

**READING MUNICIPAL
LIGHT DEPARTMENT**

**BOARD
OF
COMMISSIONERS**

REGULAR SESSION

OCTOBER 2, 2014

**READING MUNICIPAL LIGHT DEPARTMENT
BOARD OF COMMISSIONERS MEETING**

230 Ash Street
Reading, MA 01867
October 2, 2014
7:30 p.m.

1. **Call Meeting to Order**
2. **Opening Remarks**
3. **Introductions**
4. **Public Comment**
5. **Presentation (Tab A)** **ACTION ITEM**
 - a. **Presentation of Fiscal Year 2014 Audit
Melanson Heath & PC – Mr. Frank Biron and Ms. Snow**
6. **Report of the Committee** **ACTION ITEM**
 - a. **Audit Committee – Vice Chair Pacino**
 - b. **Formation of General Manager Review Committee**
 - c. **Update on Ad Hoc Charter Review Committee – Vice Chair Pacino**
7. **Approval of Board Minutes (Tab B)** **ACTION ITEM**

March 27, 2014
8. **General Manager’s Report – Ms. O’Brien – General Manager**
 - a. **Public Power Week – Thursday, October 9, 2014**
Note: This will be held at the RMLD from 2:00 pm to 5:00 pm.
9. **Power Supply Report – June 2014 – Ms. Parenteau (Tab C)** **ACTION ITEM**
 - a. **Charging Station Proposal**
 - b. **RFP – Wholesale Power Supply 2015-18**
Suggested Motion:
Move the RMLD Board of Commissioners 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 2015 through 2018 and in amounts not to exceed 29 Megawatts in 2015, 27 Megawatts in 2016, 24 Megawatts in 2017 and 23 Megawatts in 2018, as presented by the Director of Integrated Resources and on the recommendation of the Citizens’ Advisory Board.
10. **Engineering and Operations Report – June 2014 – Mr. Jaffari (Tab D)**
11. **M.G.L. Chapter 30B Bids (Tab E)** **ACTION ITEM**
 - a. **Lynnfield Excavation – IFB 2015-01**
Suggested Motion:
Move that bid 2015-1 for the Lynnfield URD Excavation Project 2015 be awarded to Tim Zanelli Excavation, LLC for \$217,300 as the lowest qualified bidder on the recommendation of the General Manager.
 - b. **Organizational and Reliability Studies – RFP 2014-21**
Suggested Motion:
Move that the Board of Commissioners vote to accept Leidos to perform the Organizational Study at a cost of \$99,000, and Booth & Associates to perform the Electrical System Reliability Study at a cost of \$161,090, for the RMLD based on recommendation of the General Manager for a total cost of \$260,090.

12. General Discussion

BOARD MATERIAL AVAILABLE BUT NOT DISCUSSED
E-Mail responses to Account Payable/Payroll Questions

RMLD Board Meetings

Thursday, November 13, 2014

Thursday, December 11 2014

13. Executive Session

Suggested Motion:

Move that the Board go into Executive Session to approve the Executive Session meeting minutes of March 27, 2014, Chapter 164 Section 47D, exemption from public records and open meeting requirements in certain instances, to discuss mediation and union negotiations update, and return to Regular Session for the sole purpose of adjournment.

ACTION ITEM

14. Adjournment

Suggested Motion:

Move to adjourn the Regular Session.

ACTION ITEM

PRESENTATION
BOARD REFERENCE TAB A

**TOWN OF READING, MASSACHUSETTS
READING MUNICIPAL LIGHT DEPARTMENT**

Annual Financial Statements

For the Year Ended June 30, 2014

DRAFT

Reading Municipal Light Department

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INDEPENDENT AUDITORS' REPORT

To the Municipal Light Board
Town of Reading Municipal Light Department

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Town of Reading Municipal Light Department ("the Department") (an enterprise fund of the Town of Reading, Massachusetts), as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Department's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies

used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Town of Reading Municipal Light Department as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Department's fiscal year 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2013. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

_____, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Town of Reading Municipal Light Department's ("the Department") annual financial report, management provides a narrative discussion and analysis of the Department's financial activities for the year ended June 30, 2014. The Department's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include (1) the Proprietary Fund Statements of Net Position, (2) the Proprietary Fund Statements of Revenues, Expenses and Changes in Net Position, (3) the Proprietary Fund Statements of Cash Flows, (4) the Fiduciary Funds Statements of Fiduciary Net Position, (5) the Fiduciary Funds Statements of Changes in Fiduciary Net Position, and (6) Notes to Financial Statements.

The Proprietary Fund Statements of Net Position is designed to indicate our financial position at a specific point in time. At June 30, 2014, it shows our net worth of \$101,873,334 which comprises \$70,194,105 invested in capital assets, \$4,130,585 restricted for depreciation fund, and \$27,548,644 unrestricted.

The Proprietary Fund Statements of Revenues, Expenses and Changes in Net Position summarize our operating results and reveal how much, if any, of a profit was earned for the year. As discussed in more detail below, our net profit for the year ended June 30, 2014 was \$3,556,155.

The Proprietary Fund Statements of Cash Flows provide information about cash receipts, cash payments, investing, and financing activities during the accounting period. A review of our Statements of Cash Flows indicates that cash receipts from operating activities adequately covered our operating expenses in fiscal year 2014.

The following is a summary of the Department's financial data for the current and prior fiscal years.

Summary of Net Position

	<u>2014</u>	<u>2013</u>
Current assets	\$ 21,584,528	\$ 19,793,703
Noncurrent assets	<u>90,733,116</u>	<u>88,266,629</u>
Total assets	<u>\$ 112,317,644</u>	<u>\$ 108,060,332</u>
Current liabilities	\$ 7,721,376	\$ 6,996,149
Noncurrent liabilities	<u>2,722,934</u>	<u>2,747,004</u>
Total liabilities	10,444,310	9,743,153

(continued)

(continued)

Net position:		
Net investment in capital assets	70,194,105	70,194,418
Restricted for depreciation fund	4,130,585	2,733,147
Unrestricted	<u>27,548,644</u>	<u>25,389,614</u>
Total net position	<u>101,873,334</u>	<u>98,317,179</u>
Total liabilities and net position	<u>\$ 112,317,644</u>	<u>\$ 108,060,332</u>

Summary of Changes in Net Position

	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 84,364,480	\$ 82,294,531
Operating expenses	<u>(79,294,372)</u>	<u>(79,045,634)</u>
Operating income	5,070,108	3,248,897
Non-operating revenues (expenses)	<u>(1,513,953)</u>	<u>(1,465,778)</u>
Change in net position	3,556,155	1,783,119
Beginning net position	<u>98,317,179</u>	<u>96,534,060</u>
Ending net position	<u>\$ 101,873,334</u>	<u>\$ 98,317,179</u>

B. FINANCIAL HIGHLIGHTS

Electric sales (net of discounts) were \$79,689,061 in fiscal year 2014, a decrease of 1.4% from the prior year. In fiscal year 2014, kilowatt hours sold decreased by 2.0% to 688,104,698, compared to 701,896,340 in fiscal year 2013. In fiscal year 2014, customers were charged \$1,523,208 in fuel charge adjustments, compared to charges of \$339,810 in fiscal year 2013. In fiscal year 2014, customers were charged purchase power adjustments of \$3,152,211, compared to charges of \$1,138,194 in fiscal year 2013.

Operating expenses were \$79,294,372 in fiscal year 2014, an overall increase of 0.3% from fiscal year 2013. The largest portion of this total, \$60,823,626, was for purchase power expenses. Other operating expenses included \$13,293,841 for general operating and maintenance costs, \$1,397,270 for voluntary payments to Towns, and depreciation expense of \$3,779,635. In fiscal year 2014, the depreciation rate was 3.0%.

In fiscal year 2014, the Department contributed \$1,374,538 to the Reading Municipal Light Department Employees' Pension Trust (the "Pension Trust") and the Pension Trust contributed \$1,346,039 to the Town of Reading Contributory Retirement System on behalf of the Department's employees.

In fiscal year 2014, the Department contributed \$343,095 to the Other Post-Employment Benefits Trust (the "OPEB Trust"), which was equal to its actuarially determined liability at June 30, 2014. As a result, the Department had no unfunded OPEB liability at June 30, 2014. Additional information on the Department's OPEB contributions can be found in Note 15 on pages 20-23 of this report.

C. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in land at year end amounted to \$1,265,842; there was no change from the prior year. Total investment in depreciable capital assets at year end amounted to \$68,928,263 (net of accumulated depreciation), a decrease of \$312 from the prior year. This investment in depreciable capital assets includes structures and improvements, equipment and furnishings, and infrastructure assets.

Long-term debt. At the end of the current fiscal year, the Department had no outstanding bonded debt.

Additional information on capital assets and long-term debt can be found in the Notes to Financial Statements.

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REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Reading Municipal Light Department's finances for all those with an interest in the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Accounting/Business Manager
Town of Reading Municipal Light Department
230 Ash Street
Reading, Massachusetts 01867

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

BUSINESS-TYPE PROPRIETARY FUND
STATEMENTS OF NET POSITION

JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current:		
Unrestricted cash and short-term investments	\$ 11,533,212	\$ 9,151,851
Receivables, net of allowance for uncollectable	7,871,050	8,381,377
Prepaid expenses	772,766	691,445
Inventory	<u>1,407,500</u>	<u>1,569,030</u>
Total current assets	21,584,528	19,793,703
Noncurrent:		
Restricted cash and short-term investments	19,219,111	18,035,438
Restricted investments	1,292,906	-
Investment in associated companies	26,994	36,774
Land	1,265,842	1,265,842
Capital assets, net of accumulated depreciation	<u>68,928,263</u>	<u>68,928,575</u>
Total noncurrent assets	<u>90,733,116</u>	<u>88,266,629</u>
TOTAL ASSETS	112,317,644	108,060,332
LIABILITIES		
Current:		
Accounts payable	4,407,535	4,978,818
Accrued liabilities	592,810	527,638
Customer deposits	749,900	700,021
Customer advances for construction	400,656	405,154
Due to pension trust	1,374,538	-
Current portion of long-term liabilities:		
Accrued employee compensated absences	<u>195,937</u>	<u>384,518</u>
Total current liabilities	7,721,376	6,996,149
Noncurrent:		
Accrued employee compensated absences	<u>2,722,934</u>	<u>2,747,004</u>
Total noncurrent liabilities	<u>2,722,934</u>	<u>2,747,004</u>
TOTAL LIABILITIES	10,444,310	9,743,153
NET POSITION		
Net investment in capital assets	70,194,105	70,194,418
Restricted for depreciation fund	4,130,585	2,733,147
Unrestricted	<u>27,548,644</u>	<u>25,389,614</u>
TOTAL NET POSITION	\$ <u>101,873,334</u>	\$ <u>98,317,179</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

BUSINESS-TYPE PROPRIETARY FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Electric sales, net of discounts of \$4,475,920 and \$4,380,927, respectively	\$ 79,689,061	\$ 80,816,527
Purchase power and fuel charge adjustments:		
Fuel charge adjustment	1,523,208	339,810
Purchase power adjustment	3,152,211	1,138,194
Total Operating Revenues	84,364,480	82,294,531
Operating Expenses:		
Purchase power	60,823,626	61,423,332
Operating	11,002,998	10,325,066
Maintenance	2,290,843	2,255,706
Depreciation	3,779,635	3,665,630
Voluntary payments to towns	1,397,270	1,375,900
Total Operating Expenses	79,294,372	79,045,634
Operating Income	5,070,108	3,248,897
Nonoperating Revenues (Expenses):		
Interest income	120,832	24,435
Contributions in aid of construction	24,117	30,965
MMWEC surplus	391,726	445,278
Purchased power refunds	-	327,297
Intergovernmental grants	-	53,074
Return on investment to Town of Reading	(2,301,221)	(2,265,427)
Loss on disposal of capital assets	(114,960)	(385,199)
Other	365,553	303,799
Total Nonoperating Revenues (Expenses), Net	(1,513,953)	(1,465,778)
Change in Net Position	3,556,155	1,783,119
Net Position at Beginning of Year	98,317,179	96,534,060
Net Position at End of Year	\$ 101,873,334	\$ 98,317,179

The accompanying notes are an integral part of these financial statements.

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

BUSINESS-TYPE PROPRIETARY FUND
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers and users	\$ 80,249,266	\$ 80,619,625
Payments to vendors and employees	(74,778,752)	(77,467,006)
Customer purchase power and fuel charge adjustments	4,675,419	1,478,004
Net Cash Provided By (Used For) Operating Activities	10,145,933	4,630,623
<u>Cash Flows From Noncapital Financing Activities:</u>		
Return on investment to Town of Reading	(2,301,221)	(2,265,427)
MMWEC surplus	391,726	445,278
Intergovernmental revenues	-	53,074
Other	865,553	631,096
Net Cash Provided By (Used For) Noncapital Financing Activities	(1,543,942)	(1,135,979)
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(3,894,282)	(5,574,329)
Contributions in aid of construction	19,619	72,660
Net Cash Provided By (Used For) Capital and Related Financing Activities	(3,874,663)	(5,501,669)
<u>Cash Flows From Investing Activities:</u>		
Investment income	120,832	24,435
(Increase) decrease in restricted cash and investments	(2,466,799)	1,176,481
Net Cash Provided By (Used For) Investing Activities	(2,345,967)	1,200,916
Net Change in Cash and Short-Term Investments	2,381,361	(806,109)
Unrestricted Cash and Short Term Investments, Beginning of Year	9,151,851	9,957,960
Unrestricted Cash and Short Term Investments, End of Year	\$ 11,533,212	\$ 9,151,851
<u>Reconciliation of Operating Income to Net Cash:</u>		
Operating income	\$ 5,070,108	\$ 3,248,897
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation expense	3,779,635	3,665,630
(Increase) decrease in:		
Accounts receivable	510,327	(265,655)
Prepaid and other assets	(81,321)	71,485
Inventory	161,530	(73,693)
Accounts payable and accrued liabilities	(718,762)	250,295
Due to pension trust	1,374,538	(1,000,000)
Other post-employment benefits	-	(1,335,089)
Other liabilities	49,878	68,753
Net Cash Provided By (Used For) Operating Activities	\$ 10,145,933	\$ 4,630,623

The accompanying notes are an integral part of these financial statements.

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

FIDUCIARY FUNDS
STATEMENTS OF FIDUCIARY NET POSITION

JUNE 30, 2014 AND 2013

	<u>Pension Trust</u>		<u>OPEB Trust</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 2,632,367	\$ 5,197,092	\$ 1,846,042	\$ 1,495,511
Investments	1,292,906	-	-	-
Due from proprietary fund	<u>1,374,538</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>5,299,811</u>	<u>5,197,092</u>	<u>1,846,042</u>	<u>1,495,511</u>
<u>NET POSITION</u>				
Total net position held in trust	<u>\$ 5,299,811</u>	<u>\$ 5,197,092</u>	<u>\$ 1,846,042</u>	<u>\$ 1,495,511</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF READING, MASSACHUSETTS
MUNICIPAL LIGHT DEPARTMENT

FIDUCIARY FUNDS
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	Pension Trust		OPEB Trust	
	2014	2013	2014	2013
Additions:				
Contributions from Reading Municipal Light Department	\$ 1,374,538	\$ 1,000,000	343,095	\$ 1,483,007
Interest and dividend income	74,220	8,391	7,436	12,504
Total additions	<u>1,448,758</u>	<u>1,008,391</u>	<u>350,531</u>	<u>1,495,511</u>
Deductions:				
Paid to Reading Contributory Retirement System	1,346,039	1,288,076	-	-
Total deductions	<u>1,346,039</u>	<u>1,288,076</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in net position	102,719	(279,685)	350,531	1,495,511
Net position:				
Net Position, Beginning of Year	5,197,092	5,476,777	1,495,511	-
Net Position, End of Year	<u>\$ 5,299,811</u>	<u>\$ 5,197,092</u>	<u>\$ 1,846,042</u>	<u>\$ 1,495,511</u>

The accompanying notes are an integral part of these financial statements.

