

CITIZENS' ADVISORY BOARD (CAB)
MEETING MINUTES
Regular Session

TIME: 7:02 P.M.
DATE: Thursday, February 16, 2012
PLACE: Reading Municipal Light Department (RMLD) 230 Ash Street, Reading, MA,
Winfred Spurr/AV Room
PRESENT: CAB: A. Carakatsane, Chairman (Lynnfield), J. Norton, Secretary (North Reading) G.
Hooper (Wilmington), T. Capobianco (Reading), T. Ollila (Wilmington)
RMLD Board of Commissioners: R. Hahn, Chairman, R. Soli
RMLD Staff: V. Cameron, P. O'Leary, J. Parenteau, W. Seldon, J. Carpenter
GUEST(S): Michele Benson

1. Call Meeting to Order

Secretary Norton called the meeting to order at 7:02 p.m. (Chairman Carakatsane had not yet arrived.)

2. Minutes of Meeting – January 5, 2012

Mr. Hooper made a motion seconded by Mr. Ollila to accept the minute of the January 5, 2012 meeting as written.
Motion carried: 4:0:0. (Chairman Carakatsane was not present at this time.)

Note: Agenda items were taken out of order.

4. Executive Session

Executive Session was not held.

5. Strategic Power Supply Plan – Annual Power Supply RFP (Request for Proposals)

Ms. Parenteau referred to the memo dated February 13, 2012 to the General Manager from Ms. Parenteau and Mr. Seldon regarding RMLD's Strategic Power Supply Plan that involves the laddering and layering approach. She commented this is the fifth year that ESD (Energy Services Division) has gone out for pricing. She explained that every year the ESD looks ahead four years and estimates where the load is going to be both on peak and off peak. A portion of that load is maintained in the spot market, and the ESD then looks to fill the gaps by considering long term contracts, renewable contracts, energy efficiency, and then roll it into the RMLD's current portfolio. Ms. Parenteau referred to the table entitled "*RMLD Proposed Power Contract Timeline*", which shows the four year period, January 2013 through December 2016, that the ESD is currently forecasting. She explained that the first two lines indicate the kW amounts that have already been subscribed with various power suppliers. Although last year ESD did not go out until June, they would like to take advantage of the of the ten year low gas prices. When looking at indicative pricing for this amount, the average cost of the four year period came to \$45/MWh as opposed to last year's pricing, \$55/MWh. ESD plans to use the same approach as in the past and go out for indicative bids using the RFP process. Ms. Parenteau stated that not only pricing is considered when looking at the contracts, but also the various differences between the contracts, i.e., credit support, default provisions, environmental responsibility, etc.

Mr. Ollila asked about the terms of these contracts. Ms. Parenteau responded that the RFP indicates that the ESD is able to select a contract with a minimum of a 12 month period, however, in the past they have selected one supplier for the four year term.

Mr. Ollila asked if gas prices went back up, would the contract prices be fixed. Ms. Parenteau responded that two different products are requested: 1. Firm Pricing, where the price is locked in for the four year period; and 2. Heat Rate Index Pricing, where the prices given are a fixed index, which gives the ESD the flexibility to lock in gas when it is economical to do so.

Mr. Capobianco asked if a four year contract is two years fixed and two years open ended, is there an opt out clause? Ms. Parenteau replied, "No." She added that these contracts commit the RMLD to these power suppliers, and explained the heat rate index further. Ms. Parenteau and Mr. Seldon, through a service contract, monitor daily gas forecasts and trends in the market.

Mr. Capobianco questioned if the RMLD is exposed to an irresponsible supplier. Ms. Parenteau replied, "No." She added that the suppliers have to post credit and most of them have investment grade ratings. If they don't have ratings, then they would have to post collateral.

Mr. Ollila asked if the RMLD has an idea of what percentage of its supply is natural gas fuel, and has it changed significantly recently.

Ms. Parenteau responded, "No". She said that New England is geared on natural gas, which drives the electricity market as opposed to oil. Mr. Seldon said that they have a pie chart that shows how the fuel is split up, and would have it sent to the CAB.

