



Town of Reading Meeting Minutes

Board - Committee - Commission - Council:

RMLD Citizens Advisory Board

Date: 2015-11-18

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. Dave Nelson, Vice Chair (Lynnfield); Mr. Dennis Kelley (Wilmington).

Members - Not Present:

Mr. Dave Mancuso, Secretary (Reading); Mr. Mark Chrisos (North Reading).

Others Present:

Ms. Coleen O'Brien, RMLD General Manager and RMLD staff Ms. Wendy Markiewicz and Ms. Marianne Fabbri.

Minutes Respectfully Submitted By: George Hooper, Chair

Topics of Discussion: ,

1. CALL MEETING TO ORDER: G. Hooper, Chairman

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

2. APPROVAL OF MINUTES: G. Hooper, Chairman

Approval of Minutes– G. Hooper, Chairman

Materials: June 17, 2015 CAB Minutes

Mr. Nelson made a motion that the Citizens' Advisory Board approve the Minutes of the June 17, 2015 meeting, as written, seconded by Mr. Kelley. Hearing no further discussion, **Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent).**

Mr. Kelley made a motion that the Citizens' Advisory Board approve the Minutes of the October 21, 2015 meeting, as written, seconded by Mr. Nelson. Hearing no further discussion, **Motion carried 3:0:2 (3 in favor, 0 opposed, 2 absent).**

Chairman Hooper welcome RMLD Board Commissioner, Mr. Dave Hennessy to the CAB Meeting.

3. GENERAL MANAGER'S REPORT – C. O'Brien, General Manager

Town Meetings

Ms. O'Brien reported that she met with all four of the Town Managers and has presented at the Selectmen Meeting in Lynnfield with leaves three of the Town Selectmen Meetings left to attend. Ms. O'Brien noted attending these meetings is based on a commitment made one and one-half years ago to make bi-annual updates where the Towns will receive a presentation of

GENERAL MANAGER'S REPORT – C. O'Brien, General Manager

Town Meetings (cont'd)

how RMLD is doing, show highlights and what is going on as well as give the Selectmen the opportunity to ask questions. Ms. O'Brien pointed out that she meets with the Town Managers in advance to alert them on what she will be talking about and to determine what they would like her to bring in addition. Ms. O'Brien plans to complete the other three town Selectmen Meetings before the end of the year and then in the spring she will go back with more updates. In addition, during that time period, Ms. O'Brien makes sure she discusses any preliminary rate adjustments as a segue to town budgets. Final Figures are presented in the spring after the cost of service model which is part of the budget and it is effective in July after the RMLD's budget approval process. Ms. O'Brien told all the Town Managers/Selectmen it is approximately a seven to nine percent increase with about two percent of operating expense and 80% of the budget is power supply as a pass-through. Ms. O'Brien stated that Ms. Parenteau spoke of this and RMLD has been writing articles and speaking about this because it has to do with the capacity and transmission increases. The capacity increase is related to the renovations to Salem Harbor Plant from a combined cycle coal and oil conversion to a combined cycle oil and gas.

Annual Report

Ms. O'Brien stated that based on RMLD's commitment and goals from last year to "Get Greener, Be Efficient and Go Paperless", everything we do in this year's Annual Report reflects that mantra in it was completely digital. Other than the audited financials, the entire report was completed in-house this year from the art work to written material saving RMLD almost ten thousand dollars (\$10,000). Ms. O'Brien explained the picture of the summit on the annual report, "RMLD has made great strides over the last year assessing its present position and plotting out its course to meet the challenges in the utility industry present in the future. A completion of the Reliability and the Organizational Study, the analysis of the commitments to the recommendations have helped formed a solid route; a quality electric utility must have the ability to be proactive in all disciplines of planning including system function and operation, staffing, succession and skill training, it must have the ability to be reactive to plan reaction procedures to unforeseen events such as weather and power market volatility, it must be diligent in ensuring that their plans and strategies are reviewed in such a frequency to ensure that the utility stays alive with the path of success. The RMLD staff has been working hard to review, develop, and implement all of the necessary actions to ensure high level of quality. Any change or transitioning phase in the company on its path to the peak can be a bit overwhelming for some and for others it can be exhilarating to be an integral asset in its charge to improve efficiencies, challenge management, implement best utility practices and financial system function and customer programs. Through continued communication and leadership within the company with our service towns and with our customers the end result will be peak performance – thus the name of it. Regarding the stabilization of rates peak performance means climbing a mountain to discover the peak and then shaving off the summit to a flat and stable surface, peak energy prices have a premium together with our customers, RMLD have developed new programs that will help shave the summit and stabilize rates. The electric utility industry is going through its own changes and transition. The impact of imminent capacity and transmission in the New England area, the move toward solar power and electric vehicles, are just some of the changes that impact the utilities. RMLD has worked and will continue to work diligently to proactively address any impact the changes bring. Ms. O'Brien noted that within the Annual Report it goes through each of the divisions.