Town of Reading, Massachusetts Municipal Light Department

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The significant accounting policies of the Town of Reading Municipal Light Department ("the Department") (an enterprise fund of the Town of Reading, Massachusetts) are as follows:

- A. Business Activity - The Department purchases electricity for distribution to more than 25,000 customers within the towns of Reading, North Reading, Wilmington, and Lynnfield.
- B. Regulation and Basis of Accounting - Under Massachusetts General Laws, the Department's electric rates are set by the Municipal Light Board. Electric rates, excluding the fuel charge, cannot be changed more than once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities (DPU). While the DPU exercises general supervisory authority over the Department, the Department's rates are not subject to DPU approval. The Department's policy is to prepare its financial statements in conformity with generally accepted accounting principles.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Department's enterprise fund are charges to customers for electric sales and services. Operating expenses for the Department's enterprise fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

- C. Concentrations - The Department operates within the electric utility industry. In 1998, the Commonwealth of Massachusetts enacted energy deregulation legislation that restructured the Commonwealth's electricity industry to foster competition and promote reduced electric rates. Energy deregulation created a separation between the supply and delivery portions of electricity service and enabled consumers to purchase their energy from a retail supplier of their choice. Municipal electric utilities are not currently subject to this legislation.
- D. Retirement Trust - The Reading Municipal Light Department Employees' Pension Trust (the "Pension Trust") was established on December 30, 1966,

by the Reading Municipal Light Board pursuant to Chapter 64 of the General Laws of the Commonwealth of Massachusetts.

The Pension Trust constitutes the principal instrument of a plan established by the Municipal Light Board to fund the Department's annual required contribution to the Town of Reading Contributory Retirement System (the System), a cost sharing, multi-employer public employee retirement system.

- E. Other Post-Employment Benefits Trust - The Other Post-Employment Benefits Liability Trust Fund (the "OPEB Trust") was established by the Reading Municipal Light Board pursuant to Chapter 32B, Section 20 of the General Laws of the Commonwealth of Massachusetts.

The OPEB Trust constitutes the principal instrument of a plan established by the Municipal Light Board to fund the Department's annual actuarially determined OPEB contribution for future retirees.

- F. Revenues - Revenues are based on rates established by the Department and filed with the DPU. Revenues from sales of electricity are recorded on the basis of bills rendered from monthly meter readings taken on a cycle basis and are stated net of discounts. Recognition is given to the amount of sales to customers which are unbilled at the end of the fiscal period.

- G. Cash and Short-term Investments - For the purposes of the Statement of Cash Flows, the Department considers both restricted and unrestricted cash on deposit with the Town Treasurer to be cash or short-term investments. For purpose of the Statement of Net Position, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

- H. Investments - State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from date of purchase.

Investments for the Department and the Pension Trust consist of domestic and foreign fixed income bonds which the department intends to hold to maturity. These investments are reported at fair market value in the proprietary fund and fiduciary fund financial statements.

- I. Inventory - Inventory consists of parts and accessories purchased for use in the utility business for construction, operation, and maintenance pur-

poses and is stated at average cost. Meters and transformers are capitalized when purchased.

- J. Capital Assets and Depreciation - Capital assets, which include property, plant, equipment, and utility plant infrastructure, are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as they are acquired or constructed. Interest incurred during the construction phase of proprietary fund capital assets is included as part of the capitalized value of the constructed asset. When capital assets are retired, the cost of the retired asset, less accumulated depreciation, salvage value and any cash proceeds, is charged to the Department's unrestricted net assets account.

Massachusetts General Laws require utility plant in service to be depreciated at an annual rate of 3%. To change this rate, the Department must obtain approval from the DPU. Changes in annual depreciation rates may be made for financial factors relating to cash flow for plant expansion, rather than engineering factors relating to estimates of useful lives.

- K. Accrued Compensated Absences - Employee vacation leave is vested annually but may only be carried forward to the succeeding year with supervisor approval and, if appropriate, within the terms of the applicable Department policy or union contract. Generally, sick leave may accumulate according to union and Department contracts and policy, and is paid upon normal termination at the current rate of pay. The Department's policy is to recognize vacation costs at the time payments are made. The Department records accumulated, unused, vested sick pay as a liability. The amount recorded is the amount to be paid at termination at the current rate of pay.

- L. Long-Term Obligations - The proprietary fund financial statements report long-term debt and other long-term obligations as liabilities in the Proprietary Fund Statement of Net Position.

- M. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenues and expenses during the fiscal year. Actual results could vary from estimates that were used.

N. Rate of Return - The Department's rates must be set such that earnings attributable to electric operations do not exceed eight percent of the net cost of plant. The audited financial statements are prepared in accordance with auditing standards generally accepted in the United States of America. To determine the net income subject to the rate of return, the Department performs the following calculation. Using the net income per the audited financials, the return on investment to the Town of Reading is added back, the fuel charge adjustment is added or deducted, and miscellaneous debits/credits (i.e., gain/loss on disposal of fixed assets, etc.) are added or deducted, leaving an adjusted net income figure for rate of return purposes. Investment interest income and bond principal payments are then deducted from this figure to determine the net income subject to the rate of return. The net income subject to the rate of return is then subtracted from the allowable eight percent rate of return, which is calculated by adding the book value of net plant and the investment in associated companies less the contributions in aid of construction multiplied by eight percent. From this calculation, the Municipal Light Board will determine what cash transfers need to be made at year end.

O. Comparative Financial Information - The financial statements include certain prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Department's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

2. Cash and Investments

Total cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Proprietary Fund:	
Unrestricted cash and short-term investments	\$ 11,533,212
Restricted cash and short-term investments	19,219,111
Restricted investments	1,292,906
Fiduciary Funds:	
Cash and short-term investments - Pension Trust	2,632,367
Cash and short-term investments - OPEB Trust	1,846,042
Investments - Pension Trust	<u>1,292,906</u>
Total cash and investments	<u>\$ 37,816,544</u>

Total cash and investments at June 30, 2014 consist of the following:

Cash on hand	\$ 3,000
Deposits with financial institutions	<u>37,813,544</u>
Total cash and investments	<u>\$ 37,816,544</u>

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that the fair value of an investment will be adversely affected by changes in market interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Department manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2014, the Department (including the Pension Trust and OPEB Trust) held cash and short-term investments in pooled investments with the Massachusetts Municipal Depository Trust (MMDT), FDIC-insured savings accounts, and 90-day FDIC-insured bank certificates of deposit. Because of their immediate liquidity and/or short-term maturity, these funds are classified as cash and short-term investments in the accompanying financial statements and are not considered to be exposed to significant interest rate risk.

As of June 30, 2014, the Department and Pension Trust held investments in domestic and foreign fixed income bonds with varying maturity dates as follows:

	<u>Restricted Investments</u>	<u>Pension Trust</u>	<u>Maturity Date</u>
<u>Corporate bonds</u>			
AT&T Inc	\$ 212,158	\$ 212,158	12/01/22
General Electric Cap Corp	206,472	206,472	01/09/23
Wells Fargo & Co	208,098	208,098	08/15/23
Rabobank Nederland Bank	254,085	254,085	11/09/22
Teva Pharmaceut Fin BV	207,109	207,109	12/18/22
BNP Paribas	<u>204,984</u>	<u>204,984</u>	03/03/23
Total	<u>\$ 1,292,906</u>	<u>\$ 1,292,906</u>	

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assigning of a rating by a nationally recognized statistical rating organization. As of

June 30, 2014, the Department and Pension Trust held investments in domestic and foreign fixed income bonds with varying ratings as follows:

<u>Investment Type</u>	<u>Restricted Investments</u>	<u>Pension Trust</u>	<u>Moody's Rating</u>
Corporate bonds:			
AT&T Inc	\$ 212,158	\$ 212,158	A3
General Electric Cap Corp	206,472	206,472	A1
Wells Fargo & Co	208,098	208,098	A3
Rabobank Nederland Bank	254,085	254,085	A2
Teva Pharmaceut Fin BV	207,109	207,109	A3
BNP Paribas	204,984	204,984	A1
Total	\$ <u>1,292,906</u>	\$ <u>1,292,906</u>	

Concentration of Credit Risk

The Department follows the Town of Reading's investment policy, which does not limit the amount that can be invested in any one issuer beyond that stipulated by Massachusetts General Laws. At June 30, 2014, the Department and Pension Trust investments were held in domestic and foreign fixed income bonds, as detailed in the sections above. Five of the bonds each individually represent approximately 16% of the Department's and System's total investments, while the investment in Rabobank Nederland Bank represents approximately 20%.

Custodial Credit Risk

Custodial Credit Risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Department will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Department will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Massachusetts General Laws, Chapter 44, Section 55, limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Department follows the Massachusetts statute as written, as well as the Town of Reading's deposit policy for custodial credit risk.

Because the Department pools its cash with the Town of Reading, the specific custodial credit risk of the Department's deposits could not be readily determined at June 30, 2014.

As of June 30, 2014, none of the Department's (including Pension Trust and OPEB Trust) short-term investments were exposed to custodial credit risk.

As of June 30, 2014, none of the Department or Pension Trust investments were exposed to custodial credit risk because the related securities are registered in the Department's name.

3. Restricted Cash and Investments

The Department's proprietary fund restricted cash and investment balances represent the following reserves at June 30, 2014:

	<u>Cash</u>	<u>Investments</u>
Depreciation fund	\$ 4,130,585	\$ -
Construction fund	1,000,000	-
Deferred fuel reserve	4,132,695	-
Deferred energy conservation reserve	457,261	-
Rate stabilization	6,723,797	-
Reserve for uncollectible accounts	200,000	-
Sick leave benefits	1,674,873	1,292,906
Hazardous waste fund	150,000	-
Customer deposits	749,900	-
Total	\$ 19,219,111	\$ 1,292,906

The Department maintains the following reserves:

- Depreciation fund - The Department is normally required to reserve 3.0% of capital assets each year to fund capital improvements.
- Construction fund - This represents additional funds set aside to fund capital expenditures.
- Deferred fuel reserve - The Department transfers the difference between the customers' monthly fuel charge adjustment and actual fuel costs into this account to be used in the event of a sudden increase in fuel costs.
- Deferred energy conservation reserve - This account is used to reserve monies collected from a special energy charge added to customer bills. Customers who undertake measures to conserve and improve energy efficiency can apply for rebates that are paid from this account.
- Rate stabilization - This represents amounts set aside to help stabilize cost increases resulting from fluctuations in purchase power costs.
- Reserve for uncollectible accounts - This account was set up to offset a portion of the Department's bad debt reserve.

- Sick leave benefits - This account is used to offset the Department's actuarially determined compensated absence liability.
- Hazardous waste fund - This reserve was set up by the Board of Commissioners to cover the Department's insurance deductible in the event of a major hazardous materials incident.
- Customer deposits - Customer deposits that are held in escrow.

4. Accounts Receivable

Accounts receivable consists of the following at June 30, 2014:

Customer Accounts:			
Billed	\$	2,227,603	
Less allowances:			
Uncollectible accounts		(200,000)	
Sales discounts		(231,632)	
Total billed			1,795,971
Unbilled, net			5,622,269
Total customer accounts			7,418,240
Other Accounts:			
Merchandise sales		34,746	
MMWEC surplus		390,088	
Liens and other		27,976	
Total other accounts			452,810
Total net receivables	\$		<u>7,871,050</u>

5. Prepaid Expenses

Prepaid expenses consist of the following:

Insurance and other	\$	269,616
Purchase power		24,964
NYPA prepayment fund		259,957
WC Fuel - Watson		218,229
Total	\$	<u>772,766</u>

6. Inventory

Inventory is comprised of supplies and materials at June 30, 2014, and is valued using the average cost method.

7. Investment in Associated Companies

Under agreements with the New England Hydro-Transmission Electric Company, Inc. (NEH) and the New England Hydro-Transmission Corporation (NHH), the Department has made the following advances to fund its equity requirements for the Hydro-Quebec Phase II interconnection. The Department is carrying its investment at cost, reduced by shares repurchased. The Department's equity position in the Project is less than one-half of one percent.

Investment in associated companies consists of the following, at June 30, 2014:

New England Hydro-Transmission (NEH & NHH) \$ 26,994

8. Capital Assets

The following is a summary of fiscal year 2014 activity in capital assets (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Structures and improvements	\$ 14,179	\$ 4	\$ -	\$ 14,183
Equipment and furnishings	31,359	867	(439)	31,787
Infrastructure	80,449	3,023	(733)	82,739
Total capital assets, being depreciated	125,987	3,894	(1,172)	128,709
Less accumulated depreciation for:				
Structures and improvements	(7,748)	(388)	-	(8,136)
Equipment and furnishings	(18,959)	(970)	439	(19,490)
Infrastructure	(30,352)	(2,422)	619	(32,155)
Total accumulated depreciation	(57,059)	(3,780)	1,058	(59,781)
Total capital assets, being depreciated, net	68,928	114	(114)	68,928
Capital assets, not being depreciated:				
Land	1,266	-	-	1,266
Total capital assets, not being depreciated	1,266	-	-	1,266
Capital assets, net	\$ 70,194	\$ 114	\$ (114)	\$ 70,194

9. Accounts Payable

Accounts payable represent fiscal 2014 expenses that were paid after June 30, 2014.

10. Accrued Liabilities

Accrued liabilities consist of the following at June 30, 2014:

Accrued payroll	\$ 304,089
Accrued sales tax	235,908
Other	<u>52,813</u>
Total	<u>\$ 592,810</u>

11. Customer Deposits

This balance represents deposits received from customers that are held in escrow.

12. Customer Advances for Construction

This balance represents deposits received from vendors in advance for work to be performed by the Department. The Department recognizes these deposits as revenue after the work has been completed.

13. Accrued Employee Compensated Absences

Department employees are granted sick leave in varying amounts. Upon retirement, termination, or death, employees are compensated for unused sick leave (subject to certain limitations) at their then current rates of pay.

14. Restricted Net Assets

The proprietary fund financial statements report restricted net assets when external constraints are placed on net assets. Specifically, restricted net assets represent depreciation fund reserves, which are restricted for future capital costs.

15. Post-Employment Health Care and Life Insurance Benefits

Other Post-Employment Benefits

The Department follows GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statements of Revenues, Expenses, and

Changes in Net Position when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statements of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described in Note 16, the Department provides post-employment health and life insurance benefits for retired employees through the Town of Reading's Massachusetts Inter-local Insurance Association (MIIA) Health Benefits Trust. Benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2013, the actuarial valuation date, approximately 84 retirees and 52 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Department provides post-employment medical, prescription drug, and life insurance benefits to all eligible retirees and their surviving spouses. All active employees who retire from the Department and meet the eligibility criteria will be eligible to receive these benefits.