Mr. Capobianco asked how future estimates of consumption are made. Ms. Parenteau said that ESD has a database where they get hourly data. She then explained the process used to make the estimates.

Secretary Norton recognized the Chairman of the Board of Commissioners, Mr. Hahn, and asked if he had any questions.

Mr. Hahn verified that ESD is asking for permission to go out and purchase the kWhs shown in yellow on the chart both on and off peak. Ms. Parenteau responded, "Yes". He asked if this were just energy, no capacity, and Ms. Parenteau that was correct.

Mr. Hahn asked that if in 2013 the ESD bought these amounts (on the chart) on an annual basis, what percentage of the annual kWhs would come from the Spot Market. Ms. Parenteau replied approximately 25% over the year.

Note: It was decided to hold the motion until Chairman Carakatsane arrived.

Mr. Norton called for a ten minute recess at 7:20 P.M.

Chairman Carakatsane arrived at 7:30 P.M. and re-convened the meeting.

Mr. Norton made the following motion seconded by Mr. Hooper:

MOVE that the Reading Municipal Light Department Citizens' Advisory Board (CAB) recommend to the RMLD Board of Commissioners to authorize the General Manager to execute one or more Power Supply Agreements in accordance with the RMLD's Strategic Power Supply Plan for power supply purchases for a period not to exceed 2013 through 2016 and in amounts not to exceed 28 MW in 2013, 22 MW in 2014, 21 MW in 2015, and 20 MW in 2016 as presented by the General Manager and Staff.

Motion carried 5:0:0.

3. Renewable Energy Certificates (RECs)

Chairman Carakatsane stated that this discussion can come up anytime either for discussion or a motion to reconsider the prior vote if brought up by a member on the prevailing side of the vote.

Mr. Norton asked what Chairman Carakatsane's thought were on voting?

Chairman Carakatsane replied that if the issue is re-opened, there would be no final vote tonight. He anticipates that the CAB will have a regular meeting for the various department updates the first half of March, and if the issue comes up again, then the final vote would be at that March meeting.

Mr. Norton asked what the Chair's thoughts were on meeting with the respective Boards of Selectmen either individually or as a Board prior to taking a formal vote.

Chairman Carakatsane stated that it is his understanding that the Boards of Selectmen saw no need to be here tonight. He added that the four Town Managers/Administrators met recently, and it was his impression that the Boards would meet individually with its CAB representative. Chairman Carakatsane met with his Board yesterday, and Mr. Norton noted his Board attended the last Board of Commissioners meeting, and spoke with Mr. Norton thereafter. Mr. Hooper has spoken to the Town Manager also. Mr. Ollila has not had a chance to speak directly to the Town Manager of Selectmen, but has spoken to Mr. Hooper regarding feedback. Mr. Capobianco has not met with the Town Manager or Board of Selectmen yet.

Chairman Carakatsane stated that there was a desire to call this meeting tonight by members of the CAB, and to bring up this issue again. He added that by not having a vote, it will give the various members time to take their thoughts and issues back to their Boards in the interim and then come back for another meeting and final vote.

Mr. Hooper made a motion seconded by Mr. Norton to reconsider the vote made by the CAB at its January 5, 2012 meeting regarding the Renewable Energy Certificates (RECs).

Mr. Hooper stated that the reason for reconsideration is that more details have come to light, and that he believes in renewable energy, but his thoughts also are that the monies that are available from the RECs can be put to an appropriate use. He added that as a member of the CAB he represents the ratepayers of Wilmington.

Chairman Carakatsane called upon each CAB member for his thoughts on the issue.

Mr. Ollila said that he definitely agrees the issue warrants reconsideration with no vote tonight, so that everyone has a chance to get together with his Board of Selectmen and/or FinCom people. Items he would like to discuss tonight are the options, if the decision is reversed, as to what to do with any money that the RMLD earns from the RECs.

Mr. Norton and Mr. Capobianco agreed with Mr. Ollila and Mr. Hooper.

Chairman Carakatsane called for the vote on the motion reconsider the issue, and stated they would then launch into discussion.

Motion carried 5:0:0.

