



Town of Reading Meeting Minutes

Board - Committee - Commission - Council:

RMLD Citizens Advisory Board

Date: 2015-06-17

Time: 6:30 PM

Building: Reading Municipal Light Building

Location: Winfred Spurr Audio Visual Room

Address: 230 Ash Street

Purpose: Regular Meeting

Session: General Session

Attendees: **Members - Present:**

Mr. George Hooper, Chair (Wilmington); Mr. David Nelson, Vice Chair (Lynnfield); Mr. David Mancuso, Secretary (Reading); Mr. Mark Chrisos (North Reading); Mr. Dennis Kelley (Wilmington)

Members - Not Present:

none

Others Present:

Mr. Philip Pacino, RMLD Board of Commissioners

Ms. Coleen O'Brien, Ms. Jane Parenteau, Ms. Kathleen Rybak

Minutes Respectfully Submitted By: Mr. David Mancuso, Secretary

Topics of Discussion:

1. **Call Meeting to Order – G. Hooper, Chair**

Chair Hooper called the meeting of the Citizens' Advisory Board to order at 6:30 pm and noted that the meeting was being audio recorded.

2. **Proposed Rate Adjustment – C. O' Brien, General Manager and J. Parenteau, Director of Integrated Resources**

Materials: FY2016 Base Rate Increase: Comparative Rates Present/Proposed, and MDPU #250-258 Rate Filings

Ms. O'Brien noted that RMLD has been writing a series of articles for the newspaper. One article is to prepare everyone for the transmission and capacity increases that will hit the New England area in 2017. The other addresses the last rate increase, the six-year plan, and the need to look at our operating ratio. The Organizational Study discussed RMLD's low operating ratio. RMLD must have enough money to be able to meet obligations. Therefore, RMLD is adjusting the operating ratio to ensure recovery of production costs and to meet all above and below line obligations. RMLD is allowed to make up to 8% and we were trying to keep it as low as possible, but from the perspective of running a business, that operating ratio was too low. Therefore, it is going up closer to what we are allowed to make and that is where we are going to keep it. Ms. O'Brien noted that she met with each of the town managers in March and told them that rates were probably going up between 3% to 5%. It actually came in at 3% when we did the analysis.

Ms. Parenteau noted that upon review of the updated figures on base sales (8 months actual and 4 months budget), the base revenues are coming in around \$21.4m. As we presented the FY16 Operating Budget to both the CAB and the Board of Commissioners, \$23m is the necessary base revenue amount. This can be achieved in two ways – increase kilowatt-hour sales or with a rate increase. This year our sales are down between 1%

and 3% (approximately – pending actual figures). In the FY16 budget, a 1% decrease in sales was forecasted. A base increase was necessary to get to the net income of approximately \$3m, which is just below 8% on the Departments return on investment (below the line, which we are allowed to make by law). The increases for the various rate classes are presented on the comparative table provided. Since it fluctuates based on usage and demand, we picked a snapshot - it could be higher or lower - if a customer uses more energy the overall rate increase is going to be smaller – it's just the way the math works. The base revenue represents around 25% of the overall bill and the power supply represents the remaining 75%. The good news is the power supply is forecast to remain pretty flat. Therefore, this small increase of 3% is relatively neutral when it comes to power supply. In further projections, that may go down a little because energy costs are coming in really low. For day-a-head clearing in May and June, energy prices are approximately \$20 per megawatt hour. That will be reflective in the fuel charge and we'll keep that as low as we can; that's a pass-through to our consumers.

Mr. Mancuso asked for clarification on the rate of return. We're going from (overall) 4% to 8% (what we are allowed by law). Ms. O'Brien responded that the budgets were between 6% and 7%. Mr. Mancuso confirmed we are just going up another 1% to make sure we have enough revenue coming in. Ms. Parenteau responded that it is a projection.

Ms. Parenteau reviewed the comparative rates on the table provided. The yellow lines are the proposed rates and the line above it is the current rate. Above that, is the percentage, based on the cents per kilowatt-hour conversion.

Mr. Chrisos questioned why the percentage increase is different on the various rate types. Ms. Parenteau responded, that there is a demand component and an energy component, and we break that up to show how we recover our fixed costs. Based on these examples, it just happens to be the ratio picked for a typical demand customer. We used the same assumptions we use to do rate comparisons. Mr. Chrisos asked about what information would be included in the press release. Ms. Parenteau responded that the spreadsheet is a tool for the Board. The press release will include an example for an average customer.