C. Funding Policy

As of the June 30, 2013, the actuarial valuation date, retirees were required to contribute 29% of the cost of the medical and prescription drug plan, as determined by the MIIA Health Benefits Trust. Retirees also contribute 50% of the premium for a \$5,000 life insurance benefit. The Department contributes the remainder of the medical, prescription drug, and life insurance plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Department's fiscal 2014 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of twenty years. The following table shows the components of the Department's annual OPEB cost for the year ending June 30, 2014, the amount actually contributed to the plan, and the change in the Department's net OPEB obligation based on an actuarial valuation as of June 30, 2013.

Annual Required Contribution (ARC)	\$ 538,576
Interest on net OPEB obligation	<u>229,802</u>
Annual OPEB cost	768,378
Projected benefit payments	<u>(425,283)</u>
Increase in net OPEB obligation	343,095
Net OPEB obligation - beginning of year	-
Contributions to OPEB Trust	<u>(343,095)</u>
(1) Net OPEB obligation - end of year	<u><u>\$ -</u></u>

(1) See Part E for additional information

The Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the two preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 768,378	100.00%	\$ -
2013	\$ 604,987	100.00%	\$ -
2012	\$ 587,945	75.55%	\$ 1,335,089

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 7,588,993
Actuarial value of plan assets	<u>1,495,511</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 6,093,482</u>
Funded ratio (actuarial value of plan assets/AAL)	19.7%
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

In 2010, the Department's Board of Commissioners voted to accept the provisions of Massachusetts General Law Chapter 32B §20, to create an *Other Post-Employment Benefits Liability Trust Fund* as a mechanism to set aside monies to fund its OPEB liability. In 2013, the Commissioners voted to create an OPEB trust instrument in alignment with the Town of Reading. In fiscal year 2014, the Department contributed \$343,095 to this trust, which was equal to all of its actuarially determined annual contribu-

tions through June 30, 2014. The assets and net position of this trust are reported in the Department's Statement of Fiduciary Net Position.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Department and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Department and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The Department's actuarial value of assets was \$1,495,511. The actuarial assumptions included a 7.75% investment rate of return and an initial annual health care cost trend rate of 8.5% which decreases to a 5.0% long-term rate for all health care benefits after eight years. The amortization costs for the initial UAAL is a level percentage of payroll amortization, with amortization payments increasing at 2.5% per year for a period of 18 years.

16. Pension Plan

The Department follows the provisions of GASB Statement No. 27, (as amended by GASB 50) *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The System issues a publicly available financial report which can be obtained through the Town of Reading Contributory Retirement system at Town Hall, Reading, MA.

A. Plan Description

The Department contributes to the Town of Reading Contributory Retirement System (the System), a cost-sharing, multiple-employer, defined benefit pension plan administered by a Town Retirement Board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Department is required to pay into the System its share of the remaining system wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Department are governed by Chapter 32 of the Massachusetts General Laws. The Department's contributions to the System for the years ended June 30, 2014, 2013, and 2012 were \$1,346,039, \$1,288,076, and \$1,336,326, respectively, which were equal to its annual required contributions for each of these years.

17. Participation in Massachusetts Municipal Wholesale Electric Company

The Town of Reading, acting through its Light Department, is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own, or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's

share of that Project's Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

MMWEC has issued separate issues of revenue bonds for each of its eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate, plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution (GBR) with respect to the bonds of that Project. The MMWEC revenues derived from each Project are used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W. F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC, a subsidiary of NextEra Energy Resources LLC, and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates the Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC (NextEra Seabrook) the majority owner and an indirect subsidiary of NextEra Energy Resources, LLC. The operating license for Seabrook Station extends to March 15, 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

Pursuant to the PSAs, the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

Reading Municipal Light Department has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Department revenues. Under the PSAs, each Participant is unconditionally obligated to make all payments due to MMWEC, whether or not the Project(s) is completed or operating, and notwithstanding the suspension or interruption of the output of the Project(s).

MMWEC is involved in various legal actions. In the opinion of MMWEC management, the outcome of such actions will not have a material adverse effect on the financial position of the company.

Total capital expenditures for MMWEC's Projects amounted to \$1,609,213,000, of which \$115,506,000 represents the amount associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply Project Revenue Bonds totaling \$225,280,000, of which \$9,478,000 is associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. After the July 1, 2014 principal payment MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$184,003,000, of which \$6,937,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of Reading Municipal Light Department's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at June 30, 2014 and estimated for future years is shown below.

DRAFT

For years ended June 30,	Annual Costs
2015	\$ 2,574,000
2016	2,700,000
2017	1,472,000
2018	190,000
2019	-
2020	1,000
Total	\$ 6,937,000

In addition, under the PSAs, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O& M) costs of the Projects in which it participates. The Department's total O& M costs including debt service under the PSAs were \$14,021,000 and \$12,353,000 for the years ended June 30, 2014 and 2013, respectively.

18. Renewable Energy Certificates

In 2003, the Massachusetts Department of Energy and Environmental Affairs adopted the Massachusetts Renewable Energy Portfolio Standard (RPS), a regulation that requires Investor Owned Utilities (IOUs) to purchase mandated amounts of energy generated by renewable resources (Green Energy) as a percentage of their overall electricity sales. The Massachusetts RPS applies only to IOUs, so the Department is currently exempt from this mandate.

Energy suppliers meet their annual RPS obligations by acquiring a sufficient quantity of RPS-qualified renewable energy certificates (RECs) that are created and recorded at the New England Power Pool (NEPOOL) Generation Information System (GIS). Suppliers can purchase RECs from electricity generators or from other utilities that have acquired RECs.

As part of its ongoing commitment to Green Energy, the Department has entered into Purchase Power Agreements (PPAs) with Swift River Hydro LLC and Concord Steam Corporation to purchase power generated from renewable energy resources. These PPAs include the Department taking title to RECs, which certify that the energy produced was the product of a renewable resource. Because the Department is exempt from the RPS provisions, it has the option of holding these RECs until they expire or selling them through the NEPOOL GIS.

Information regarding the Department's fiscal year 2014 REC activity and balances is as follows:

REC Sales During Fiscal 2014

	<u>Certificates</u>	<u>Amount</u>
Various	1,107	\$ 70,848
Various	1,809	96,782
Various	752	18,988
Various	938	59,094
Various	1,680	107,100
Various	3,533	189,899
Various	1,142	29,121
Various	2,432	155,040
Various	245	15,300
Various	618	33,187
Various	166	4,316
Various	291	15,336
Various	98	2,421
	<u>14,811</u>	<u>\$ 797,430</u> ⁽¹⁾

(1) Sale proceeds netted against fiscal year 2014 purchased power

REC Holdings at June 30, 2014

	<u>Banked Certificates</u>	<u>Projected Certificates</u>	<u>Total Certificates</u>	<u>Estimated Value</u>
CT Class I	-	4,890	4,890	\$ 283,620
MA Class VII	-	3,631	3,631	149,940
Total	<u>-</u>	<u>8,521</u>	<u>8,521</u>	<u>\$ 433,560</u>

Because there are currently no clear accounting guidelines under GAAP or IFRS for RECs and the Department does not have a formal policy for the future disposition of RECs, the estimated fair value of the Department's REC holdings at June 30, 2014 are not recognized as an asset on the Proprietary Fund Statements of Net Position.

19. Leases

Related Party Transaction - Property Sub-Lease

The Department is sub-leasing facilities to the Reading Town Employees Federal Credit Union. The original sub-lease agreement commenced in December 2000 and was extended by various amendments through November 30, 2011. An additional amendment, effective December 1, 2011, extends the lease through November 30, 2014. The following is the future minimum rental income for the years ending June 30:

2015	\$ 3,630
Total	\$ 3,630

20. Implementation of New GASB Standards

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which the Department is required to implement in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Department's basic financial statements by requiring the Department to recognize, as a liability and expense, its applicable portion of the Town of Reading Contributory Retirement System's (System) actuarially accrued unfunded pension liability. As of January 1, 2014, the date of the most recent actuarial valuation, the Department's portion of the System's unfunded actuarially accrued liability was \$9,176,022. As of June 30, 2014, the Department had accumulated total assets of \$5,299,811 in the Pension Trust to partially offset this liability.

TOWN OF READING, MASSACHUSETTS, MUNICIPAL LIGHT DEPARTMENT
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2014
(Unaudited)

Employees' Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
01/01/14	\$ 40,511,889	\$ 49,687,911	\$ 9,176,022	81.5%	\$ 5,682,623	161.5%
01/01/12	\$ 33,693,088	\$ 46,081,344	\$ 12,388,256	73.1%	\$ 5,688,356	217.8%
01/01/10	\$ 32,274,593	\$ 41,832,574	\$ 9,557,981	77.2%	\$ 5,891,366	162.2%
01/01/08	\$ 40,022,466	\$ 37,123,945	\$ (2,898,521)	107.8%	\$ 5,742,993	-50.5%

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
06/30/13	\$ 1,495,511	\$ 7,588,993	\$ 6,093,482	19.7%	N/A	N/A
06/30/11	\$ 1,167,161	\$ 8,643,438	\$ 7,476,277	13.5%	N/A	N/A
06/30/08	\$ -	\$ 8,085,388	\$ 8,085,388	0.0%	N/A	N/A

See Independent Auditors' Report.



REGULAR SESSION MEETING
MINUTES
BOARD REFERENCE TAB B

Reading Municipal Light Board of Commissioners

Regular Session

230 Ash Street

Reading, MA 01867

March 27, 2014

start Time of Regular Session: 7:30 p.m.

End Time of Regular Session: 9:15 p.m.

Commissioners:

John Stempeck, Chairman

Robert Soli, Commissioner

David Mancuso, Commissioner

Philip B. Pacino, Vice Chair

David Talbot, Secretary Pro Tem

Staff:

Coleen O'Brien, General Manager

Bob Fournier, Accounting/Business Manager

Jane Parenteau, Energy Services Manager

Jeanne Foti, Executive Assistant

Hamid Jaffari, Engineering and Operations Manager

Citizens' Advisory Board (CAB):

George Hooper, Vice Chairman

Dennis Kelley, Member

Call Meeting to Order

Chairman Stempeck called the meeting to order and stated that the meeting was being videotaped; it is live in Reading only.

Opening Remarks

Chairman Stempeck read the RMLD Board of Commissioners Code of Conduct.

Introductions

Chairman Stempeck welcomed CAB Vice Chairman, George Hooper and Dennis Kelley, new CAB Member from Wilmington. Chairman Stempeck also welcomed Hamid Jaffari.

Public Comment

There was none.

Approval of Board Minutes

January 29, 2014

Mr. Pacino made a motion seconded by Mr. Mancuso to approve the Regular Session meeting minutes of January 29, 2014, with the correction presented by Mr. Soli.

Motion carried 5:0:0.

Commissioner Talbot will be the Secretary at this meeting.

General Manager's Report – Ms. O'Brien – General Manager

Ms. O'Brien welcomed CAB Member, Mr. Kelley.

Fiscal Year 2015 Budgets

Ms. O'Brien reported that the Fiscal Year 2015 Budget packets will be going out tomorrow. There are meetings that have been set up for the Citizens' Advisory Board (CAB) as well as the RMLD Board. The CAB will meet Wednesday, April 2, at Lynnfield Town Hall to cover the operating budget and Wednesday, April 9, at the RMLD to cover the capital budget. Commissioner Soli will cover these meetings for the Board. The RMLD Board will meet on the budgets on Thursday, April 24 for both the capital and operating budgets which will start at 5:30 pm. The budgets are separate; however, they were integrated this year and will help to lay it out in story format. In the past, the budget was a one year focus, now the focus will be a six year plan. Everything will be transparent which is important once the Reliability Study and Cost of Service Study are complete. The revenues, the rates, the capital outlay, system improvements, etc. will reflect a six year plan, including the year we are in and the previous fiscal year to date (fiscal year 2014). The budgets in the past did not show what happened in the previous year. The current budget format will include, what was budgeted in the previous year, what was budgeted to date, where we are to date, and where we expect to finish. The fiscal year 2015 budget will be voted upon; however, fiscal years 2016, 2017 and 2018 are also included for planning purposes. As planning goes out in time, it becomes more of an estimate. When the Reliability Study has been completed, projects that have been earmarked may change due to the study. One major focus area in the budget is the update and completion of the GIS system as it is the key foundation for RMLD's ability to model the electric system for both reliability as well as energy services.

General Manager's Report – Ms. O'Brien – General Manager Fiscal Year 2015 Budgets

Ms. O'Brien explained that a functional and operational GIS and integrated engineering system will allow the RMLD to target customers for demand response, peak shaving, and to assess the flexibility and reliability of the system. The second major RMLD focus is to develop a Substation Maintenance group and program. This was attempted in the past, and did not work; however, this time it will happen. Maintenance, as she has stated before, has been very reactive and will be turned to become predictive and be proactive. Reliability will be enhanced. Training will take place for substation technicians with a five and a half to seven year journeyman program, similar to the lineworker program in which all work will be performed by trained in house talent.

Some key issues being added to the budget are LED streetlights. Ms. O'Brien pointed out that the towns have indicated to her that they would like to convert to LEDs as a method of saving money in the energy line items within the town budgets. The RMLD will be performing a pilot program delineating the details of this program. The RMLD is currently stopping High Pressure Sodium replacement fixtures and converting to stocking LEDs. The RMLD will not be carrying anything in inventory that will not be used in the future. The conversion has a projected two year timeframe as shown in the budget. Ms. O'Brien is not sure if this can be performed in house or with outside consultants. To look at the potential savings garnered, see Cape Light Compact's website for similar analysis. The RMLD has similar analyses currently underway. The LED conversion in all four towns will cost about \$3 million.

The other large item is the master site facilities plan. That looks at every facility, asset of land and structure the RMLD owns to ensure it is being used in the most efficient means. The consultant, through RFP, will be looking at this building, Station One (the architectural historical building) etc. Also, considered is the rent at the Barbas building. Ms. O'Brien said that Mr. Barbas owns the parking lot next door that will be evaluated as well for value.

Ms. O'Brien stated that these are multimillion dollar projects that will be in the budget. These projects are not cheap to do, however, are necessary. Ms. O'Brien reported that she met with the Town Manager, of the Town of Reading today and they are very interested in economic development for this entire area as well as assisting the RMLD. Ms. O'Brien explained to them that the RMLD is a valuable enterprise of the Town. RMLD sustains its value through the sale of electricity. To support RMLD and maintain its success, economic development growth is required to help flat sales.

Mr. Talbot commented that relative to the LED streetlights, he would encourage the towns to assess whether they need all streetlights because there is often redundancy. Mr. Talbot suggested taking back to the boards an assessment of what can be performed by a luminosity test as a means to remove some streetlights. Mr. Pacino stated that there was a program in which the Town of Reading shut off some streetlights where some of the residents adopted lights; he would like to see this be part of the program. Mr. Pacino said that he and his neighbor when living on Copeland Avenue paid to keep a streetlight on for safety purposes.

