean energy certificates impact cost increases going forward? Mr. Soni noted the Town of Reading is very supportive of a lot of climate initiatives and there are costs associated with certificates. There needs to be some recognition of what those costs are.

Mr. Phipps responded that the Climate Law effect has already started, but the next threshold is in 2030. With RMLD Policy 30, Rev. 1, RMLD agreed to a 3% increase (certificate retirement) from the 20% requirement in 2020 up to the 50% requirement in 2030. Each year the RMLD will do a 3% increase in the annual amount of certificates retired. This year (2021), RMLD is retiring 23% of their certificates, based on kWh sales. Beginning in 2022, it will be 26% and increment up 3% annually (certificate retirement). Staff estimates that in the 2022 Budget those certificates are not significant but is about 5% of the cost when RMLD gets to 2025, and will continue to grow and become a significant portion when RMLD gets out to 2030 and beyond.

Mr. Soni noted budgets are going from ~\$85 million to ~\$110 million and staff report part of that is an increase in load, but also increase in costs. Mr. Phipps responded that increased loads are driving increased costs.

Mr. Phipps moved to Slide 5: 2Q21 Certificates – Quarterly Report. Beginning in 2021, RMLD began reporting certificates transactions on a quarterly basis. Currently the RMLD preference is to buy certificates with energy (associated certificates). Currently, a little over 40% of our

energy purchases include certificates. The policy put in place in February 2021 is to retire on a quarterly basis 23% of whatever our retail sales are, which in 2Q21 was just under 36,000, and then sell the rest. Because the RMLD must focus on compliance and minimize rate increases, the RMLD is selling the more expensive ones and retire the less expensive ones. RMLD will net out (in 2021) roughly \$2 million in contribution from selling those certificates, which directly reduces our power supply costs, specifically fuel charges. Moving forward to 2025 and up to 2030, the certificate retirement rate increases each year and the RMLD will retire more certificates. The net cost of certificates will start to become an incremental cost and it will become noteworthy. Mr. Phipps noted staff is keeping track of what the forecast value of all the different certificate categories are. In effect, managing our power portfolio, and now also actively managing the certificate portfolio. The RMLD is now under compliance requirements by the Climate Law and Policy 30 to hit targets each year. Under the current structure, the RMLD will not have to buy certificates in the open market until 2030 or 2031. Mr. Phipps noted the RMLD is aggressive in terms of finding projects with associated certificates because there's an economic benefit of putting the two together as opposed to going to the open market to buy certificates alone.

Mr. Phipps asked if there were any more questions relative to the rates. There were not.

Mr. Kelley made a **motion** that the Citizens' Advisory Board recommend that the Board of Commissioners vote to accept the General Manager's recommendation to replace the following MDPU rates effective on billings on or after January 1, 2022: Replace 279 Residential Schedule A with 296; Replace 280 Residential Time of Use Schedule A2 with 299, Replace 282 Commercial Schedule C with 297, Replace 283 Industrial Time of Use Schedule I with 298, Replace 284 School Schedule SCH with 300, seconded by Mr. Soni. **Motion carried 3:0:1** (3 in favor, 0 opposed, 1 absent) by a roll call vote of those present: Mr. Soni, aye; Mr. Kelley, aye; Chair Small, aye. Mr. Hooper was not present.

Ms. O'Brien stated that the rates and supporting documents will be posted on the website. Additionally, Ms. Markiewicz will provide a memo to the towns (once the Board votes on the Budget and rates) with rate projections that will segue into the towns' fiscal years (these rates start 2022, and then the town fiscal year will go until July 1, 2023). This is a forecast; the RMLD does its best to look at all of the analysis for projecting out 18 months.

#### **2021 Q2 Certificate Update:**

2Q21 Certificates – Quarterly Report (Slide 5) was discussed as part of rate summary discussion. Mr. Phipps added that these (certificates) are required for MLPs as part of the Climate Law. If the RMLD does not fulfill our compliance obligations, there is an alternative compliance payment that is at the rate of \$10 a megawatt hour; RMLD wants to make sure to stay in compliance. This requires active management of certificates on an ongoing basis. Management is committed to reporting on these certificates on a quarterly basis.

#### **Power Supply Agreement – Offshore Wind Opportunity (Slide 6)**

Mr. Phipps reported that RMLD is seeking permission to pursue a very small (25 megawatt) offshore wind project with Commonwealth Wind. Energy New England is the lead on this project, and RMLD would need to bid in (through a lottery) along with other MLPs. This would get the RMLD in the door for this and other projects. Mr. Phipps noted MLPs have limited opportunity to get into these wind projects, therefore, as part of this request, management is seeking an umbrella request to pursue and to engage in offshore wind projects as they become available; no more than 15% of the portfolio, over the next 24 months.

Mr. Phipps noted there are basically four non-carbon power supply options (nuclear, wind, solar and hydro). RMLD is working hard to pursue all these options.

Ms. O'Brien stated that the Commonwealth Wind proposal is being evaluated through the DOER. The success on this for RMLD is the ability to participate in the bid (December 17<sup>th</sup>) and get in the door. RMLD wants a voice with the DOER and wants to actively participate in the legislation to be able to participate in all future projects.

Chair Small noted if there was no more discussion that he would entertain a motion.

Mr. Kelley made a **motion** that the Citizens' Advisory Board recommend that the Board of Commissioners vote to accept the General Manager's recommendation to execute offshore wind contracts over the next 24 months with respective asset owners for energy, including associated certificates, from offshore winds facilities off the Massachusetts coast, contingent on

appropriate environmental justice due diligence and limited up to 15% of the RMLD portfolio, seconded by Mr. Soni. **Motion carried 3:0:1** (3 in favor, 0 opposed, 1 absent) by a roll call vote of those present: Mr. Soni, aye; Mr. Kelley, aye; Chair Small, aye. Mr. Hooper was not present.

Mr. Soni noted the cost of gas and oil has gone up. The RMLD has long-term contracts that have kept us safe. Is there concern about the high cost of natural gas right now and what that does to spot prices of energy? Can you comment on how that impacts RMLD if there is a cold winter?

Mr. Phipps responded that the winter forecast is projected to be mild for New England. The RMLD is in good shape due to the way the portfolio is balanced. The only noteworthy exposure is what's known as the two-by-sixteen, which are the weekends, when the load is low. It should be a minimal impact for RMLD in January if in fact it gets colder than forecasted. Mr. Phipps noted that currently there is a market holding of gas reserves, and as you get out of winter (summers are very low gas demand time) the market tends not to hold onto those reserves. Mr. Phipps added that in the next two to three months the fuel adjustment charge will go up slightly, but nothing dramatic.

6. Scheduling – J. Small, Chair  
November CAB Meeting: Confirmed for November 17<sup>th</sup> at 6:00 PM (prior to the Commissioners meeting).  
Coverage for November BOC meeting: Mr. Kelley
7. Adjournment – J. Small, Chair  
Mr. Soni made a motion to adjourn, seconded by Mr. Kelley. **Motion carried 3:0:1** (3 in favor, 0 opposed, 1 absent) by a roll call vote of those present: Mr. Soni, aye; Mr. Kelley, aye; Chair Small, aye. Mr. Hooper was not present.

The meeting adjourned at 8:09 PM.

As approved on January 20, 2022.