Ms. O'Brien noted, if the budget was 6.7% return on investment, and the sales were flat and starting to go down, it was coming closer to 2% and that wasn't enough money to pay our obligations. Therefore, we needed that rate increase right when I was hired. There were projections of sales that were not coming to fruition. We are trying to create a healthy margin, which was not there before. If sales start to dip, you still have to have that margin to pay your bills. Mr. Mancuso asked if there were a precipitous decline, then we still may have an interim rate increase, but it would have to be significant. So the additional 3% combined with the idea of moving to the maximum allowable under the law gives us some wiggle room – so that's really what we are buying. Ms. O'Brien confirmed that. After we did the cost of service, I committed to looking at it monthly, quarterly and annually, and then discussing it with the towns in March consistent with their budgets and making sure that everybody is on board with where we are and what the numbers are – it seemed to work well this year.

Mr. Nelson stated that when RMLD came out to Lynnfield and did the first increase presentation, there was not a lot of resistance to any of that from the Town.

Ms. O'Brien stated (as was noted at the budget review) there are just a couple of areas that could be considered "not fixed cost" – the majority of what we do is fixed. There are not a lot of areas that impact your expenses; we've gone through everything from an efficiency standpoint, but when you are doing an organizational restructure, sometimes it gets a little worse before it gets better.

Ms. Parenteau added that historically RMLD whittled away at that margin over years, and then going out three years would have a double-digit increase, which nobody likes. There are two approaches from a strategic stand point – you can plan for small annual increases or you can whittle away at that return and then all of sudden have a hefty increase. I think people really have a more difficult time with double-digit increases rather than small annual ones.

Mr. Nelson asked about the low-income rate. Ms. Parenteau responded that we developed the rate at the last cost of services study, and Customer Services is working to sign customer up for this program. The program basically eliminates the customer charge; we did not want to adjust the rates so that we would incentivize customers to use more kilowatt-hours. By removing the customer charge, they get a significant savings (on average for kilowatt-hour). Ms. Parenteau agreed to provide information to the CAB on the number of customers enrolled.

Mr. Mancuso asked about the lead-time to make the announcement about the rate increase. Ms. Parenteau responded that when we started doing the budgets, the increase was included as part of the Operating Budget and should have been presented to the CAB in May so that we could have had more lead-time. I neglected to bring that to the attention of Ms. O'Brien, so I phoned Chair Hooper in mid-May and said I need to bring this to the Board. It will need to be effective on July 1, if approved by the Board at their meeting on June 25. Ms. Parenteau apologized for the timing.

Mr. Chrisos asked about future increases. If we are in the same situation next year and revenue doesn't grow, there will probably be another low percent increase. Ms. Parenteau confirmed that. On top of that, power supply will be going up. Transmission rates were set effective June 1, and that was an 11% increase; it went from \$84 a kilowatt year to \$94 in a kilowatt year. We can develop programs to try to minimize that peak, but those are pass-through costs that are incorporated in this. Ms. Parenteau noted that the MMWEC projects had some working reserves that they are using this year to offset some outages in the nuclear plants so that reduced our capacity payment. Our transmission went up, but because of those working reserves, the capacity went down, so it is pretty flat. Next year that will not be the case with power supply. On top of any base increase, there will be additional power supply increases. Mr. Chrisos asked, a year from now, when you expect the real capacity charges to go through again, is it safe to assume that we would expect a higher rate increase? Ms. Parenteau confirmed that it affects the consumer so they have to pay more. Ms. O'Brien noted that that is exactly why we unbundled the rates last year when this was coming through. We don't want customers to be confused by the increases; 80% of your budget is power supply and it's a pass-through. What we are doing for power supply is the demand response programs - we are trying to run programs with customers to reduce peaks. We met with a reverse 911 service (Code Red) to discuss getting text and email alerts to customers on monthly transmission peaks and annual capacity peaks – we are doing a lot on that end to keep that down.

Chair Hooper asked if there were any other questions.

Mr. Nelson made a **Motion** that the Reading Municipal Light Department Citizens' Advisory Board recommend to the RMLD Board of Commissioners the adoption of the rates MDPU numbers 250, 251, 252, 253, 254, 255, 256, 257, 258 dated to be effective July 1, 2015, on the recommendation of the General Manager, seconded by Mr. Chrisos. Hearing no further discussion, **Motion carried 5:0:0** (5 in favor, 0 opposed, 0 absent).