Ms. O'Brien said that they are going to roll this program out slowly. Ms. O'Brien, Ms. Parenteau and Mr. Jaffari will send out a letter to each of the CAB members to see if they can meet with each of the town managers to see if they are interested in attending the meetings on the pilot program. That is the process preliminarily because the RMLD budgets have not been approved. Ms. O'Brien stated that Mr. Talbot is correct in that the discussion with the towns, RMLD needs to determine which lights will be replaced. Mr. Pacino cautioned that at one point the lights were shut off in Reading and on Main Street someone was hit and the RMLD was sued, so there needs to some sort of indemnity agreement that the RMLD has with the towns. Chairman Stempeck asked when that happened. Mr. Pacino replied ten to fifteen years ago. Mr. Hooper said that this is part of the five year plan and to sit down with the respective town managers. Ms. O'Brien reiterated the process is slow and will start with a pilot program. Typically, what happens in the town, the light department will have a streetlight policy that is adopted with the town and would provide mechanisms for customers to have the lighting evaluated in such cases of dangerous intersections. The customer complaint would be reviewed by the RMLD, but handed over to the town manager for each respective town. Since the RMLD owns and retains the lights this would be their indemnification if an incident were to occur. Ms. O'Brien is unsure if there currently there is that formality relative to streetlighting.

Organizational Study RFP

Ms. O'Brien reported on the Organizational Study and long term planning Reliability Study that they were held for bid since the last time until such time as the Director of Engineering & Operations, Hamid Jaffari was able to make his initial assessment of the electric system, its facilities, operational, maintenance and testing status as well as procedures construction standards, operational, engineering, personnel and safety. The RFP was written up and Mr. Jaffari has gone through the entire system in order to focus the study in areas assessed as more critical than others, in order that the RMLD get the most value out of its money. Ms. O'Brien thanked Mr. Jaffari for his efforts for completing this in such a short time. The bid should go out this week. Once the bid is out you can read on the Central Register.

Mr. Talbot asked if the RFP is being drafted by Ms. O'Brien in terms of what we are getting studied, as well as the aims of the study. Ms. O'Brien responded that she can send Mr. Talbot a copy.

**General Manager's Report – Ms. O'Brien – General Manager
Organizational Study RFP**

Ms. O'Brien stated that the RFP is a combination of organizational and reliability study, that includes the mission statement of how you are organized, number of people, the job descriptions, what people are doing what they should be doing, the skill sets and the right number of people. That gets tied into your reliability and planning study, in which you are evaluating the electric system for present and future needs that integrate into Energy Services for peak demand. It is not only reliability, but how it will transform the organization into the future. Mr. Talbot said that what he is getting at, is that some point this evening he was going to raise the question of what are we doing with our fiber optic loop, what is its capacity, and how we are monetizing it. Ms. O'Brien said that topic is in the study. Mr. Talbot said we should study expanding RMLD's business operations and look at ways the RMLD can generate revenues from the fiber optic loop. Ms. O'Brien stated that is an excellent point and is in there. Chairman Stempeck added that the study will tie into the six year plan. Ms. O'Brien commented that the study will provide a report of the recommended changes for optimization and efficiency in a plan, by priority. Ms. O'Brien said that she and Mr. Jaffari found no smoking guns other than there have been a lack of maintenance on a good amount of the equipment which is being addressed immediately. Mr. Talbot said that he has been doing research on what other municipalities in Massachusetts have been doing with regard to fiber optics. There are light departments in Massachusetts that are in the Internet business. Some are competing head on with Verizon or Comcast. A couple of municipalities are doing high speed Internet. Shrewsbury is filling a gap where there is no service. A quarter to a third of the municipal light departments in Massachusetts is in this business to some degree or another. Mr. Talbot's question is why not the RMLD, what are we doing now, and what could we be doing since the RMLD has a fiber optic loop. Mr. Talbot said that state law authorizes light boards to be in this business which is different from franchise agreements, there is no legal reason prohibiting this. Mr. Mancuso pointed out that there are wealth of towns that have tried and failed and there a plethora of information of what has and hasn't worked. Mr. Mancuso cautioned that the cable business is a unique business unto itself. There are ample examples of successes and failures. Mr. Talbot said that there are twelve municipalities that are doing something; the question that presents itself is, are they making money at it, if they are not making money, why are they still doing it. Mr. Mancuso pointed out that the competitive environment changes the dynamic. Mr. Talbot commented that it is complicated, but it's clear the RMLD's traditional business is facing pressures from a number of directions for the long haul, and meanwhile data demand is increasing over the long haul. Mr. Pacino said that this topic has been discussed by the commission over the years; with the question being—what is the RMLD good at and staying with what we are good at. The consensus of the Board was that the Internet is something that can be explored.

Chairman Stempeck pointed out that with RMLD's demand decreasing for many different reasons how is that identified on the cost reduction side. Chairman Stempeck said that everyone looks at that, you can only reduce costs so much in a fixed cost market. Chairman Stempeck stated that the question is, how can you increase the demand in RMLD's four town area. This could involve server farms that are intensive for electricity usage; Analog Devices is a perfect example. If the RMLD can find and draw customers to the four town area, because the RMLD has some of the lowest electricity rates, that makes a substantial difference and we should begin to explore who those companies might be. In trying to find a competitive advantage, even as a municipality, there is no reason that we do not take advantage of that because it brings in new jobs into all the towns RMLD serves.

Ms. O'Brien explained that the study takes into account looking at the existing fiber loop and all the ways the RMLD can use the loop for communication beyond the metering and fixed network system. Sections of the fiber are rented out and the RMLD makes some money on that. It will look at ways the RMLD can better utilized the fiber loop to see if there is some economic value beyond that. Ms. O'Brien said that at the last utility she worked at a study was performed. Unless, you did not have an over built like in Shrewsbury where there was no system then you had a value in your own cable system. Ms. O'Brien cautioned that you need to be really careful because the technology changes and you need specialized staff that can respond to changes rapidly. Mr. Talbot pointed out that fiber optic cable itself is not considered subject to becoming obsolete. He said these days our data bills are often higher than our electric bills, and that the big Internet companies have margins of up to ninety percent. Mr. Talbot said that he wants the study to take a hard look at this. Ms. O'Brien said that what Chairman Stempeck is speaking to is the development of the economic development team and the town has one. Also, RMLD's Key Account position is being replaced with a market focused engineer that will help keep and attract new customers. Mr. Mancuso said that is a great initiative that many have the competence to develop a serious economic plan if the RMLD could support in that effort it would be great. Chairman Stempeck asked if the other towns have economic development committees. Mr. Hooper replied that in Wilmington he believes they do. Chairman Stempeck asked if there is any coordination between the towns. Ms. O'Brien responded that is why she is starting with the Town Manager in Reading to ask and perhaps a team could be put together with a specialist from each town that economic development's focus could be marketing, retaining and attracting new customers, specifically for large commercial customers at the RMLD. Ms. O'Brien stated that Ms. Gottwald as well as Key Accounts does a great job with the smaller commercials with the community Chamber network.

Power Supply Report – February 2014 – Ms. Parenteau (Attachment 1)

Ms. Parenteau reported that the RMLD's load for February was approximately 55.02 million megawatt hours, which is a 2.2% increase from February 2013. RMLD's energy cost was approximately \$3.38 million, approximately equivalent to a little over \$.06 per kilowatt-hour.

Power Supply Report – February 2014 – Ms. Parenteau (Attachment 1)

Ms. Parenteau stated that the Fuel Charge adjustment was \$.05 per kilowatt-hour for February and the RMLD sales totaled 57.62 million kilowatt hours, as a result the RMLD under collected by approximately \$676,000 resulting in a Deferred Fuel Cash Reserve balance of \$935,000. The March Fuel Charge was increased to \$.055 and the projected fiscal year ending balance of the Deferred Fuel Cash is \$3 million.

Ms. Parenteau reported that the RMLD purchased about 9.3% of its energy requirements from the ISO New England Spot Market at the average cost of \$139 per megawatt hour.

RMLD's peak demand for February was 106 megawatts which occurred on Thursday, February 13 at 7:00 pm, last year the peak was 105 megawatts which occurred on Monday, February 4 at 7:00 pm. The monthly capacity requirement was 215 megawatts with the total capacity cost of \$1.47 million which is equivalent to a little under \$7 a kilowatt month. Capacity and energy costs were approximately 8.83 cents per kilowatt hour with 7.6% of the energy from hydro generation.

The RMLD has four hydro projects that receive RECs. The RMLD has sold 13,000 vintage 2013 RECs for \$727,000 which represents the first three quarters of 2013. The RMLD estimates that it will receive an additional \$178,000 from the projected sales of 5,600 RECs for quarter four 2013 RECs that need to be retired or sold by June, 2014. The total 2013 REC revenue is estimated to come in at \$905,000.

Transmission costs in February were \$912,000 which is a 12% increase compared to last year.

Ms. Parenteau reported that eight commercial rebates were processed in January and February totaling \$65,898 which brings the fiscal year 2014 total to \$204,000. The capacity savings is 729 kilowatts and the energy savings 2,096 megawatt hours. On the residential side there have been eight hundred twenty eight appliance rebates totaling over \$40,000 and there have been two hundred sixty four customers that have received energy audits for \$52,000.

Mr. Soli commented that on last month's purchase power summary, the energy for the ISO Interchange being a negative \$1 million. The financials however resulted in a negative credit of \$176,000. At the last meeting he asked how the negative \$1 million would affect the NYPA credit. He would like to see the effect of the NYPA credit for January. Ms. Parenteau said that this could be provided, however there is a two month lag in the NYPA credit. The February NYPA credit is the result of December's purchase power. Ms. Parenteau said that the negative credit takes into account RMLD's ownership in StonyBrook in January because that plant ran in real time, the RMLD received additional revenue.

Mr. Soli clarified that the February financials the NYPA credit is due to what month of purchase power. Ms. Parenteau stated that February is a result of December's purchase power. Ms. Parenteau commented that she has run preliminary numbers on the January credit which come out to approximately \$312,000 and have not received February to date. Ms. Parenteau will get that information to Mr. Soli.

Engineering and Operations Report – February 2014 – Mr. Jaffari (Attachment 2)

Mr. Jaffari presented the February Engineering and Operations Report provided in the Commissioner packets.

Mr. Jaffari explained that some of the projects are delayed due to system maintenance, new construction as well as aged equipment throughout the service territory which will be addressed in the System Reliability Study. As a result of the study, this will provide a road map for a maintenance program.

Mr. Jaffari reported on System Projects:

101 5W9 Reconductoring – Wildwood Street: This project entails reconductoring 7,000 circuit feed of 336 spacer cable to 795 which started in fiscal year 2014 with a duration until fiscal year 2016. There are two components, the underground and overhead upgrades. The crews are currently working on the overhead portion with the underground portion completed in May, 2014.

102 4W4 Reconductoring: This will replace 5,500 circuit feed of 336 spacer cable to 795 and the reason for this is to increase the circuit capacity for loading and flexibility switching from 10MVA to 15MVA. This project is delayed due to manpower.

103 Upgrading of Old Lynnfield Center URDs (Trog Hawley): This includes three subdivisions that have aged equipment, the life of the transformers is old technology which is outdated, 512 and 513 at Needham Road have been completed. Trog Hawley was started in fiscal year 2013 and completed in fiscal year 2014.

Engineering and Operations Report – February 2014 – Mr. Jaffari (Attachment 2)

104 Upgrading of Old Lynnfield Center URD's (Cook's Farm): The crews will start working on Cooks Farm in fiscal year 2014 with an anticipated completion in September 2014. The aged infrastructure is going to be replaced with new equipment. This is preventive maintenance to circumvent failures.

Chairman Stempeck asked if the transformers are tested. Mr. Jaffari replied that the new transformers are being tested prior to being installed. Chairman Stempeck clarified that he is speaking to the aged transformers because transformers were changed out on a reactive versus proactive basis. Mr. Jaffari explained that approximately fifty percent of the transformers on the system are aged. The average life expectancy for transformers is approximately twenty years. Anything over twenty years may be exceeding its limits. Preventive maintenance and transformer load management are programs are means that assist in cycling out transformers proactively.

Mr. Soli asked does a transformer have no moving parts, what can break. Mr. Jaffari replied that there are two elements that affect transformers. If a transformer is overloaded it puts stress on its windings. Also, the integrity of windings paper insulation degrades by aged oil and heat, which reduces the life expectancy. The main concern with the aged transformers in our system is the oil leak, which causes environmental issues and results in costly cleanups. Mr. Soli said that there are moving parts in a transformer that are minuscule.

Mr. Mancuso asked if there is a way that the RMLD calculates the remaining value of the life of the transformer or equipment as it is changed out. Mr. Mancuso added that you know you have exhausted the value when a transformer fails, but is that number captured. Mr. Jaffari replied yes, once we implement the TLM program and load analyses are performed for all transformers. Mr. Mancuso commented that some of the value of the transformer is captured for a cost benefit analysis. Mr. Jaffari pointed out that aged transformers are not efficient, but with new transformers per DOE's mandate are ninety nine percent efficient. This cuts down on the losses, which is energy savings for the utility.

Ms. O'Brien clarified with Mr. Mancuso, is his question is that would the RMLD replace something that has value. Mr. Mancuso said that he has no question with the value of being proactive; his concern is the cost benefit. Ms. O'Brien said that what Mr. Jaffari is saying is that once the GIS is built that information from RMLD's customers load will point to a specific transformer. The industry provides curves that are predictive. With the lack of maintenance and the number of transformers that have not been inspected, the RMLD does not want to replace anything that it does not have to. The RMLD will use predictive curves being on the conservative side to prevent what happened in Wilmington. One spill you could have replaced the \$150,000 spent for that incident with many transformers. Mr. Mancuso said that the data being captured would drive those decisions. Ms. O'Brien agreed. It is a predictive curve for the insulation. Mr. Jaffari added that once the system is integrated with AMR and GIS, the customers Kwh consumptions are transferred to the database and the loading of transformers are estimated. Then, the life cycle analysis could predict the life expectancy of the transformers. This analysis estimates the predictive failure time for all transformers in the system; this is the strategy that will be utilized for asset management. Ms. O'Brien added that while a transformer may not have leaked, its efficiency has degraded to the point of not being cost effective. This is exactly what is predicted in the manufacturer's insulation curves. Without a transformer loading data program at RMLD it is difficult to determine the true cost benefit point by which, a particular transformer should be replaced. Overloaded transformers lives can be expediential; a no cost benefit issue.

105 4W5-4W6 Tie: This project will enhance and increase capability of switching within the feeders and swapping load in the peak periods. This involves the installation 1,500 circuit of 556 spacer cable to provide additional capacity for switching. The RMLD is currently waiting for Verizon to remove the poles.

106 URD Upgrades All Towns: There are 244 URDs in RMLD's service territory, 65 are over twenty five years old, the cable and transformers. These need to be upgraded. The transformers are 1995 vintage which will be inspected and identified for the need for replacement. Two have been completed to date and by June 2014, there will be thirty transformers. One crew will be dedicated to maintenance.

107 Stepdown Area Upgrades ll Towns: There are 32 step down areas in the service territory. These areas are thirty years old and will be upgraded before they are converted. Currently, Vine Street in Reading is being worked on to convert to 13.8 high voltage that also has lower losses. These are ongoing.

108 Station 4 (Gaw) Relay Replacement Project: There are 14 kv and 15 kv mechanical electric relays that are being changed out to solid state relays which are state of art. This has been delayed due to the lack of manpower. Once the Technical Service group is formed at the RMLD and training is provided, it will help provide the manpower to get projects completed.