Chairman Carakatsane called on the staff to begin discussion.

Mr. Cameron stated that with respect to the money, the RECs are part of the bundled rate from Swift River, and charged as an expense through the Fuel Charge to the customers (a pass through). The customers pay the Fuel Charge, which pays for the RECs. He would say that any money received from the sale of RECs would be credited against the Fuel Charge.

Mr. Hooper asked if that would just be for Swift River, and Mr. Cameron replied that it would be for any RECs.

Mr. Hooper asked if the monies from the sale of these RECs could be utilized for another program. Mr. Cameron responded that if the RECs are sold, the money would have to be credited back to the Fuel Charge, and whatever the Board directed him to do, he could do it through the operating budget. He noted from his point of view any money from the sale of RECs would have to be credited against the Fuel Charge.

Chairman Carakatsane commented that a similar size of money could be budgeted through the regular budgetary process to do certain actions, so that the end result to the ratepayer is a zero difference. Mr. Cameron responded that could be done now.

Mr. Hooper stated that could be a "green" program.

Chairman Carakatsane asked if the conservation charge (\$600,000 annually) that is currently collected is segregated on the books. Mr. Cameron responded that it is in a separate account, as is the expenditures.

Chairman Carakatsane asked in theory, could an amount be budgeted additional to that account. Mr. Cameron stated that it could be done by increasing the energy conservation charge. Chairman Carakatsane asked if it could be done through a regular budget item. Mr. Cameron explained that part of the budget is revenues, so if something were to be added to the RMLD's budget process with respect to a renewable project, it would have to be either capital or expense. He gave an example of putting solar panels on the RMLD's office building would probably be a capital project, which means it would go into the capital budget. He believes that revenues would come from the energy conservation charge, and then be applied to a capital project. He said that the money is fungible that comes in through the base rates. It pays for capital projects and expenses. It would have to be shown as a separate line item. He thinks the money can be used from the energy conservation charge to buy renewable energy equipment, but would defer to the Accounting/Business Manager on this issue.

Mr. Ollila asked if the money could only be used for capital projects, or could it be expense projects too. Mr. Cameron stated that it depends on what is done with energy conservation charge money. He added that most of it is expensed. He noted that since 2008 and through the end of 2011, the energy conservation charge has taken in \$1.6 and the Department has spent \$1.5.

Mr. Capobianco understands applying the money toward the Fuel Charge if the vote were to change. He stated there already is a budget for energy efficiencies, i.e., the Energy Efficiency Engineer, and asked if the money could be applied to further intensify programs, i.e., to expand home efficiencies tests, to subsidize blower door tests, etc., for the ratepayer. He added that instead of a solar panel project, perhaps have an annual lottery where an expert comes to the home to conduct a blower door test and make recommendations on how to make the home more efficient, which would be a more tangible effect, and everyone realize the benefits.

Mr. Cameron stated that the Department budgets are based on what the activity will be, i.e., energy audits for the residential sector that are free of charge. He added that the Department tries to gauge what the activity will be on an annual basis. Mr. Cameron said that with the approximate \$600,000 annually received from the conservation charge of which salaries, the residential and commercial programs such as audits, renewable energy projects, and commercial lighting come out of, the Department gauges the activity pretty well. If a large project is requested, i.e., solar panels, the project would be presented to the Board as part of the budget process. It would be placed in the capital budget and an increase in the energy conservation budget could pay for it.

Mr. Norton said that he would like to explore Wellesley's program whereby they keep a percentage and sell the rest, and asked if the staff were familiar with the program. He stated that the Chairman of the North Reading Board of Selectmen is looking at that as a possible compromise plan. He noted that a member of the public at the January 5, 2012 meeting spoke about the program.

Mr. Hahn responded that Mr. John Arena, candidate for a Board of Selectmen seat, stated that Wellesley Municipal Light Plant has some kind of green choice program that uses the RECs to ensure that green energy is available and that they have enough green energy to supply it.

Mr. Norton asked if there were anyone on staff who could get the information. Mr. Cameron responded that he would talk to Wellesley.