3. Organizational and Reliability Studies: Next Steps – C. O'Brien, General Manager

Ms. O'Brien reported that the consultants presented the highlights of both the Reliability Study and the Organizational Study at the May 29 Board of Commissioners meeting. The Reliability Study is extremely technical. The Organizational Study includes a section on benchmarking as well as recommendations on organizational structure, which may or may not be implemented. There is some bargaining and negotiating information included in the report, therefore, the Board decided that we'd make it available if you would like to come in and look at it, but we are not distributing it publicly. Chair Hooper asked if it was because of the size of the study. Ms. O'Brien noted the Board and she felt that it included sensitive material. Mr. Hooper asked if it is a public document that someone could request. Ms. O'Brien responded yes. Ms. O'Brien stated that Leidos went over the highlights of the benchmarking, which was important, but she hesitates to send out organizational charts that may not be implemented. Mr. Nelson asked if there were action items. Ms. O'Brien responded that there are recommendations, which they went over in the presentations. All of the recommendations and timelines were taken right from the study and put onto the presentation. Mr. Nelson noted that the CAB has the slide presentations for both the Organizational and Reliability studies, and asked how the RMLD will track the recommendations and how the CAB will know what is done.

Ms. O'Brien responded that the organizational restructuring recommendations are being vetted as to whether or not it makes sense. There are a number of organizational structures that we are implementing. More time is needed to go through the recommendations to determine what we are doing and the timeline.

Mr. Nelson stated (moving to the Reliability Study) that at the presentation there were some concerns about substations - fencing, vegetation management, disconnected or cut copper. Ms. O'Brien responded that those are all being addressed- they are being prioritized and there is a timeline associated with those as well. There are feeders that are overloaded and we have to look at those and do more calculations; a new substation in Wilmington is in the Budget. Some of those feeders can be separated, and the load put on the new substation. It all has to be scheduled out. Mr. Nelson stated, if circumstances align themselves, it could be a big liability for RMLD to have some of these things go wrong. That was brought up. Ms. O'Brien responded that safety issues are addressed immediately. If it was safety related, they are being addressed already. Mr. Nelson asked about substation fencing and high voltage signage requirements. Ms. O'Brien responded that there is an Arc Flash Study that was supposed to be done by law in 2007, and it wasn't done. The Reliability Report had said that RMLD did not do an arc flash study, however, Mr. Jaffari and Ms. O'Brien were already doing it. It is completed and being implemented. Implementation will include a written procedure, appropriate signage, staff training, and purchase of appropriate FR clothing. Nelson continue, for the public (when they come up to a substation fence) there is normally a sign that says danger high voltage keep out. Ms. O'Brien responded that now the sign has to say that, and it has to say what the address is, and state the worst case calorie (heat measure) hazardous arc flash. Ms. O'Brien noted that implementation is big; it has big impact and affects a lot of different areas. We are working on implementing that now.

Mr. Chrisos asked if staff could provide some type of action tracker listing all the recommendations, whether or not they will be implemented, their priority including timeline for completion (i.e., priority A should get done in six months, B a year, and C maybe 24 months), which could be used to provide quarterly status updates to the CAB. Ms. O'Brien noted that the report recommendations were laid out in priority. What we did was take everything and put it into the Budget. So the reliability that was scheduled (as an example) for the first five years was then overlaid into the budget. Mr. Chrisos noted that he was concentrating on the Organizational Study. The group discussed the

challenges of vetting and then implementing the recommendations within budget and within a reasonable timeframe.

Ms. O'Brien reported that the first phase is going through the recommendations and making sure that they are all being addressed or they are going to be in phase one or phase two. The second phase is completing the career development plans for each of the employees, update all of the job descriptions, and reorganize in accordance with the majority of what they recommended. The next phase is leadership assessments and change management. Leidos is coming back to help with this. You then do leadership assessment and create the strategic plan. Ms. O'Brien acknowledged the request of the CAB to provide quarterly updates on the recommendations of the Reliability and Organizational studies to include what we're doing with each recommendation; and if we are doing it, verify the timeline, and the cost and in what year we are going to do it.

Mr. Mancuso reiterated that we want to show not just what we are going to do, but what we choose not to do and why. Going back to the comment about the public records; unless it is exempt, it has to be a public record, and therefore, it would be great to have that record of both – we choose to do this and we choose not to do this and why. Ms. O'Brien agreed, noting that she does not think there is much that we are not going to do. From the reliability standpoint, it's pretty accurate with what we had already developed, but it was validating spending the money (on the study) and what needs to be done with the system and helped us with the prioritization because a lot of the system modeling we cannot do without the GIS done yet. And the organizational structure, we're going to be doing the majority of it – it's just trying to figure out what's coming first when you are dealing with unions.

Mr. Mancuso stated, as a housekeeping issue, the Commissioners may want to discuss, if someone did ask for a copy, you have a right to charge for copies being made; it's just a question of what you would want to charge because you have some leeway there. They need to make a decision on that. Ms. O'Brien noted that she understood that.

Chair Hooper asked if there were any other questions.