109 Station 4 (Gaw) 35kv Potential Transformer Replacement: There are six 35kv potential transformer replacements that should be completed by fiscal year 2014. Once the rest of the equipment is tested they will be replaced.

Engineering and Operations Report – February 2014 – Mr. Jaffari (Attachment 2)

110 Station 3 – Replacement of Service Cutouts: There are six porcelain cutouts that need to be replaced and will be have animal guards on them for protection. This project should be completed in fiscal year 2014.

111 Station 4 (Gaw) Getaway Replacement – 4W13: This project is calling for replacing 1,700 circuit feeder underground cable to 750. This will increase the circuit capacity from 10 MVA to 15MVA. This project will be completed, April 2014.

125 Station 5 – Getaway Replacements 5W9 and 5W10: Both undergrounds need to be updated to 750 MCM Copper and overhead work is involved in this project. The crews are currently working on 5W9.

130 Station 3 – RTU Replacement: This needs to be transferred to Schweitzer solid state relays for data processing. This will be completed in fiscal year 2015.

Mr. Jaffari stated that for commercial service installations for the month of February the projects included North Reading Middle and High Schools. Year to date expenditures for commercial installations are \$27,204 and residential installations are \$7,704.

Mr. Jaffari then reported on all the routine construction items year to date total \$1,237,339. Chairman Stempeck clarified that the animal guard installations (which is part of routine construction reporting) are tied into the pie chart for outage types with wildlife being the second largest factor. Mr. Jaffari stated that is correct.

Mr. Jaffari said that the RMLD System Reliability indices System Average Interruption Duration Index (SAIDI), System Average Interruption Frequency (SAIFI) and Customer Average Interruption Duration Index (CAIDI) in the past was being reported with benchmarking against itself. This report has been revised to have the RMLD compare itself against regional and national standards for a five year timeframe comparison. Mr. Jaffari added that one big storm could change the indices negatively. Chairman Stempeck asked if the five year timeframe includes both regional and national standards. Mr. Jaffari responded that the information comes from American Public Power Association (APPA) annually. Chairman Stempeck said that the numbers indicate the RMLD is performing well against the benchmarks. Mr. Jaffari said that the focus has to be on preventive maintenance in order to maintain reliability. RMLD will be developing a preventative maintenance program to address that.

Mr. Jaffari added a portion to the report that demonstrates the causes of outages. The majority of failure causes has been trees at 27% and wildlife at 14% and the rest being equipment related 59% during fiscal year 2014 for the RMLD. Chairman Stempeck said that this demonstrates that equipment is becoming a larger issue. Chairman Stempeck asked that for future charts can the number of outages be listed. Mr. Jaffari will incorporate this.

Ms. O'Brien pointed out that when you look at the reliability indices and it demonstrates that the RMLD is doing well, it is at that moment. Lack of maintenance can have a dramatic impact unexpectedly. As Mr. Jaffari has stated that there is a large amount of equipment that is the same age which is reaching the end of its useful life. That is why the RMLD cannot continue this way. What happened in Wilmington with oil spill in the aged subdivision there were five transformers one had a major failure, one had a minor failure and three were pulled out that if not been taken out that week would have gone. The aged transformers tend to fail at the same time. The RMLD is trying to stay ahead of that. Maintenance needs to take place. It is good that the RMLD is being proactive because these incidents are happening throughout the service territory and RMLD does not have sufficient staff to address this.

Financial Report – February 2014 – Mr. Fournier (Attachment 3)

Mr. Fournier presented the February Financial Report provided in the Commissioner packets for the first eight months of this fiscal year; the negative change in Net Assets or Net Loss for February was \$235,000, making the year to date Net Loss to a little less than \$930,000. Fuel Expenses have exceeded Fuel Revenues by approximately \$1.7 million. The bulk of this loss is due to the difference in the Fuel Revenue and Fuel Expense. As Ms. Parenteau has stated, the Deferred Fuel balance is at approximately \$1 million and would like to increase this to \$3 million to offset the losses the RMLD is currently showing and put the RMLD in good financial position by year end.

Year to date base revenues were under budget by \$1.6 million or about 5%. Actual base revenues were \$31.3 million.

Year to date purchased power base expenses were over budget by \$135,000 or less than 1%. Actual purchased power base costs were \$19.5 million.

Year to date Operating and Maintenance (O&M) expenses combined were under budget by \$143,000 or 1.5%. Actual O&M expenses were \$8.4 million. Depreciation expense and voluntary payments to the Towns were on budget.

Financial Report – February 2014 – Mr. Fournier (Attachment 3)

Mr. Fournier reported that the Operating Fund is at \$12.6 million which is due to a timing issue on the Account Payables; Capital Fund \$4.4 million; Rate Stabilization Fund \$6.7 million; Deferred Fuel Fund \$935,000 and the Energy Conservation Fund at \$422,000. Year to date kilowatt hours sales are 455 million kilowatt hours, which is 2% behind last year. Gas revenues collected year to date are \$475,000 which brings the total collected since inception to \$2.5 million.

M.G.L. Chapter 30B Bids (Attachment 4)

IFB 2014-19 Landscaping and Grounds Keeping Services

Mr. Jaffari reported that the existing landscaper Eagle Landscaping was terminated for performance issues which was a contract that started April 2013 with the contract being terminated on February 24, 2014. There were 19 bids sent out with 3 responses, 1 bidder was the most responsive.

Chairman Stempeck asked why a sole bidder. Mr. Jaffari responded that the insurance requirement of five million was too much for the potential bidders to acquire. Also, the properties were too large and too difficult to manage.

Mr. Talbot clarified to as what landscaping is being performed under this bid. Mr. Jaffari responded that substations, parking lots, the RMLD operations at Ash Street for cleaning, mowing, mulching, substation weed control and brush control around the transformers. Chairman Stempeck asked if this includes snow removal or is separate. Ms. O'Brien explained that the RMLD plows and the rented property Mr. Barbas assisted the RMLD due to snow taking up too much space, it was a unique year.

Mr. Pacino made a motion seconded by Mr. Soli that bid 2014-19 for Grounds Keeping and Landscaping Services be awarded to Earthworks Landscaping Co., Inc. for \$132,311.00 as the lowest qualified and responsive bidder on the recommendation of the General Manager. (This is a three-year contract.)

Motion carried 5:0:0.

General Discussion

Mr. Pacino stated that Mr. Mancuso will be leaving the Board. The Board members thanked Mr. Mancuso for his service.

BOARD MATERIAL AVAILABLE BUT NOT DISCUSSED

Rate Comparisons, February 2014

E-Mail responses to Account Payable/Payroll Questions

RMLD Board Meetings

Thursday, March 27, 2014

Thursday, May 1, 2014

Citizens' Advisory Board Meeting

Fiscal Year 2015 Budget Meetings

April 2, 2014 – Lynnfield – April 9, 2014

Executive Session

At 8:42 p.m. Mr. Pacino made a motion seconded by Mr. Soli that the Board go into Executive Session to approve the Executive Session meeting minutes of January 29, 2014, discuss mediation and union negotiations update, and return to Regular Session for the sole purpose of adjournment.

Chairman Stempeck polled the Board. Motion carried by a polling of the Board:

Chairman Stempeck, Aye; Mr. Pacino; Aye; Mr. Mancuso; Aye, Mr. Soli; Aye and Mr. Talbot, Aye.

Motion carried 5:0:0.

Adjournment



At 9:15 p.m. Mr. Soli made a motion seconded by Mr. Mancuso move to adjourn the Regular Session.

A true copy of the RMLD Board of Commissioners minutes
as approved by a majority of the Commission.

David Talbot, Secretary Pro Tem
RMLD Board of Commissioners



POWER SUPPLY REPORT
BOARD REFERENCE TAB C

To: Coleen O'Brien
 From:  Maureen McHugh, Jane Parenteau 
 Date: August 11, 2014
 Subject: Purchase Power Summary – June, 2014

Energy Services Division (ESD) has completed the Purchase Power Summary for the month of June, 2014.

ENERGY

The RMLD's total metered load for the month was 61,510,173 kWh, which is an 5.19% decrease from the June, 2013 figures.

Table 1 is a breakdown by source of the energy purchases.

Table 1

Resource	Amount of Energy (kWh)	Cost of Energy (\$/Mwh)	% of Total Energy	Total \$ Costs	\$ as a %
Millstone #3	3,263,634	\$6.41	5.32%	\$20,925	0.83%
Seabrook	5,704,030	\$7.23	9.31%	\$41,251	1.63%
Stonybrook Intermediate	678,422	\$87.36	1.11%	\$59,267	2.35%
JP Morgan	7,713,600	\$62.95	12.59%	\$485,560	19.24%
NextEra	9,686,000	\$50.21	15.80%	\$486,336	19.28%
NYPA	1,818,013	\$4.92	2.97%	\$8,945	0.35%
ISO Interchange	11,807,562	\$44.42	19.27%	\$524,479	20.79%
NEMA Congestion	0	\$0.00	0.00%	-\$118,700	-4.70%
Coop Resales	24,899	\$152.01	0.04%	\$3,785	0.15%
BP Energy	9,550,800	\$48.27	15.58%	\$461,017	18.27%
Summit Hydro/Collins/Pioneer	829,275	\$63.75	1.35%	\$52,866	2.10%
Braintree Watson Unit	616,063	\$56.81	1.01%	\$34,998	1.39%
Swift River Projects	1,296,266	\$99.35	2.12%	\$128,784	5.10%
Exelon	8,282,400	\$39.91	13.51%	\$330,591	13.10%
Stonybrook Peaking	17,955	\$165.51	0.03%	\$2,972	0.12%
Monthly Total	61,288,919	\$41.17	100.00%	\$2,523,075	100.00%

Table 2 breaks down the ISO interchange between the DA LMP Settlement and the RT Net Energy for the month of June 2014.

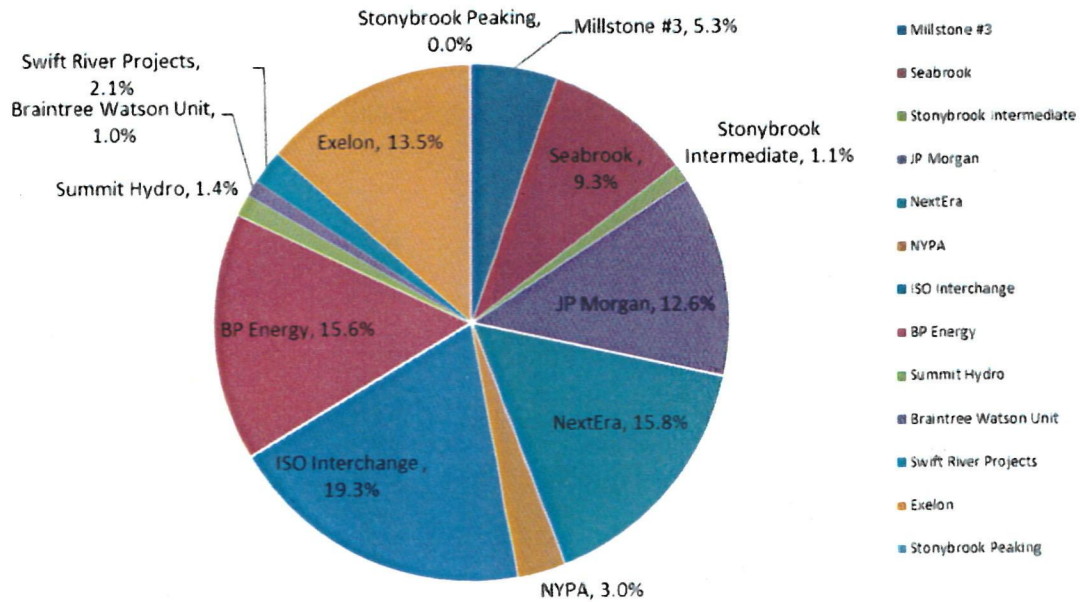
Table 2

Resource	Amount of Energy (kWh)	Cost of Energy (\$/Mwh)	% of Total Energy
ISO DA LMP * Settlement	12,592,406	43.52	20.80%
RT Net Energy ** Settlement	-784,844	21.26	-1.30%
ISO Interchange (subtotal)	11,807,562	44.42	19.51%

* Independent System Operator Day-Ahead Locational Marginal Price

** Real Time Net Energy

JUNE 2014 ENERGY BY RESOURCE



CAPACITY

The RMLD hit a demand of 142,696 kW, which occurred on June 25, at 4 pm. The RMLD's monthly UCAP requirement for June, 2014 was 208,440 kW.

Table 3 shows the sources of capacity that the RMLD utilized to meet its requirements.

Table 3

Source	Amount (kW)	Cost (\$/kW-month)	Total Cost \$	% of Total Cost
Millstone #3	4,950	43.09	\$213,310	14.93%
Seabrook	7,919	45.01	\$356,418	24.94%
Stonybrook Peaking	24,981	1.93	\$48,263	3.38%
Stonybrook CC	42,925	3.55	\$152,547	10.68%
NYPA	4,019	4.19	\$16,834	1.18%
Hydro Quebec	4,673	3.83	\$17,918	1.25%
Nextera	60,000	5.65	\$339,000	23.72%
Braintree Watson Unit	10,520	11.36	\$119,502	8.36%
ISO-NE Supply Auction	48,453	3.41	\$165,151	11.56%
Total	208,440	\$6.86	\$1,428,943	100.00%

Table 4 shows the dollar amounts for energy and capacity per source.

Table 4

Resource	Energy	Capacity	Total cost	% of Total Cost	Amt of Energy (kWh)	Cost of Power (\$/kWh)
Millstone #3	\$20,925	\$213,310	\$234,235	5.93%	3,263,634	0.0718
Seabrook	\$41,251	\$356,418	\$397,669	10.06%	5,704,030	0.0697
Stonybrook Intermediate	\$59,267	\$152,547	\$211,814	5.36%	678,422	0.3122
Hydro Quebec	\$0	\$17,918	\$17,918	0.45%	-	0.0000
JP Morgan	\$485,560	\$0	\$485,560	12.29%	7,713,600	0.0629
NextEra	\$486,336	\$339,000	\$825,336	20.88%	9,686,000	0.0852
* NYPA	\$8,945	\$16,834	\$25,778	0.65%	1,818,013	0.0142
ISO Interchange	\$524,479	\$165,151	\$689,630	17.45%	11,807,562	0.0584
Nema Congestion	-\$118,700	\$0	-\$118,700	-3.00%	-	0.0000
BP Energy	\$461,017	\$0	\$461,017	11.67%	9,550,800	0.0483
* Summit Hydro/Collins/Pioneer	\$52,866	\$0	\$52,866	1.34%	829,275	0.0637
Braintree Watson Unit	\$34,998	\$119,502	\$154,500	3.91%	616,063	0.2508
* Swift River Projects	\$128,784	\$0	\$128,784	3.26%	1,296,266	0.0994
Coop Resales	\$3,785	\$0	\$3,785	0.10%	24,899	0.1520
Constellation Energy	\$330,591	\$0	\$330,591	8.37%	8,282,400	0.0399
Stonybrook Peaking	\$2,972	\$48,263	\$51,235	1.30%	17,955	2.8535
Monthly Total	\$2,523,075	\$1,428,943	\$3,952,018	100.00%	61,288,919	0.0645
* Renewable Resources					6.43%	

RENEWABLE ENERGY CERTIFICATES (RECs)

Table 5 shows the amount of banked and projected RECs for the Swift River Hydro Projects through June, 2014, as well as their estimated market value.

