



**READING MUNICIPAL
LIGHT DEPARTMENT**

**BOARD OF COMMISSIONERS MEETING
REGULAR SESSION**

Monday May 23, 2022

2021 FINANCIAL AUDIT FINDINGS
ATTACHMENT 1

DRAFT
5/17/2022



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

Annual Financial Statements
For the Year Ended December 31, 2021

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

To the Municipal Light Board
Town of Reading Municipal Light Department

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Town of Reading Municipal Light Department (the Department) (an enterprise fund of the Town of Reading, Massachusetts), and its Other Post-Employment Benefits fiduciary fund, as of and for the year ended December 31, 2021, and the related notes to the financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Town of Reading Municipal Light Department and the fiduciary fund information as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Department's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Department are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the Town of Reading, Massachusetts that is attributable to the transactions of the Reading Municipal Light Department. They do not purport to, and do not, present fairly the financial position the Town of Reading, Massachusetts as of December 31, 2021, and the changes in its financial position and its cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and certain pension and OPEB schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 sufficient evidence to express an opinion or provide any assurance.

Andover, Massachusetts
_____, 2022

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 December 31, 2021. The Department's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements

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

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users.

Fiduciary Fund

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Other Information

In calendar year 2020, the Department implemented ASC 980, *Accounting for the Effects of Certain Types of Regulation*, which essentially adjusts for differences between how revenue/rates are budgeted and how they are accounted for in accordance with Generally Accepted Accounting Principles (GAAP). In the Department's case, contributions in aid of construction (CIAC) are set aside (deferred) and are recognized equal to the annual depreciation expense on the related assets.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

Financial Highlights

The Proprietary Fund Statement of Net Position is designed to indicate our financial position at a specific point in time. At December 31, 2021, it shows our net worth of \$122,032,806 which comprises \$86,032,232 invested in capital assets, \$8,268,321 and \$6,808,642 restricted for depreciation fund and the pension trust, respectively, and \$20,923,611 unrestricted.

The Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position summarizes our operating results and reveals 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 December 31, 2021 was \$2,697,994.

The Proprietary Fund Statement of Cash Flows provide information about cash receipts, cash payments, investing, and financing activities during the accounting period. A review of our Proprietary Fund Statement of Cash Flows indicates that cash receipts from operating activities adequately covered our operating expenses in the year ended December 31, 2021.

The following is a summary of the Department's financial data for the year ended December 31, 2021 (in thousands).

Summary of Net Position

	<u>2021</u>	<u>2020</u>
Assets:		
Current and other assets	\$ 64,031	\$ 66,333
Capital assets	<u>86,032</u>	<u>82,772</u>
Total assets	150,063	149,105
Deferred outflows of resources	6,754	5,360
Liabilities:		
Long-term liabilities	18,068	21,443
Other liabilities	<u>12,388</u>	<u>11,035</u>
Total liabilities	30,456	32,478
Deferred inflows of resources	4,328	2,652
Net position:		
Net investment in capital assets	86,032	82,772
Restricted for depreciation fund	8,268	8,225
Restricted for pension trust	6,809	6,585
Unrestricted	<u>20,924</u>	<u>21,753</u>
Total net position	<u>\$ 122,033</u>	<u>\$ 119,335</u>

Summary of Change in Net Position

	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 86,404	\$ 85,572
Operating expenses	<u>(82,255)</u>	<u>(81,662)</u>
Operating income	4,149	3,910
Nonoperating revenues, net	<u>1,030</u>	<u>1,197</u>
Income Before Transfers	5,179	5,107
Return on investment to Town of Reading	<u>(2,481)</u>	<u>(2,481)</u>
Change in net position	2,698	2,626
Beginning net position	<u>119,335</u>	<u>116,709</u>
Ending net position	<u>\$ 122,033</u>	<u>\$ 119,335</u>

For the year ended December 31, 2021 electric sales (net of discounts) were \$87,931,688, an increase of 1.2% from the prior year. For the year ended December 31, 2021, kilowatt hours sold were 658,334,436, an increase of 1.1% from the prior year.

Operating expenses totaled \$82,254,549 for the year ended December 31, 2021, an increase of 0.7%. The largest portion of this total, \$60,291,708, was for purchase power costs. Other operating expenses included \$15,437,564 for general operating and maintenance costs, \$1,655,433 for voluntary payments to Towns, and depreciation expense of \$4,869,844. For the year ended December 31, 2021 the depreciation rate was 3.0%. Change in net position of \$2,697,994 results primarily from rates and charges set at a level to fund future capital improvements.