Chairman Carakatsane asked if there is any legal reason why the RMLD cannot buy its own RECs with that money. Mr. Cameron clarified that what Chairman Carakatsane meant is to take the Green Choice money and use the RECs acquired from RMLD's power supply and apply those RECs to the Green Choice Program. Mr. Cameron responded that it has been discussed at the Power and Rate Committee meetings, but no decision was made. Chairman Carakatsane stated that when it was brought up at the joint meeting on January 5, 2012, one or two people disagreed with the suggestion; however, he did not hear a legal reason why it could not be done.

Mr. Ollila asked for clarification. Chairman Carakatsane explained that with the Green Choice Program presently, the Department takes the money, goes out in the market, buys RECs, and then retires them. He added that since the Department has its own RECs sitting there, why not use these RECs for the Green Choice Program, and retire them.

Mr. Ollila asked what the relative amount of money is. Chairman Carakatsane said that at the last meeting, it came out that it is a very small amount.

Mr. Cameron stated that the information would be supplied.

Chairman Carakatsane asked when Concord Steam would come on line. Ms. Parenteau responded 2013.

Mr. Ollila questioned if Concord Steam is still on. Ms. Parenteau replied that they have their permits, they are looking at various financing scenarios, and they have begun construction.

Chairman Carakatsane noted that the RMLD was recently awarded a grant from the Metropolitan Area Planning Council (MAPC). MAPC will work with the RMLD planning long-range energy efficiency and renewable energy work in the four towns that RMLD serves. Chairman Carakatsane commented that it is his understanding that it is a great grant, but there is no money available for implementation of a plan. Mr. Carpenter explained that the MAPC will work with each town and come up with a sustainable plan. The main purpose is to focus first on municipal buildings and set up achievable goals that the towns want to reach.

Chairman Carakatsane said that the goal is for planning and coming up with a strategy; however, the Towns need to come up with the money. Chairman Carakatsane said that he thinks that comparable money from selling the RECs would be a great source to subsidize that type of a plan. Mr. Carpenter wanted to make it clear that there are many steps to do before money is needed, and will first look at what can be done with no money.

Mr. Capobianco asked how long until the Municipals are required by law, as are the IOU's (Independent System Operators) to retire RECs. Mr. Cameron responded that there is a municipalization bill that is presently in the Ways and Means Committee, and riders were added to the bill that took away the municipal exemptions, one of them was the RPS (Renewable Portfolio Standard). Mr. Cameron believes that at some point municipals will come under an RPS, but he does not know when. He added that with the vote taken it is a moot point now.

Mr. Capobianco asked about the municipal lobbying power, and if municipals want to voluntarily succumb to an RPS, Mr. Cameron responded that the RMLD does not employ a lobbyist, but that MEAM (Municipal Electric Association of Massachusetts) has a lobbyist. He has not heard of any municipals who want to voluntarily come under an RPS. Mr. Cameron added that the distinction is that IOUs are largely governed by their stockholders, whereas municipals have customers. He thinks that customers want different things with respect to the operations of a plant than stockholders do in the operations of an IOU.

Mr. Soli mentioned the discussion about using the Green Choice dollars to buy RMLD RECs. He stated that his impression from the last meeting was that at least one member of the Board was not in favor of that. Chairman Carakatsane stated that he does have a difference of opinion on the matter, and is not sure that it could even be done.

Chairman Carakatsane understands that he took a different position on this issue, and one point he would like to make is that the CAB members are representatives of their communities. He has a clear mandate from Lynnfield

that he should be advocating for the community, which he said is quite consistent with where he was before. He added that as much as the CAB is a board, they are still representative of their community and need to so vote or go and convince their community as to why their particular own view is different from theirs. He noted that with Swift River, the RMLD is purchasing power from a renewable energy source, no matter what it is called. Any other label is semantics. The RMLD is not under an RPS, and he does not find that as an argument. He believes there is fiscal responsibility here. It is the ratepayers' money. If the RECs are sold a fund should be set up to promote renewable programs. He noted other communities (Wellesley and Concord) are doing just that. It should be part of the budgetary process with an annual review, and some amount should be budgeted in expense and/or capital. He feels this is a significant opportunity to pass up, particularly with grant money doing all the planning.