Table 5
Swift River RECs Summary
Period - January 2014 - June 2014

	Banked RECs	Projected RECs	Total RECs	Est. Dollars
Woronoco	0	3,613	3,613	\$149,940
Pepperell	0	3,179	3,179	\$184,382
Indian River	0	1,711	1,711	\$99,238
Turners Falls	0	1,389	1,389	\$0
RECs Sold			0	\$0
Grand Total	0	9,892	9,892	\$433,560

TRANSMISSION

The RMLD's total transmission costs for the month of June, 2014 were \$824,454. This is an increase of 31.11% from the May transmission cost of \$628,818. In June, 2013 the transmission costs were \$1,030,696.

Table 6

	Current Month	Last Month	Last Year
Peak Demand (kW)	142,696	100,172	162,059
Energy (kWh)	60,533,499	54,474,357	64,889,690
Energy (\$)	\$2,523,075	\$1,729,892	\$2,465,567
Capacity (\$)	\$1,428,943	\$1,374,862	\$1,472,596
Transmission(\$)	\$824,454	\$628,818	\$1,030,696
Total	\$4,776,472	\$3,733,573	\$4,968,858

ENERGY EFFICIENCY

Table 7 shows the comprehensive results from the Energy Conservation program. The amount of savings is broken down by both demand and energy for the Commercial and Residential sectors.

Table 7		Total \$		Total		Total \$					
Commercial	Year	Capacity Saved (kW)	Energy Saved (kwh)	Capacity	\$/kW	Energy	\$/kWh	Rebate	Rebate/kWh	Rebate/kW	Cost Benefit
Total to date	FY07-13	11,346	46,338,741	\$ 1,053,256		2,592,993		\$ 1,455,819	\$ 0.03	\$ 128.31	\$ 2,190,431
Current	FY14	976	2,653,428	\$ 134,057	\$11.45	132,671	\$ 0.05	\$ 276,567	\$ 0.10	\$ 283.46	\$ (9,838)
Residential											
Total to date	FY07-13	1,795	1,593,066	\$ 168,790		83,191		\$ 568,591	\$ 0.36	\$ 316.79	\$ (316,610)
Current	FY14	257	122,974	\$ 35,260	\$11.45	6,149	\$ 0.05	\$ 149,940	\$ 1.22	\$ 584.28	\$ (108,531)
Total											
Total to date	FY07-13	13,141	47,931,807	\$ 1,222,046		2,676,184		\$ 2,049,410	\$ 0.04	\$ 155.96	\$ 1,848,820.24
Current	FY14	1,232	2,776,402	\$ 169,317	\$11.45	138,820	\$ 0.05	\$ 426,507	\$ 0.15	\$ 346.11	\$ (118,370)

Table 8 shows the breakdown for residential appliance rebates by type and year.

Table 8		Refrigerator		Dishwasher		Dehumidifier		Central A/C		Window A/C		Thermostat		Audits		Renewable		Air Source Heat Pump		HP Water Heater		Fan		
Year	QTY	Dollars	QTY	Dollars	QTY	Dollars	QTY	Dollars	QTY	Dollars	QTY	Dollars	QTY	Dollars	QTY	Dollars	QTY	Dollars	QTY	Dollars	QTY	Dollars	QTY	Dollars
2007																								
2008	86	\$ 4,300	47	\$ 2,350	55	\$ 2,750	7	\$ 175	17	\$ 1,700	10	\$ 250	23	\$ 230	107	\$ 14,940								
2009	406	\$ 20,300	259	\$ 12,950	235	\$ 11,750	40	\$ 1,000	41	\$ 4,100	50	\$ 1,250	114	\$ 1,140	107	\$ 14,940								
2010	519	\$ 25,950	371	\$ 18,550	382	\$ 19,100	37	\$ 925	64	\$ 6,400	49	\$ 1,225	127	\$ 1,270	64	\$ 8,960	6	\$ 20,700						
2011	425	\$ 21,250	383	\$ 19,150	313	\$ 15,650	47	\$ 1,175	57	\$ 5,700	65	\$ 1,625	118	\$ 1,180	180	\$ 26,960	4	\$ 18,000						
2012	339	\$ 16,950	354	\$ 17,700	289	\$ 14,450	38	\$ 950	44	\$ 4,400	56	\$ 1,400	105	\$ 1,050	219	\$ 32,731	3	\$ 14,000						
2013	285	\$ 14,250	336	\$ 16,800	311	\$ 15,550	29	\$ 725	24	\$ 2,400	54	\$ 1,350	57	\$ 570	375	\$ 75,000	3	\$ 15,000	\$ 19	\$ 1,900	4	\$ 1,000	5	\$ 50
2014	322	\$ 16,100	333	\$ 16,650	298	\$ 14,900	27	\$ 675	38	\$ 3,800	76	\$ 1,900	83	\$ 1,245	363	\$ 72,600	4	\$ 17,250	\$ 20	\$ 2,000	11	\$ 2,750	7	\$ 70
Total	2382	\$ 119,100	2083	\$ 104,150	1883	\$ 94,150	225	\$ 5,625	285	\$ 28,500	360	\$ 9,000	627	\$ 6,685	1415	\$ 246,131	20	\$ 84,950	39	\$ 3,900	24	\$ 6,000	15	\$ 150



READING MUNICIPAL LIGHT DEPARTMENT

To: Coleen O'Brien

Date: September 25, 2014

From: Jane Parenteau
William Seldon

Subject: **Update to 2014 Request For Proposals (RFP) Wholesale Power Supply**

The attached memo was distributed to the Citizens Advisory Board (CAB) and was reviewed by the CAB at the August 13, 2014 CAB meeting.

There were three CAB members present at the meeting, Mr. Hooper, Mr. Kelly and Mr. Mancuso. Mr. Norton and Mr. Nelson were not present. Mr. Talbot represented the RMLB.

The CAB members present at the meeting voted unanimously to recommend the the RMLB to authorize the General Manager to persue power supply procurement as outlined in the Wholesale Power Supply Plan memo (attached).



READING MUNICIPAL LIGHT DEPARTMENT

To: Coleen O'Brien

Date: August 7, 2014

From: Jane Parenteau
William Seldon

Subject: **2014 Request For Proposals (RFP) Wholesale Power Supply**

Reading Municipal Light Department (RMLD) will be going out with an RPP for Power Supply for the period January 2015 – December 2018.

The attached table shows the monthly maximum amounts of energy, in kW, the RMLD is planning to purchase for 2015 through 2018. This table reflects a laddering and layering approach that the RMLD is utilizing. Using this approach, RMLD purchases 25% of the projected energy requirement on a monthly basis for the next four years.

The first two lines show the year and month in the planning period.

Lines labeled (1) reflect the On Peak Energy Entitlements (kW) and Off Peak Energy Entitlements (kW) that were purchased from Nextera, Exelon, and BP Energy in the 2011, 2012 and 2013 RFPs.

Lines labeled (2) show the maximum amount of monthly kW's that the RMLD is planning to purchase in the 2014 RFP. These amounts are the hourly amount of energy which translate into kWh's by summing the On Peak periods (Hours 08 – Hours 23) and Off Peak periods (Hours 01-07, 24, including all day Saturday and Sunday).

Lines labeled (3) indicate the Future On Peak and Off Peak Purchase which will be included in future RFPs.

Lines labeled (4) show the Total Requirement On Peak and Off Peak which sums the amount of power supply either purchased, proposed to be purchased before the end of 2014, and possible future procurements. It should also be noted that the Total Requirement assumes approximately a 20% annual open position in the ISO-NE Spot Market.

The total amount of energy for the 48 month period from January 2015 through December 2018 represents approximately 463,000 Mw's and, based on today's

indicative pricing would result in contracts having a value of approximately \$26 million which is equivalent to approximately \$56/Mwh.

The Integrated Resources Division (IRD) will continue monitoring the forward energy prices as well as the NYMEX Natural Gas futures. The NYMEX Natural Gas futures for the balance of calendar year 2014 and beyond are projected to be in the mid \$4.00 range through 2018. Per the IRD strategy, the RMLD will continue to monitor the markets and procure RMLD's energy needs through the RFP process for the period 2015 - 2018 as reflected in the attached table.

RMLD intends to request indicative pricing for Fixed and Heat Rate (HR) Index products from the following suppliers, Nextera, International Power, PSEG, Merrill Lynch, Morgan Stanley, J P Morgan, Dominion, Shell, PPL, Macquarie, Exelon, Hydro Quebec US and BP. These entities have recently been contacted by other municipals for pricing or have produced indicative pricing in the past. After receiving the indicative quotes from the suppliers, IRD will analyze the pricing and short list those entities which best fit RMLD's requirements. RMLD will negotiate contracts with the short listed entities. A contract matrix will be developed which will include the various provisions in each supplier's contract as well as overall pricing. Along with the General Manager, IRD will analyze final pricing and select one or more suppliers.

The Board of Commissioners and CAB will be updated on the results of the RFP.

RMLD Proposed Power Contract Timeline
(Amounts below represent kW proposed to be purchased hourly)

Year Month	2015												2016											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
(1) On Peak Entitlements (kW)	46,525	43,900	34,150	34,400	38,425	47,275	58,400	58,400	47,900	43,550	39,950	42,500	30,500	28,725	22,225	22,150	24,700	32,025	39,700	39,700	32,775	29,600	26,600	28,575
(1) Off Peak Entitlements (kW)	29,375	30,250	25,075	28,850	28,750	27,850	37,250	37,250	27,400	31,150	26,350	27,550	20,050	20,825	17,350	19,875	20,000	19,200	25,525	25,525	18,900	21,425	18,200	19,000
(2) RFP On-Peak Purchases (kW)	13,675	10,900	9,950	12,200	13,575	17,325	28,400	28,400	16,200	15,450	19,050	17,700	15,325	12,975	11,300	13,325	14,900	17,100	26,300	26,300	15,975	15,325	18,325	17,250
(2) RFP Off-Peak Purchases (kW)	7,925	8,550	9,325	4,750	7,450	15,050	14,950	14,950	12,300	5,050	11,750	12,350	8,375	8,725	8,825	5,700	10,000	13,425	14,225	14,225	11,325	6,100	10,825	11,375
(3) Future On-Peak Purchases (kW)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(3) Future Off-Peak Purchases (kW)	0	0	0	0	0	0	0	0	0	0	0	0	15,275	13,900	11,175	11,825	13,200	15,375	22,000	22,000	16,250	14,975	14,975	15,275
(4) Total Requirement On Peak (kW)	60,200	54,800	44,100	46,600	52,000	64,600	86,800	86,800	64,100	59,000	59,000	60,200	61,100	55,600	44,700	47,200	52,800	65,500	88,000	88,000	65,000	59,900	59,900	61,100
(4) Total Requirement Off Peak (kW)	37,300	38,800	34,400	33,600	36,200	42,900	52,200	52,200	39,700	36,200	38,100	39,900	37,900	39,400	34,900	34,100	40,000	43,500	53,000	53,000	40,300	36,700	38,700	40,500

(1) RFP Purchases in 2011, 2012 & 2013 (Nextera, Exelon, & BP Energy)
 (2) Proposed 2014 RFP - Total kW's - RMLD reserves the right to split up the Requirement between Suppliers and HR Index and Firm Strip Pricing.
 (3) Amount of kW's that RMLD will purchase in subsequent RFP process.
 (4) Total Requirement of energy which represents on average 20% open position in ISO-NE Spot Market

On-Peak: Mon - Fri Hours Ending 08:23
 Off-Peak: Mon - Fri Hours Ending 24:07, Sat/Sun

ENGINEERING AND OPERATIONS
REPORT
BOARD REFERENCE TAB D



**READING MUNICIPAL LIGHT DEPARTMENT
FY 14 CAPITAL BUDGET VARIANCE REPORT
FOR PERIOD ENDING JUNE 30, 2014**

PROJECT DESCRIPTION	TOWN	ACTUAL COST JUNE	FY 14 ADDITIONS	ANNUAL BUDGET	REMAINING BALANCE
E&O Construction-System Projects					
1 5W9 Reconductoring - Wildwood Street	W	54,739	152,387	169,494	17,107
2 4W4 Reconductoring	W			166,340	166,340
* 3 Upgrading Old Lynnfield Center URDs (Trog Hawley) (Partial Carryover)	LC		71,284	140,827	69,543
4 Upgrading Old Lynnfield Center URDs (Cook's Farm)	LC		13,549	410,983	397,434
5 4W5 - 4W6 Tie	R		9,960	96,596	86,636
6 URD Upgrades - All Towns	ALL	5,613	33,995	210,005	176,010
7 Stepdown Area Upgrades - All Towns	ALL	2,941	58,661	232,817	174,156
Total System Projects					
Station Upgrades					
8 Relay Replacement Project - Gaw Station (Carryover)	R			117,181	117,181
9 Gaw Station 35 kv Potential Transformer (PT) Replacement	R			40,288	40,288
10 Station 3 - Replacement of Service Cutouts	NR			30,126	30,126
* 11 Station 4 Getaway Replacement - 4W13	R		165,035	245,147	80,112
15 Station 5 - Getaway Replacements 5W9 and 5W10	W			95,343	95,343
Total Station Projects					
SCADA Projects					
30 RTU Replacement - Station 3	NR			84,109	84,109
Total SCADA Projects					
New Customer Service Connections					
12 Service Installations-Commercial/Industrial	ALL	233	50,006	55,549	5,543
13 Service Installations - Residential Customers	ALL	10,047	194,530	200,302	5,772
Total Service Connections					
14 Routine Construction					
Various	ALL	74,528	1,681,730	1,014,306	(667,424)
Total Construction Projects		148,101	2,431,137	3,309,414	878,277
Other Projects					
16 Transformers		89,304	430,530	284,000	(146,530)
17A Meter Purchases			42,710	138,000	95,290
17C AMR High-Powered ERT Comm. Meter Upgrade Project (Partial Carryover)			163,433	114,601	(48,832)
17D AMR High-Powered ERT 500 Club Meter Upgrade Project				92,713	92,713
* 18 Purchase New Pick-up Trucks			61,062	70,000	8,938
* 19 Purchase Two New Line Department Vehicles		198,761	385,365	400,000	14,635
20 Build Covered Storage (Multi-year Project)				150,000	150,000
21 HVAC System Upgrade (Multi-year Project)				275,000	275,000
22 Engineering Analysis Software and Data Conversion (Partial Carryover)			17,850	37,081	19,231
* 23 New Radio System (Multi-year Project)			95,235	100,000	4,765
24 Repairs - 226 Ash Street, Station 1 (Multi-year Project)				520,000	520,000
26 Communication Equipment - Fiber			9,193	100,000	90,807
26A Communication Equipment - Security System		44,697	44,697	-	(44,697)
27 Hardware Upgrades		15,850	119,906	181,000	61,094
28 Software and Licensing		5,615	93,163	180,200	87,037
29 Master Site Plan and Photovoltaic Generation Installation				150,000	150,000
Total Other Projects		\$ 354,227	1,463,144	2,792,594	1,329,450
TOTAL CAPITAL BUDGET		\$ 502,328	3,894,281	6,102,008	2,207,728

* completed projects



**Reading Municipal Light Department
Engineering and Operations
Monthly Report**

June 2014 Activity

CAPITAL IMPROVEMENTS

		% Complete FY14-15 Status	PROJECT SPENDING	
			Current Month	Fiscal YTD
Construction Projects:				
	5W9 Reconductoring – Ballardvale Area:			
101	<i>Completed the reconductoring of Ballardvale Street and placed 5W9 back into service for the Summer. Project will restart in the Fall of 2014 (as of 7/17/14).</i>	50%	\$54,739	\$152,387
	URD Upgrades – All Towns:			
106	<ul style="list-style-type: none"> • <i>Heritage Way, NR</i> • <i>Wildwood Street, NR</i> • <i>Summit Drive, R</i> 	On-going	\$5,613	\$33,995
	Stepdown Area Upgrades – All Towns:			
107	<ul style="list-style-type: none"> • <i>Bond Street, R</i> • <i>Vine Street and Hunt Street, R</i> 	On-going	\$2,941	\$58,661

New Customer Service Connections:

- **Service Installations – Commercial/Industrial Customers:**

This item includes new service connections, upgrades, and service replacements for the commercial and industrial customers. This represents the time and materials associated with the replacement of an existing or installation of a new overhead service drop and the connection of an underground service, etc. This does not include the time and materials associated with pole replacements/installations, transformer replacements/installations, primary or secondary cable replacements/installations, etc. These aspects of a project are captured under Routine Construction (as outlined below).