Ms. O'Brien stated, as you all know, RMLD has done the Reliability and Organizational Studies, the Grid Modernization, AMI, Mesh Networking – these are all the things Mr. Jaffari has been discussing – the Peak Reduction Programs meaning working with Tangent for volunteer curtailment, turbines (the 2 megawatt to lower the peak) maintaining the reliability, the LED

Streetlights and the Grants that RMLD received on that Program, the Electric Charging Stations, the Communications Upgrades. RMLD is working to sending out power warning, or outage restoration in the future, it doesn't matter, as long as we can connect the people that is the goal and that saved \$17,000 because we did not have to go to a reverse 911 or a code red, so Customer Service is doing a great job. Ms. O'Brien stated RMLD continued with the paperless business objective, SharePoint is almost up and running with Mr. Mark Uvanni's group (MIS) working on the Dashboards and once those are done the external website will be flipped around and make it into the same type of professional looking Dashboard website so everyone will be able to see more of what is going on at RMLD and it will be more interactive. Ms. O'Brien stated, the Annual Report is on the website and there is a bid red bar that says, "Click here if you want to see the Annual Report."

Continuing, Ms. O'Brien noted there are more efficiency in peak reductions as she explained to the Selectmen that out of an \$80,000,000 budget 75% is power supply, which is a power pass through and of course then the increases is coming in 2016 and 2017 and Ms. Parenteau is putting together how it is all broken out and submit to Mr. Hooper and at the next meeting she will do analysis of the impact on the bills and it will be passed along to you.

Ms. O'Brien noted she also reviewed the LED Pilot Program and how successful that was. RMLD has committed to full implementation program, which is 2450 lights per year for three years. So for this year in Lynnfield 141 out of 290, North Reading 160 out of 455, Reading 222 out of 815 and Wilmington 242 out of 890. Ms. O'Brien reminded everybody that the pre-rate analysis done many years ago did not capture the Capital cost of the lights so when you try to do a calculation on taking out a 50 watt high pressure sodium and put in a 25 watt LED, there is no realized savings. However, for the rest of the lights there are larger savings for the towns. Ms. O'Brien stated that Mr. Brian Smith is re-working some of the numbers because North Reading has 389 that have been shut off. Ms. O'Brien stated she doesn't want to take a light down, replace it with a brand new light and the town not want it turned on, it is not meeting RMLD's efficiency, so Mr. Smith is working calculations that North Reading has requested to make those determinations.

Ms. O'Brien stated that Ms. Parenteau has gone over all the Rebate Programs relative to Efficiency and Peak Reduction Measures. Ms. O'Brien mentioned the new on-line store and holiday lights can be purchased for 50% discount. The Efficiency and Peak Reduction for the Rate Options, Time of Use Rate – Ms. Parenteau reviewed that with the Selectmen and that is between the hours of noon and 7pm and typical savings is between \$10-\$20 off monthly bill and is more of creature of habit change. For those with electric hot water heater that Program is two (2) hours per day. RMLD is still working with Wilmington on the Community Solar Program. Ms. O'Brien then discussed the Meters – both Fixed and Mesh Network, Automated Switches on the Pole and they all connect together into a fiber loop and the data comes into the Integrated Smart System, which is basically advanced meter infrastructure, SCADA, outage management system and Cogsdale (billing system), which helps RMLD monitor the system and have two-way communication and feedback to be more efficient – this is a long term twenty-year plan.

