



Town of Reading Meeting Minutes

Board - Committee - Commission - Council:

RMLD Citizens Advisory Board

Date: 2015-03-11

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. Dennis Kelley (Wilmington)

Members - Not Present:

Mr. Mark Chrisos (North Reading)

Others Present:

Mr. John Stempeck, RMLD Board of Commissioners
Ms. Jane Parenteau, Ms. Kathleen Rybak, Mr. Bill Seldon

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 p.m. and noted that the meeting was being audio recorded.

2. Approval of Minutes – G. Hooper, Chair

Materials: Draft October 22, 2014, Minutes; Draft November 19, 2015, Executive Session Minutes (provided to CAB members only).

Mr. Nelson made a **Motion** that the Citizens' Advisory Board approve the Minutes of the October 22, 2014, meeting as written, seconded by Mr. Kelley. Hearing no further discussion, **Motion carried 4:0:1 (4 in favor, 0 opposed 1 absent)**.

Mr. Nelson made a **Motion** that the Citizens' Advisory Board approve the Minutes of the November 19, 2014, Executive Session as written, seconded by Mr. Mancuso. Hearing no further discussion, **Motion carried 4:0:1 (4 in favor, 0 opposed 1 absent)**

3. RFP – Wholesale Power Supply 2016-19 – J. Parenteau, Director of Integrated Resources

Materials: Memo dated March 6, 2015: 2015 Request for Proposals (RFP) Wholesale Power Supply

Ms. Parenteau presented the RFP for Wholesale Power Supply for 2016-19. Ms. Parenteau noted that when suppliers provide heat-rate index pricing, they build a basis component into the risk associated with the heat-rate – there is no way to hedge that and (for that particular cost provision) this may increase the electricity price. Therefore, RMLD is looking to develop a new product to break out the heat-rate, the basis, and the NYMEX gas price, so that we can target and monitor those and lock in

the gas price separate from the heat-rate, separate from the basis point. This approach is in the development stages – we are working with suppliers and determining the associated risk for RMLD if we were to enact this type of contract.

Presented are the maximum quantities that RMLD would act on over the next four years (laddering and layering), with the provision that we get either fixed rate pricing, heat rate pricing, or the third model presented if it works with various suppliers and is priced attractively.

Ms. Parenteau noted that Integrated Resources would be endeavoring in the coming year to update the Power Supply Plan with the goal of looking at our efficiency programs and environmental programs to show the boards the cost/benefits of the various components. If constituents want to be green and want RMLD to invest in renewables, there are costs associated with that. Integrated Resources will lay out sections within the strategy so the CAB and Board know the effect of that when comparing those types of projects to other contracts. We also want to show the rate impact so that you will be able to have a conversation with constituents about rates (energy, capacity and transmission) based on the plan and the reports that we give to you. At the end of the day, they want to know how much more or less it is going to cost them. We are hoping to update all of those indices to make it more transparent and customer-focused so they know exactly what the impact is.

Ms. Parenteau noted that when looking at the energy costs, which this type of product is managing, RMLD has been able to maintain the average cost under five cents. Looking back to 2010, RMLD's average energy costs were about \$40m; they are about \$33m now. Some of that has to do with gas prices and commodity prices, but a lot has to do with laddering and layering - securing and fixing prices over a four-year period and portions of that. We are on the spot market and taking advantage of some low prices, but we are looking at those too, and fine-tuning those to determine if we should be adjusting the open position and what is the risk associated with that. We want to have in place the ability to act on this as we are monitoring the markets – updating the power supply - and make those changes going forward.

Mr. Nelson asked if other municipals are involved. Ms. Parenteau responded that Ms. O'Brien has enacted a quarterly power supply meeting that includes a consultant, an attorney, as well as three other municipals (who are on the larger side and have the role of conducting power supply). The group brainstorms – tries to find out what market trends are, and as a result of that, we came up with that new product – extracting the basis point from the heat-rate.

Mr. Stempeck asked if all the suppliers do this kind of breakdown. Ms. Parenteau responded that a lot will not do a heat-rate index contract because of Dodd Frank laws which address the hedging in positions and tax implications. Of the approximate ten suppliers that provided pricing in November, about half do not entertain heat-rate indexing, but half will. Ms. Parenteau noted that every contract is negotiated separately. We evaluate the various components of the contracts and weigh all the different aspects. Pricing is weighed heavily, but it is not the only factor. The whole portfolio approach has worked well for RMLD; when prices are low we like to fix them, but if we have the ability to diversify our suppliers and perhaps diversify some product types, that's advantageous as well.

Mr. Nelson made a **Motion** that the RMLD Citizens' Advisory Board recommend to the RMLD Board of Commissioners to authorize the General Manager to execute one or more Power Supply Agreements in accordance with RMLD's Wholesale Power Supply Plan for power supply purchases for a period not to exceed 2016 through 2019 and in amounts not to exceed 31 megawatts in 2016, 29 megawatts in 2017, 27 megawatts in 2018, and 25 megawatts in 2019, as presented by the Director of Integrated Resources, seconded by Mr. Mancuso. Hearing no further discussion, **Motion carried 4:0:1 (4 in favor, 0 opposed, 1 absent).**

4. Next Meeting - G. Hooper, Chair

The next CAB meeting will be held April 15, 2015, at 6:30 p.m. in Wilmington.

Ms. Parenteau reported that she has spoken with Ms. O' Brien and Mr. Jaffari, and they indicated that the Reliability Study should be completed by March 13th. The Organizational Study is due to be finalized by the end of March. Presentations to the Board and CAB are anticipated sometime in April.

5. 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 4:0:1 (4 in favor, 0 opposed, 1 absent).***

The Citizens' Advisory Board Meeting adjourned at 6:43 p.m.

Minutes Approved On: August 12, 2015