- **Service Installations – Residential Customers:** This item includes new or upgraded overhead and underground services.

Routine Construction/Capital Improvements:

	Current Month	Fiscal YTD
Pole Setting/Transfers	22,435	363,710
Overhead/Underground	34,839	412,563
Projects Assigned as Required including: <ul style="list-style-type: none"> NR High School/Middle School – driveway widening Haverhill Street, NR - pole relocation (Railroad Avenue) West Street, W – two new services St. Agnes Parish - Woburn Street, R Avalon Oaks West, W 	4,667	368,612
Pole Damage/Knockdowns - Some Reimbursable <ul style="list-style-type: none"> Work was done to repair or replace four (4) damaged poles. 	5,944	74,874
Station Group	0	2,189
Hazmat/Oil Spills	0	51,786
Porcelain Cutout Replacement Program	2,009	11,334
Lighting (Street Light Connections)	0	39,326
Storm Trouble	522	22,926
Underground Subdivisions (new construction) <ul style="list-style-type: none"> McGrane Road Subdivision Amherst Road, W – three new lots Duane Drive, NR 	4,061	22,769
Animal Guard Installation	52	35,590
Miscellaneous Capital Costs	0	276,051
TOTAL:	<u>\$ 74,528</u>	<u>\$ 1,681,729</u>

MAINTENANCE PROGRAMS**Aged/Overloaded Transformer Replacement**

- *Single-Phase Padmount Transformers: 3.46% replaced through 9/23/2014. Two replaced in June (Wildwood Street, NR; Heritage Way, NR).*
- *Three-Phase Padmount Transformers: 1.48% replaced through 9/23/2014. Two replaced in June (Ballardvale Avenue, W; Research Drive, W).*

Pole Testing System-wide (600-1,000 poles/year)

Contract awarded to mPower Technologies.

13.8kV/35kV Feeders – Quarterly Inspections

3W8, 3W18, 5W4, 5W8, 5W9

Manhole Inspections

Pending.

Porcelain Cutout Replacements (with Polymer)

A total of ten (10) cutouts were changed out in June. Three were changed as part of the Porcelain Cutout Replacement Program and an additional seven (7) were replaced because of damage. 87% complete.

Substations:

Infrared Scanning (Monthly)

Station 3	Scanning complete through August – no hot spots found
Station 4	Scanning complete through August – no hot spots found
Station 5	Scanning complete through August – no hot spots found

Substation Maintenance Program

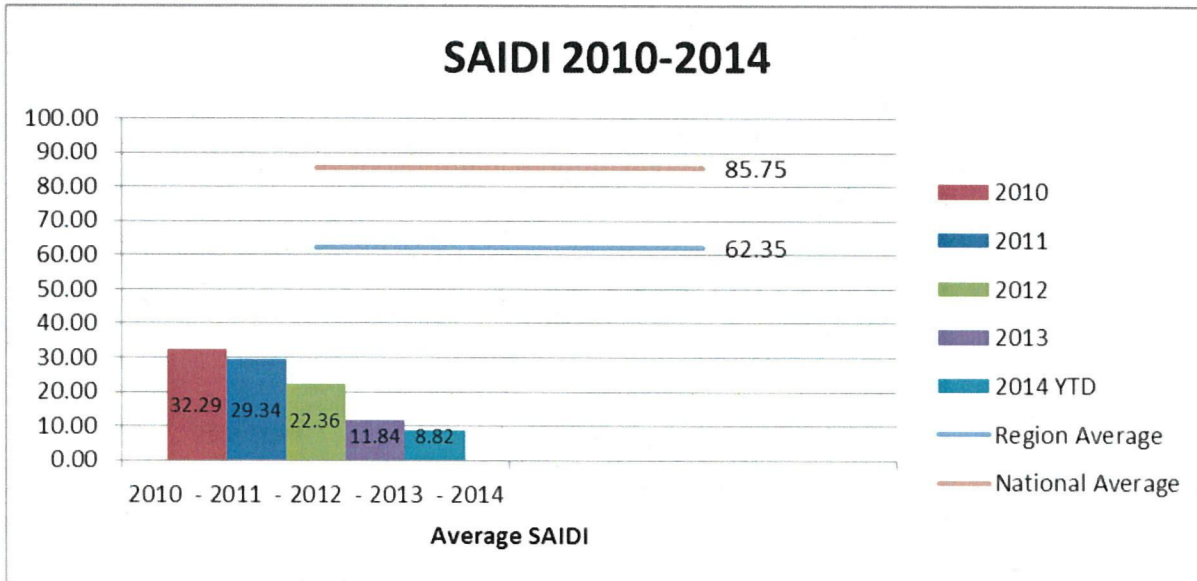
- Inspection of all three stations by UPG in progress (80% complete).

SYSTEM RELIABILITY

Key industry standard metrics have been identified to enable the RMLD to measure and track system reliability.

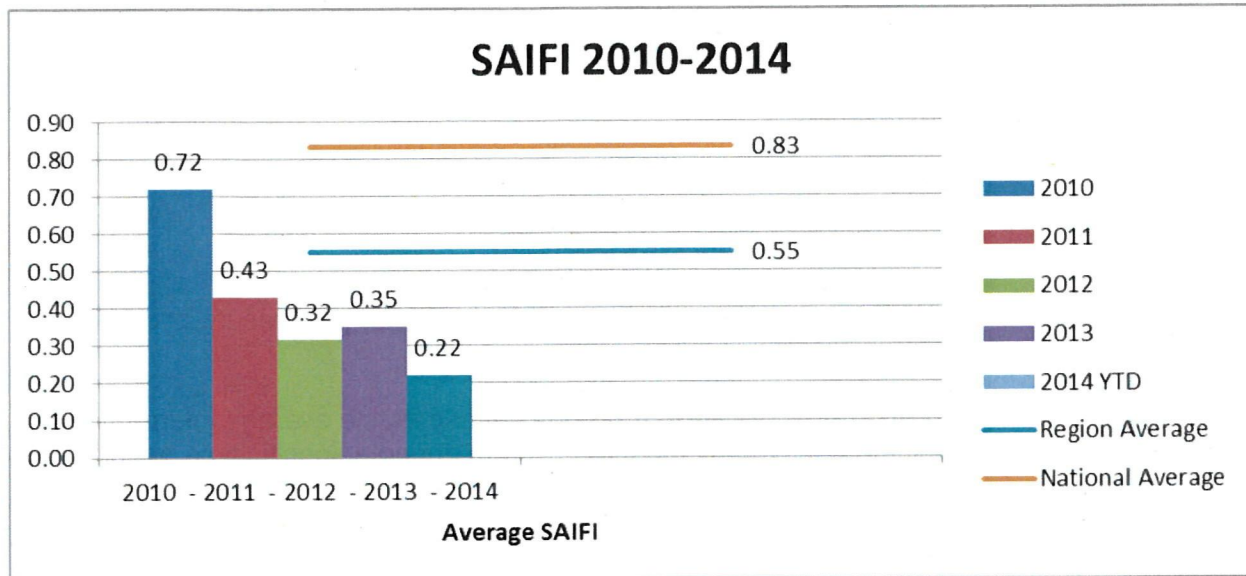
SAIDI (System Average Interruption Duration Index) is defined as the average interruption duration (in minutes) for customers served by the utility system during a specific time period.

SAIDI = the sum of all customer interruption durations within the specified time frame ÷ by the average number of customers served during that period.



SAIFI (System Average Interruption Frequency) is defined as the average number of instances a customer on the utility system will experience an interruption during a specific time period.

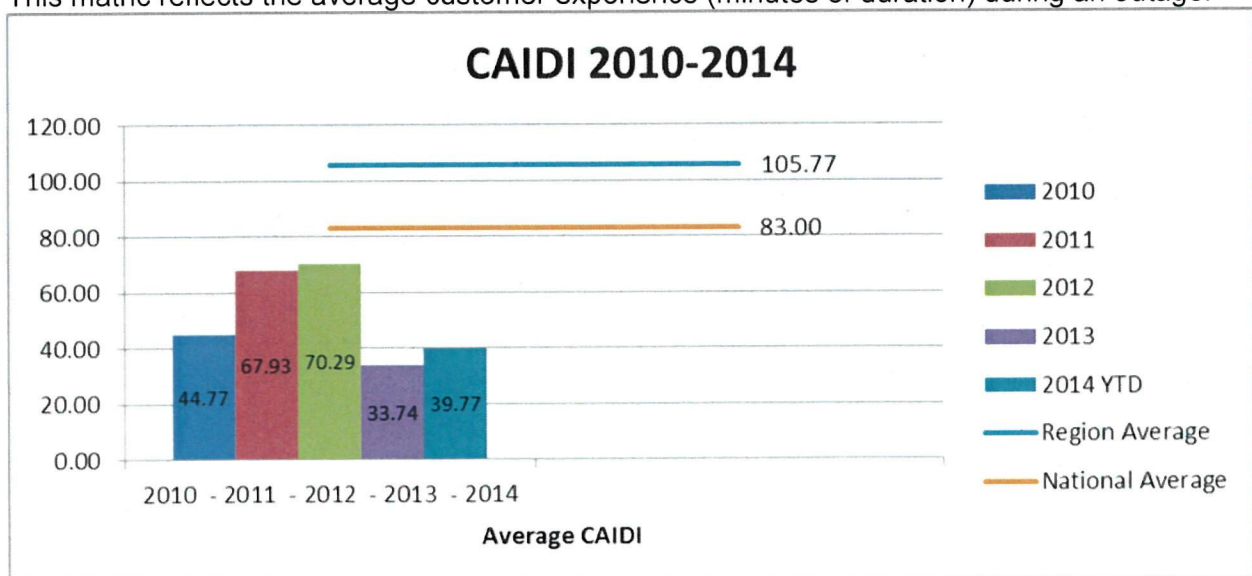
SAIFI = the total number of customer interruptions ÷ average number of customers served during that period.



CAIDI (Customer Average Interruption Duration Index) is defined as the average duration (in minutes) of an interruption experienced by customers during a specific time frame.

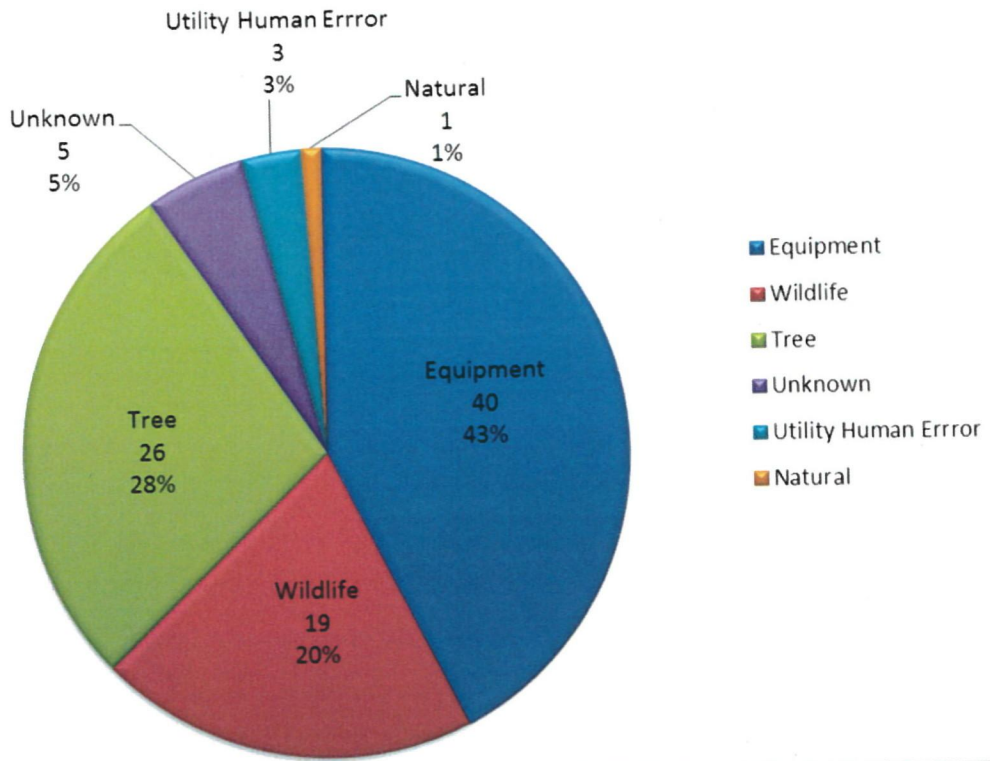
CAIDI = the sum of all customer interruption durations during that time period ÷ the number of customers that experienced one or more interruptions during that time period