Mr. Hahn asked if there is a decision to sell the RECS what is going to be done with the money. Chairman Carakatsane responded that a recommendation may be to sell a certain percentage and to keep some.

It was mentioned Concord Steam, a wood burning plant, may not qualify as renewable under the standards, because there is an active movement that wood burning is not renewable.

Mr. Hooper stated that the decision basically comes down to the Citizens' Advisory Board, and his responsibility to Wilmington is to do what's in the best interest of the community. He added that although the CAB may speak from the heart on some issues, they have to think about the community at hand fiscally.

Mr. Ollila agreed and thought there was good discussion tonight. He added that they still need to talk to some people who were not present at the meeting, and at the next meeting make a decision and move on.

Mr. Norton stated that he agreed with Messrs. Hooper and Ollila, that while some votes may come from the heart, it does boil down to fiscal responsibility. He said that he thought this was going to be a routine matter, and subsequently the issue has seemed to take on a whole world of its own. Members of his Board have asked why he did not bring it to them originally, and he felt it was a regular issue like many issues the CAB handles. He added that in the past he has brought items back either by himself or with the General Manager that he thought were a major issue to keep them apprised. In hindsight, he should have brought this to the Board of Selectmen. He has already received direction from his Board, and thinks it is incumbent on the Boards of Selectmen, the Town Managers/Administrators, and the CAB to consult prior to the final vote.

Mr. Capobianco stated that in all the discussions, no one has spoken of climate change, which is something that concerns him gravely. When he mentioned something about voluntarily advocating being placed under an RPS, his hope is that people want to be green, and if people are concerned about climate change then that would be an avenue to explore. He said that we all want to be green, control climate change, but we don't want to pay for it. We want our kids to have the best education, but we don't want to pay higher taxes. Sooner or later he feels a decision has to be made, and this is a decision ultimately that could be a maximum of \$2M/year, or \$24.00/year reimbursed to the ratepayers. He noted that just this year he renewed his homeowner's insurance policy, which increased about 25% since last year, and was told the rates have gone up across the board due to a dramatic increase in unpredictable weather patterns. So the \$24.00 he is going to save on his electric bill is immediately demolished by increased premiums he has to pay to insure the house. He noted this is the foundation of his argument, and the essence of his vote and feelings. He does not mean \$30M is insignificant, but what we could be paying with a track that we are taking, he thinks could be considerably more, and there is fiscal sanity to this argument.

Chairman Carakatsane stated that a classic example is the motion they just approved where they spent far more money than what is being considered here--the life of a power supply contract for four years at \$21M.

Mr. Ollila added that he agrees with Mr. Capobianco 100%, which is one of the reasons he joined the CAB-- to try to do what can be done to be more sustainable and to do the right thing. He thinks what is frustrating to him is the REC issue is way too complicated and difficult to explain to a ratepayer. He believes that most of us truly want to maximize our positive impact on the world and whatever money or effort we put into it, we want to do the best

thing. He said that it is still not clear to him what the best way to do that is to sell the RECs and use that money to do something good or to retire them. He said it is still not obvious to him.

Mr. Capobianco commented that this is one of those difficult choices that needs to be made particularly concerning this issue.

Chairman Carakatsane stated that there is some information the CAB Members wanted back from staff for the next meeting. He said that one was what a policy does and the numbers from the Green Choice program. He requested a one page memo on scenarios to set up a renewable energy fund. If the CAB voted to sell them so that a fund of an equal amount could be set up, how that could be done.

Mr. Capobianco asked the staff if they had any opinions or comments on the issue, because he would like to hear all alternatives, ideas, comments and considerations.

Chairman Carakatsane referred to Ms. Parenteau's and Mr. Seldon's memo dated October 21, 2011, which lays out some scenarios and some things that are going on. He added that ESD has laid out three plus options on page three of the memo, which the CAB has been discussing.