Ms. O'Brien concluded with the major Capital Improvements for each of the towns. The seven new active maintenance programs and how RMLD is doing with those programs.

Lastly, Ms. O'Brien informed the CAB that RMLD is having a Holiday Lighting Contest this year and Public Relations Manager, Ms. Gottwald would like to ask the CAB members to be judges. Ms. O'Brien explained the contest noting there will be a winner from each town who will receive \$100 off their electric bill, entry forms are available at RMLD and on-line the return

GENERAL MANAGER'S REPORT – C. O'Brien, General Manager

Town Meetings (cont'd)

deadline is Monday, December 21st and judging will take place between December 21st and December 24th. The judges will ride by homes between 6 pm – 8 pm., and the judging can be done at the judges leisure and Ms. Gottwald can provide more information if interested. All CAB members in attendance agreed to judge their towns, Mr. Hooper, Kelley and Nelson.

4. FY15 AUDITED FINANCIAL REPORT – W. Markiewicz, Accounting Operational Assistant

Ms. Markiewicz began with Independent Auditor's Reports from Ms. Karen Snow, who was the manager of the RMLD Audit from Melanson Health and that their opinion is an "unqualified opinion." Ms. Markiewicz stated that, in their opinion the Financial Statements are fairly stated in accordance with generally accepted accounting principles. As Ms. Markiewicz continued, she pointed out a couple of changes this year because it is the first year of implementation for the "Governmental Accounting Standard for the Statement Number 68", which requires Reading Municipal Light Department (all municipalities) to recognize their portion of the Reading Contributory Retirement Systems Unfunded Pension Liability.

Ms. Markiewicz explained that Reading's portion of that under Net Pension Liability \$4,524,000 that is RMLD's share of the Town's Retirement System's unfunded portion of the Pension Liability, which is recognized for the first time in Fiscal Year 2015 on the Financial Statements. Going forward a calculation for the liability will be on the Statements annually.

The second new item on the Statements is under the Asset section which is called "Deferred Outflow of Resources" and this is deferring recognition of what would normally be recorded as Pension Expense under GASB Statement Number 68. This requires recognition of the Pension Expense based on when that Net Pension Liability is measured. Since the measurement data for that Pension Liability differs from the Financial Statement year end of December 31, 2014 and we are a FY June 30, 2015 then recognition must be deferred of that Pension Expense. It is a very complicated calculation. In Fiscal Year (FY) 2015, RMLD actually recognized Pension Expense of \$833,000 which for the first time is different from what you would normally recognize it; you would normally recognize this contribution to the Pension Trust as 1.5M your Pension Expense for the year. Ms. Markiewicz stated that going forward there may be changes in your operating results for the Net Income for the year based on how the Net Pension Liability changes from one year to another to the next. The biggest factor is in that Net Pension Liability change other than all the complicated factors that go into an actuarial valuation to calculate that including mortality and how many retirees you have and how long are retired. This is a performance of the assets of the retirement system trust in Reading Municipal Light Department's Retirement Trust. Ms. Markiewicz said that if there are large swings in market conditions, with interest rates going up or down then the net Pension Liability will respond and react accordingly. Ms. Markiewicz pointed out that the RMLD will have to recognize those changes going forward, this is different this year than in the past.

5. Ms. Markiewicz then explained the OPEB, the Other Post-Employment Benefits Liability, RMLD does not have an Unfunded Liability at this point because Reading Municipal Light Department contributes to an OPEB Trust Fund. Annually, the RMLD contributes what is required to be considered fully funded. This will change in two years in 2017. Right now, RMLD is required to fund that OPEB Liability for thirty years, but in two years the rules will be changed requiring RMLD to recognize the full OPEB Liability all at once. The RMLD will have another large liability that will be on this balance sheet and it will not be able to spread out over thirty years as in the past. Ms. Markiewicz continued, it is a recognition issue on the statement of net position operating. There are two big changes that are happening one this year and one a couple years down the road. Having said that, Ms. Markiewicz stated, RMLD is in good shape,

FY15 AUDITED FINANCIAL REPORT – W. Markiewicz, Accounting Operational Assistant (Cont'd)

the Net Pension Liability is \$4.5 million, it would be higher, but it has been satisfied significant amount of assets in the Pension Trust which reduces that liability. Ms. Markiewicz stated that there have been good decisions made to help fund that liability. The RMLD is in better shape if the Pension Trust was not in already in place. The same thing holds true with the OPEB Trust, if RMLD did not have those assets set aside, RMLD would not be in as good of shape.