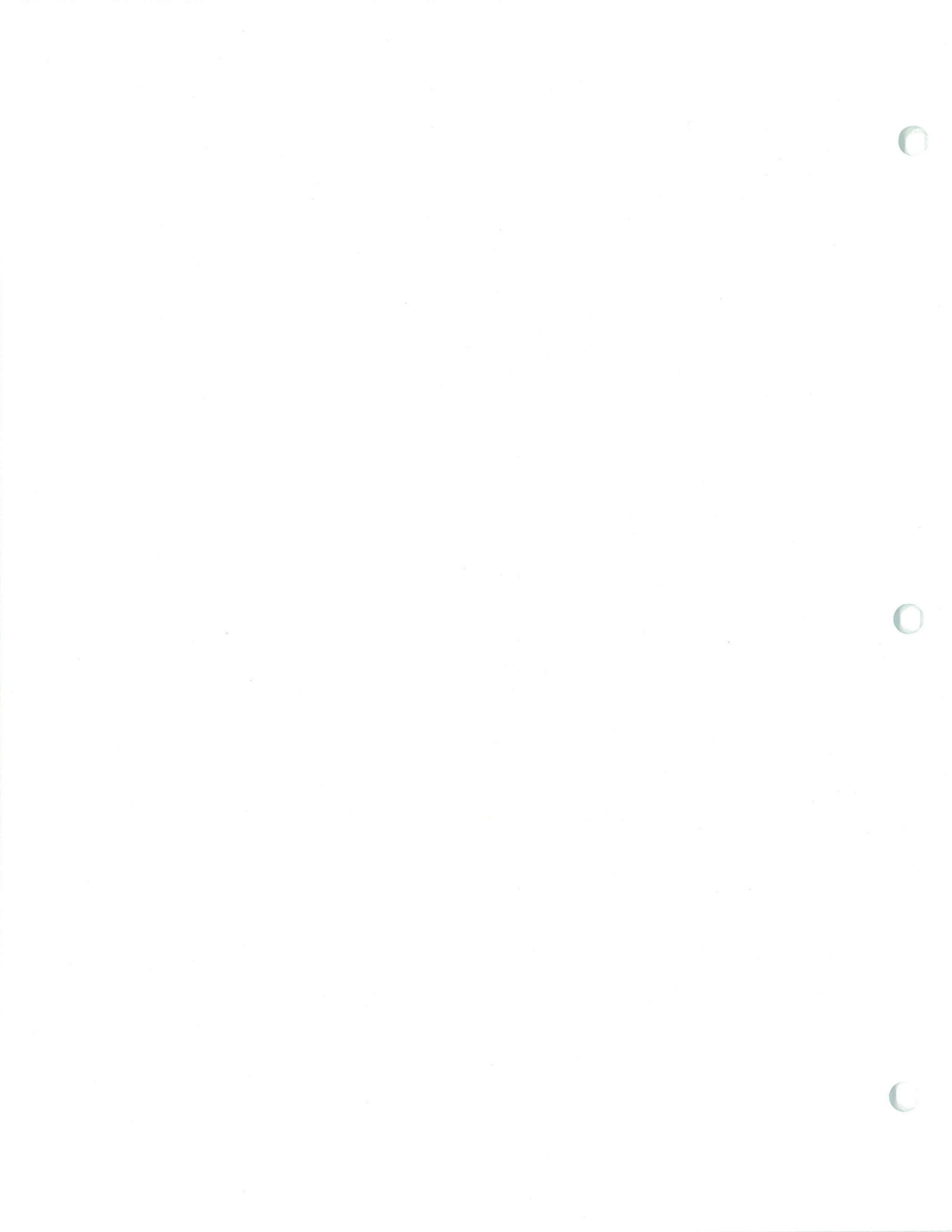
This metric reflects the average customer experience (minutes of duration) during an outage.



Note: Since SAIFI, SAIFR and CAIDI are sustained interruption indices; only outages lasting longer than one minute are included in the calculations.

2014 Outage Causes Types YTD June 30, 2014





M.G.L.c. 30B BIDS
BOARD REFERENCE TAB E



230 Ash Street
P.O. Box 150
Reading, MA 01867-0250

Tel: (781) 944-1340
Fax: (781) 942-2409
Web: www.rml.d.com

September 22, 2014

Town of Reading Municipal Light Board

Subject: Lynnfield URD Excavation Project 2015

On July 9, 2014 a bid invitation was placed as a legal notice in the Middlesex East section of the Daily Times Chronicle and The Central Register requesting proposals for the Lynnfield URD Excavation Project 2015 for the Reading Municipal Light Department.

An invitation to bid was emailed to the following:

Annese Electrical Services Inc.	Mennino Construction	N. Granese & Sons
Dowling Corporation	Fischbach & Moore	Mattuchio Construction Co., Inc.
K&R Construction Co., LLC	LaRovere Design/Build Corp.	KOBO Utility Construction Corp.
M. Keane Excavating Inc.	Joseph Bottico, Inc.	McLaughlin Bros. Contracting Corp.
W.L. French	P.M. Zilioli, Inc.	Power Line Contractors, Inc
R.S. Hurford Co., Inc.	Strength in Concrete, LLC	Systems Electrical Services Inc.
Target Construction, LLC	Tim Zanelli Excavation, LLC	Ventresca, Inc.
Botti Co. Inc.	K.B. Aruda Construction	Murphy & Fahy Construction Co., Inc.
R.H. White	T Ford Company	Tro-Con Corporation
Pecora Contracting	Rotondi Construction	Caruse and McGovern Contractors
Blue Diamond	Mirraco	James Lynch Construction
Vittiglio Construction		

Bids were received from Tim Zanelli Excavating LLC, Vantresca, Inc., Mattuchio Construction Co., Inc., and ERA Equipment. A 'no bid' was received via email from Vittiglio Construction.

The bids were publicly opened and read aloud at 11:00 a.m. August 6, 2014 in the Town of Reading Municipal Light Department's Board Room, 230 Ash Street, Reading, Massachusetts.

The bids were reviewed, analyzed and evaluated by the Interim General Manager and the staff.

Move that bid 2015-1 for the Lynnfield URD Excavation Project 2015 be awarded to:
Tim Zanelli Excavation, LLC for \$217,300.00

Item 1	Labor, Equipment and Materials for Excavation	\$217,300.00
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as the lowest qualified bidder on the recommendation of the General Manager.

RMLD



Reading Municipal Light Department
RELIABLE POWER FOR GENERATIONS

230 Ash Street, P.O. Box 150
Reading, MA 01867-0250

This project will be paid for from the Upgrading of Lynnfield Center URD's Capital Project allocation. The allocation for this work will be from the Operating Budget funds.

A handwritten signature in cursive script, appearing to read "Hamid Jaffari".

Hamid Jaffari

A handwritten signature in cursive script, appearing to read "Peter Price".

Peter Price

A handwritten signature in cursive script, appearing to read "Brian Smith".

Brian Smith

**Lynnfield URD Excavation Project 2015
Bid 2015-1**

Bidder	<u>Total Price</u>	<u>Time in Business</u>	<u>List of Previous Projects</u>		<u>All forms filled out</u>	<u>Certified Check or Bid Bond</u>	<u>Authorized signature</u>	<u>Exemption to bid</u>
			<u>yes</u>	<u>no</u>				
Tim Zanelli Excavating, LLC	\$217,300	10 years	yes	yes	yes	yes	yes	no
ERA Equipment	\$244,000	12 years	yes	yes	yes	yes	yes	no
Mattuchio Construction Co., Inc.	\$458,000	10 years	yes	yes	yes	yes	yes	no
Ventresca, Inc.	\$599,900	7 years	yes	yes	yes	yes	yes	no





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Tel: (781) 944-1340
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 Web: www.rml.com

September 25, 2014

Town of Reading Municipal Light Board

Subject: RFP 2014-21 – Organizational and Electrical System Reliability Studies

On Monday, April 14, 2014, an RFP notice was published in the Commonwealth of Massachusetts' Goods and Services Bulletin, and on Wednesday, April 16, 2014 a Request for Proposal (RFP) was published as a legal notice in the Daily Times Chronicle, Middlesex East Section, to conduct two (2) comprehensive and integrated studies for the Reading Municipal Light Department: An Organizational Study and an Electrical System Reliability Study.

RFP's were sent to the following 16 firms:

Altran	ESC Engineering	Navigant Consulting	Utiliworks
Booth & Associates	Leidos	PLM, Inc.	Vanderweil Engineers
Consulting Engineering Group	Lummus Consultants	RDK Engineers	Weston & Sampson
Control Point Technologies	Marc Goldsmith & Assoc.	Three-C Electrical Co.	Woodard & Curren

The proposals were due on May 28, 2014, at 11:00 A.M. Proposals were received from the following six companies: Booth & Associates (Reliability Study only); ESC Engineering (Reliability Study only); Leidos (Organizational and Reliability Studies); Lummus Consultants (Organizational and Reliability Studies); Navigant Consulting (Organizational and Reliability Studies); and Utiliworks (Organizational and Reliability Studies).

Two (2) proposals were immediately determined non-responsive due to arriving after the deadline: Navigant Consulting and Utiliworks.

The Review Committee included the General Manager and the Director of Engineering and Operations. They reviewed, analyzed, and evaluated the proposals, and using comparative criteria, developed a composite rating for each firm. Firms with the most advantageous proposal based on the ratings and pricing were Leidos to perform the Organizational Study and Booth & Associates to perform the Electrical System Study.



Move that the Board of Commissioners vote to accept Leidos to perform the Organizational Study at a cost of \$99,000, and Booth & Associates to perform the Electrical System Reliability Study at a cost of \$161,090, for the RMLD based on recommendation of the General Manager for a total cost of \$260,090

The FY15 Capital Budget amount for this item is \$100,000, and the FY16 Capital Budget amount is \$100,000.

Handwritten signature of Hamid Jaffari in cursive script.

Hamid Jaffari, Director of Engineering and Operations

Handwritten signature of Coleen O'Brien in cursive script.

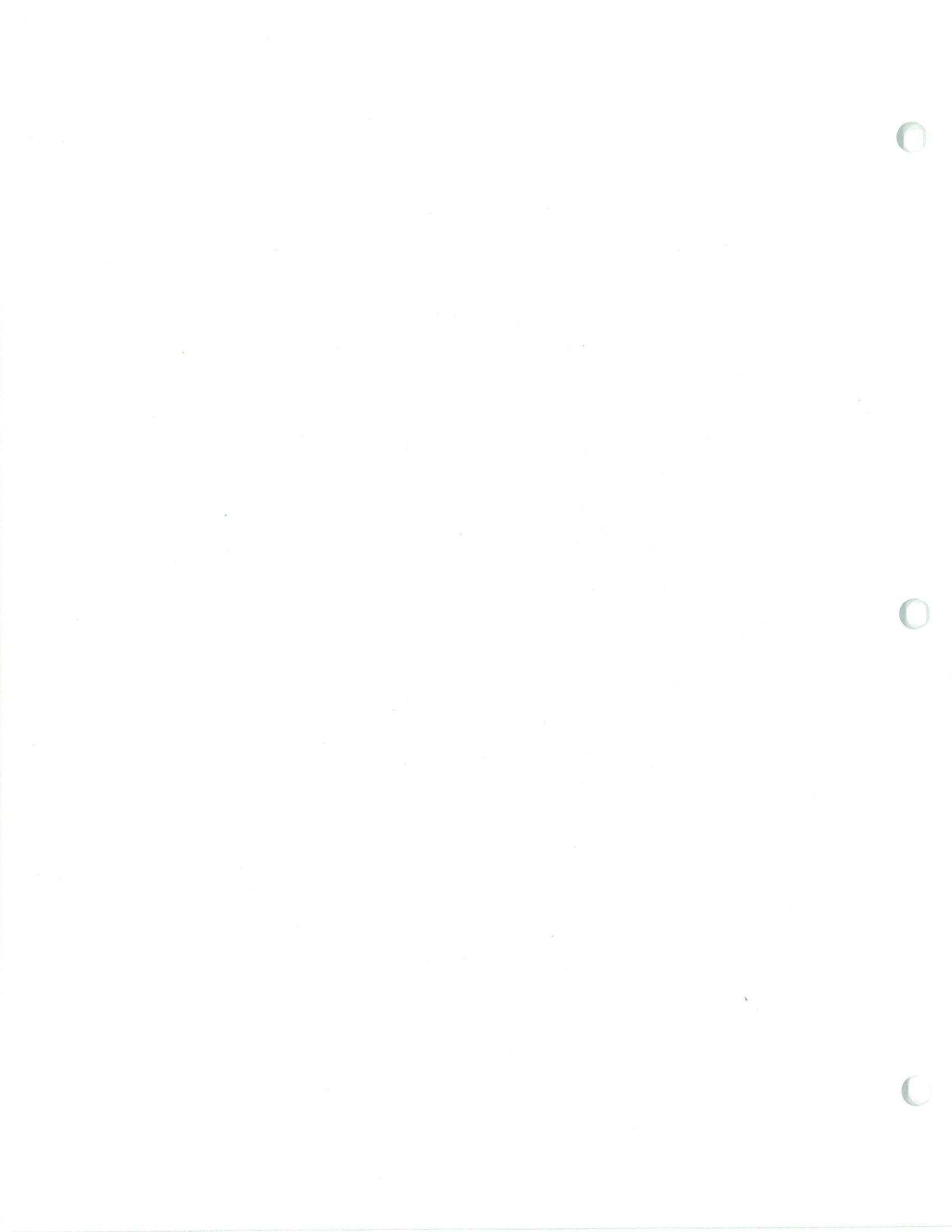
Coleen O'Brien, General Manager

Handwritten signature of Paula O'Leary in cursive script.

Paula O'Leary, Materials Manager

**Organizational and Electrical System Reliability Studies
RFP 2014-21**

PROPOSER	<u>Organizational Study Cost</u>	<u>Reliability Study Cost</u>	<u>Expense Estimate</u>	<u>Recommended</u>
Booth and Associates	N/A	\$161,090		\$161,090
ESC Engineering	N/A	\$125,000		
Leidos Engineering, LLC	\$99,000	\$100,750		\$99,000
Lummus Consultants	\$223,900	\$218,600	\$2,000	
Total Studies Cost:				\$260,090



BOARD MATERIAL AVAILABLE
BUT NOT DISCUSSED

Jeanne Foti

From: Coleen O'Brien
Sent: Monday, July 28, 2014 4:18 PM
To: Tom O'Rourke
Cc: Jeanne Foti; Bob Fournier
Subject: Account Payable Warrant Question - July 18 & 25

Categories: Blue Category

Good afternoon Tom:

Here are the replies to the Account Payable Questions:

1. Geothermal Rebate – RMLD Customer Sarah Bouchie received a geothermal rebate from the residential renewable energy rebate program for \$4,500, bill is attached for \$349.47 why not take out the \$349.47.
 - The \$4,500 was for the a geothermal rebate from the residential renewable energy rebate program. The customer bill was included to demonstrate that they were current. They do not net the amount for record keeping purposes to track the rebate.
2. Office Depot – Asked if the invoice attached to PO # 14-E00525 is the correct attachment.
 - The Image Tech PO # 14-E00525 is the correct PO for the Waste Toner Bottle. Image Tech does not charge us for toners and waste toner bottles as part of the printer management program although they do charge us for shipping/freight and in this case the amount is \$10.66. This PO # 14-E00525, is a blanket PO that is used for all the shipping/freight charges for the free toners and waste bottles that we order.
3. Northeast Public Power Association – Thinks Phil Pacino is unable to attend.
 - The Accounts Payable was already finished by the end of the Board meeting when we found out that Phil would not be attending. NEPPA will provide a refund or credit.

Coleen M. O'Brien

General Manager
Reading Municipal Light Department
230 Ash Street
Reading, MA 01867

Jeanne Foti

From: Jeanne Foti
Sent: Wednesday, September 24, 2014 3:20 PM
To: David Talbot; John Stempeck; Phil Pacino; Tom O'Rourke
Subject: Account Payable Warrant and Payroll

Good afternoon.

In an effort to save paper, the following timeframes had no Account Payable and Payroll questions.

Account Payable Warrant – No Questions

August 1, August 8, August 15, August 22, August 29, September 5, September 12 and September 19.

Payroll – No Questions

July 28, August 11, August 25, September 8 and September 22.

This e-mail will be printed for the Board Book for the RMLD Board meeting on October 2, 2014.

Jeanne Foti
Reading Municipal Light Department
Executive Assistant
230 Ash Street
Reading, MA 01867

781-942-6434 Phone
781-942-2409 Fax

Please consider the environment before printing this e-mail.