Ms. Parenteau stated that because the RMLD is public power and because the RMLD does not come under an RPS, it creates an opportunity for the Board (of Commissioners) to locally control what the RMLD does. She thinks what needs to be done is that the Board set up a policy, which gives direction from the Board and the CAB to staff on what the RMLD wants. The ESD fully supports renewable projects, and tries to find the best ones for the RMLD, and she thinks it adds to Mr. Capobianco's argument. She added that when the RMLD signs these PPA contracts like Swift River, it is reducing the amount of CO₂. Whether the RMLD sells the RECs or what the RMLD does with the money is really a policy decision that the RMLD has local control over. Because the IOUs don't have a power supplier, they go out every six months, and the state has said this is the way we want you to do it, because the state wants to be "green". The advantage of public power is that the Board controls the process. She said that the ESD can work with the CAB and the Board and come up with scenarios so that maybe it is not all or nothing, but something in between, in order that everyone's objective could be met. She thinks the state is doing its best to create an umbrella that says this is how it has to work. The RMLD does not have that umbrella and a policy would define the criteria, and could set parameters.

Mr. Hooper commented that the RMLD could continue to invest in renewable energy and build the portfolio.

Mr. Norton agrees with what Ms. Parenteau said, and if you go back to the January 5 minutes, he was the one who made a motion that included the Board of Light Commissioners set a distinctive policy regarding this issue so that in the future no Board would have to go through this again.

Mr. Carpenter commented that throughout this whole process, the growth in renewable projects has been amazing. He noted it's been a team effort with ESD, the General Manager, the Board, and the CAB. He added that the REC discussion almost muddies all the good work that has been done. He stated that the RMLD is on pace to do better than the State requirements so that if the RMLD does come under an RPS, the RMLD is 100% ahead of the state. He does not want to see the progress that has been made stalled when the RMLD is already on a good path.

Chairman Carakatsane commented that whether there is a new vote or not, he wants to see the RMLD still pursue renewable contracts at reasonable prices.

Michele Benson, a retired RMLD employee and a member of the CCP (Citizens' for Climate Protection), stated that she is not in favor of retiring the RECs. She added that what if this money, the \$30M, does come in and keeps the rates low enough that it allows the RMLD to continue to make a percentage of the renewable energy that is being bought. If the money is retired, it has done nothing, and she questioned what that would accomplish. She said that the money is just disappearing where it could be, if it comes into the Fuel Charge, turned around and used for more projects and keeping the rates relatively low, so people aren't complaining that the RMLD is

building this portfolio from 9% to 20% in just a few years. The Board can make the decision that the money coming back is reinvested in renewable energy, because it's still in the fuel. She asked why not use the money to invest in more renewable energy.

Mr. Capobianco appreciated Ms. Benson's comments and liked Ms. Parenteau's idea of someone setting a policy.

Ms. Parenteau stated that ESD is eager to work with the Board and the CAB so that the RMLD can be better.

Mr. Capobianco asked the Chairman if the CAB has come to a decision on what they would recommend. Chairman Carakatsane replied that the intent is to have a meeting the first half of March, and the vote on the REC issue would be on the agenda.

Mr. Norton complimented the staff for its input.

Mr. Ollila asked if anything happened with the solar project in Wilmington. Mr. Cameron stated that the Department is still in discussions with them, and Ms. Parenteau added that the contract is being finalized.

Chairman Carakatsane asked Messrs. Hahn and Soli if they had anything to add. Mr. Soli responded that he came to listen. Mr. Hahn replied that a while ago there was some discussion about using conservation revenues to fund investments. His suggestion would be to make sure that the language in the tariff allows that, and if it doesn't it can be amended. He would not want the Department to be cavalier with that and have someone challenge it later. He wants to make sure the language in the tariff allows what the Department wants to do.

6. Other Items for Discussion

None

7. Schedule Next Meeting.

Tentatively March 8, 2012

8. Adjournment

A motion was made at 9:00 P.M. by Mr. Hooper and seconded by Mr. Norton to adjourn the CAB Regular Session meeting.

Motion carried 5:0:0.

Respectfully submitted,

/pmo

John Norton, Secretary

Minutes approved on: 3/28/2012