4. Economic Development – G. Hooper, Chair

Chair Hooper noted that Mr. Mancuso had requested this Agenda item. Mr. Mancuso stated (to the point Ms. Parenteau earlier) that RMLD has either one of two options (to increase revenue) – the cycle of continuous rate increases or the ability to grow load. The CAB had a great conversation at the last meeting about looking at telephony services with the potential of broadband. Mr. Mancuso suggested, as a first step, (as we already sell electricity and have all the infrastructure and the competence to do that) that it might make sense for the CAB to suggest to the Commission that they take a methodical approach to working hand-in-hand with each community to identify their economic development plans. What the profile of those companies are – where they want to locate them – what impact that would have on RMLD – whether RMLD has suggestions about the way that we might go about that and then to actually provide some counsels to these communities about what the load growth potential is for each of these businesses. Mr. Mancuso noted that he has an idea about an outline; I think it is our job to suggest to the Commission that they consider putting this on the agenda as something that they want to talk about and that they consider it valuable. We can then work collaboratively and suggest ideas on what that might look like.

Ms. O'Brien gave an overview of how RMLD currently receives information regarding new developments. Ms. O'Brien note that she would like to develop a service requirements handbook – a comprehensive one-stop shopping book that she has done in the past. When posted on-line, it will help the customers know everything around new construction. The group discussed how the RMLD, CAB and/or Commission could be helpful to the communities in any of their economic development initiatives. There was concern raised about overstepping bounds. The group acknowledged that some

communities may not welcome commercial growth, but that they should understand how that would impact rates as load/sales level off or decline.

Mr. Nelson asked if Mr. Mancuso was asking the CAB to make a motion on something or just agree to let the Commissioners know that it is something that we would be interested to pursue further. Mr. Mancuso responded that he wanted to have the conversation to see what everyone's thinking was. If it would make sense, we can formulate an appropriate motion if not tonight, soon, that advises the Commission to work on a collaborative approach to economic development with the goal of growing load.

Ms. O'Brien offered to draft a letter to the town managers to remind them about the municipal benefits that RMLD offers, and ask them to share the information with their economic development. Ms. O'Brien reiterated that we cannot overstep our boundary. Chair Hooper agreed that a letter would be a good starting point. Chair Hooper asked Mr. Pacino, if the Commission had ever discussed anything that we've touched upon. Mr. Pacino responded, no. There are some on-going discussions on broadband now. On economic development, based on this discussion, I am wondering what role we play and how would we even execute this without overstepping.

Mr. Mancuso addressed the issue of overstepping. Our job is to provide advice to the Commission to keep this institution healthy and growing and thriving. We are in a situation where we have two choices – grow load or see increase in rates. Economic development and collaborating on economic development resolves one of our biggest problems. I don't see how we are overstepping. Mr. Mancuso stated that he thinks there is an opportunity to have more meaningful conversations and play a more meaningful role.

Mr. Hooper asked if there were any other questions. Mr. Nelson responded that he thought more discussion about it would be good. But, noted Lynnfield does not have a lot of open land.

5. Next Meeting – G. Hooper, Chair

The next meeting of the CAB was scheduled for Wednesday, August 12th. Chair Hooper noted that he would not be available. Vice Chair Nelson will preside over the meeting in his absence.

Chair Hooper asked Mr. Pacino if he had anything to say. Mr. Pacino did not have any comments.

Chair Hooper asked if there was anything for the next meeting. Mr. Chrisos requested an update on the community solar project (the Reading model). Ms. Parenteau reported that Mr. Ollila met with the Town Manager in North Reading. Mr. Ollila reported that RMLD is working with Reading and that once we get a successful model in Reading we would like to reach out to the other communities. Staff agreed to provide an update when more information becomes available.

Ms. Parenteau reported that RMLD sent out the RFP for the 2016-19 energy. Indicative bids are anticipated and depending on how those look, we may or may not enact contracts on June 29 subject to pricing, which is very low right now based on some of the reports from our gas indices. They are thinking it might be a season low (which historically has happened in late fall), so we are trying to take advantage of that. Mr. Chrisos asked about the highest price. Ms. Parenteau responded that it can get to \$800-\$1,000 per megawatt hour. Currently it is in the \$19-\$20 range. It is extremely low since there is sufficient gas and temperatures have been low. The injections have been considerably high, so the storage levels are at/or above the five-year average. Based on these low prices, it might be an opportune time to lock in prices.

6. Motion to Adjourn – G. Hooper, Chair

Mr. Nelson made a ***Motion*** to adjourn the Citizens' Advisory Board meeting, seconded by Mr. Kelley. Hearing no further discussion, ***Motion carried 5:0:0 (5 in favor, 0 opposed, 0 absent).***

The Citizens' Advisory Board Meeting adjourned at 7:44 p.m.

As approved on November 18, 2015