Ms. Markiewicz explained the Income Statement, statement of net position, RMLD's Operating Income for the year is about \$4.6 million. This is reflective of a healthy Operating Income, the bottom line change in net position after the Non-Operating Expenses and Revenues are factored is \$3.2 million, even with recognizing the GASB Statement 68 Pension Liability there is still have enough Operating Income, it was a solid year. The Operating Revenues are up about 5.4%, the Operating Expenses were up about 1.3%. This is due to higher Operating Expenses due to being proactive about maintenance and program reliability. Purchase Power is the biggest operating expense that fluctuates based on the cost of power for what it cost to Purchase Power on the market, but overall \$3.2 million of Net Income is a good solid year.

Overall kilowatt hours sold was about 690,000,000 compared to last year of about 688,000,000 as we predicted a basically flat year and that proves to be true. The Operating fund at the end of FY'15 was \$13,100,000 so that is good and Capital Funds beginning for FY'16 are about \$6.8 million dollars and the Rate Stabilization Fund is at 6.7 million dollars. Approximately 92% of Accounts Receivable are current. The RMLD has a sales tax audit this year which was a lengthy process – the good thing about it is the auditors found no assessments, no penalties, no payments due and the Commonwealth of Massachusetts was very pleased with RMLD.

FINANCIAL REPORT – SEPTEMBER 2015 - W. Markiewicz, Accounting Operational Assistant

Ms. Markiewicz reported the first quarter financials noted for the month of September 2015, the net profit or positive change in net assets was approximately \$1.2 million dollars, which increased the year-to-date income to \$1.9 million dollars, the year-to-date budgeted net income was \$1.5 million dollars resulting in a net income over budget of about \$393,000.00 or 25.05%. The actual year-to-date fuel expenses exceeded fuel revenue by about \$660,000.00 and the Purchase Power Capacity and Transmission exceeded the PPCT expenses of about \$300,000.00. Year-to-date base revenues were over budget by \$74,000.00 or 1.12%, the actual base revenues were \$6.8 million dollars compared to the budgeted amount of \$6.7 million dollars. Expenses year-to-date purchase power base expense was over budget by almost \$29,000.00 or .35% and actual purchase power base cost were \$8.4 million dollars and the budgeted base cost were \$8.4 million dollars, year-to-date operating and maintenance combined were under budget by \$641,000.00 or 17% and the actual operating and maintenance expenses were \$3.1 million dollars or budgeted expenses were \$3.7 million dollars. Depreciation expense in voluntary payments to the town were right on budget. Cash – operating funds were at \$10.5 million dollars, capital funds balance is at \$6.8 million dollars and the Rate Stabilization Fund is at \$6.7 million dollars and deferred fuel fund is at \$4.5M and the Energy Conversation Fund is at \$683,000.00. Year-to-date the kilowatt hours sold were 2,690,000 which is about 3% ahead of last year probably because we had a hot September. The Budget Variance – cumulatively the five divisions were under budget by \$650,000.00 or 11.3%. One major point is RMLD just finished a software upgrade which hasn't been done in over ten years, it was quite successful.

Ms. O'Brien stated other contributing factors may be vacancies, overhead line, energy conservation, although she will find out and let the CAB know.

6. **NEXT MEETING:** G. Hooper, Chairman

Next meeting of the CAB will be Wednesday, January 13th at 6:30 pm.

6. **Motion to Adjourn – G. Hooper, Chairman**

Mr. Nelson made a ***Motion*** to Adjourn the Citizens' Advisory Board meeting, seconded by Mr. Kelley. Hearing no further discussion, ***Motion carried 3:0:0 (3 in favor, 0 opposed, 2 absent).***

The Citizens' Advisory Board Meeting adjourned at 7:13 pm.

Respectfully submitted,

George Hooper, Pro Tem
Minutes approved on: January 13, 2016