In the year ended December 31, 2021, the Pension Trust contributed \$2,140,481 to the Town of Reading Contributory Retirement System on behalf of the Department's employees.

For the year ended December 31, 2021, the Department contributed \$387,593 to the Other Post-Employment Benefits Trust ("OPEB Trust"). Additional information on the Department's OPEB Trust Fund can be found in corresponding note on page 32 of this report.

Capital Asset and Debt Administration

Capital Assets

Total investment in land at year end amounted to \$1,265,842. Total investment in depreciable capital assets at year-end amounted to \$84,766,390 (net of accumulated depreciation), an increase of \$3,260,519 from the prior year. This investment in depreciable capital assets includes structures and improvements, equipment and furnishings, and infrastructure assets.

Debt and Other Long-Term Obligations

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

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

Requests for Information

This financial report is designed to provide a general overview of the 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:

Director of Business & Finance
Reading Municipal Light Department
230 Ash Street
Reading, Massachusetts 01867

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5/17/2022

TOWN OF READING, MASSACHUSETTS
READING MUNICIPAL LIGHT DEPARTMENT

Statement of Net Position
December 31, 2021
(With Comparative Totals as of December 31, 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Current:		
Unrestricted cash and short-term investments	\$ 16,901,052	\$ 20,158,534
Receivables, net of allowance for uncollectable	8,592,933	7,768,519
Prepaid expenses	2,118,096	2,438,307
Inventory	<u>1,829,535</u>	<u>1,880,288</u>
Total current assets	29,441,616	32,245,648
Noncurrent:		
Restricted cash and short-term investments	30,782,846	30,350,390
Restricted investments	2,648,178	2,734,900
Investment in associated companies	883,966	822,083
Land	1,265,842	1,265,842
Capital assets, net of accumulated depreciation	84,766,390	81,505,871
Other	<u>274,209</u>	<u>180,071</u>
Total noncurrent assets	<u>120,621,431</u>	<u>116,859,157</u>
Total Assets	150,063,047	149,104,805
Deferred Outflows of Resources		
Related to pensions	6,068,791	4,826,866
Related to OPEB	<u>685,706</u>	<u>533,543</u>
Total Deferred Outflows of Resources	6,754,497	5,360,409
Liabilities		
Current:		
Accounts payable	7,734,077	6,740,339
Accrued liabilities	393,939	396,465
Customer deposits	1,547,700	1,406,058
Contributions in aid of construction	2,513,250	2,292,259
Other liabilities	200,000	200,000
Current portion of long-term liabilities:		
Compensated absences	<u>316,113</u>	<u>361,669</u>
Total current liabilities	12,705,079	11,396,790
Noncurrent:		
Net pension liability	11,954,138	12,054,935
Net OPEB liability	4,158,698	7,166,506
Compensated absences	<u>1,638,900</u>	<u>1,860,068</u>
Total noncurrent liabilities	<u>17,751,736</u>	<u>21,081,509</u>
Total Liabilities	30,456,815	32,478,299
Deferred Inflows of Resources		
Related to pensions	3,535,221	2,526,025
Related to OPEB	<u>792,702</u>	<u>126,078</u>
Total Deferred Inflows of Resources	4,327,923	2,652,103
Net Position		
Net investment in capital assets	86,032,232	82,771,713
Restricted for:		
Depreciation fund	8,268,321	8,224,591
Pension trust	6,808,642	6,585,203
Unrestricted	<u>20,923,611</u>	<u>21,753,305</u>
Total Net Position	<u>\$ 122,032,806</u>	<u>\$ 119,334,812</u>

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

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5/17/2022

TOWN OF READING, MASSACHUSETTS
READING MUNICIPAL LIGHT DEPARTMENT

Statement Of Revenues, Expenses, And Change In Net Position
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Electric sales, net of discounts of \$4,015,220 and \$3,938,532, respectively	\$ 87,931,688	\$ 86,894,628
Purchase power adjustments:		
Fuel charge adjustment	(1,457,863)	(1,033,746)
Capacity and transmission adjustment	<u>(70,323)</u>	<u>(288,550)</u>
Total Operating Revenues	86,403,502	85,572,332
Operating Expenses		
Purchase power	60,291,708	57,292,309
Operating	13,353,630	15,642,969
Maintenance	2,083,934	2,421,394
Voluntary payments to towns	1,655,433	1,607,009
Depreciation	<u>4,869,844</u>	<u>4,699,207</u>
Total Operating Expenses	<u>82,254,549</u>	<u>81,662,888</u>
Operating Income	4,148,953	3,909,444
Nonoperating Revenues (Expenses)		
Investment income	131,984	390,425
Intergovernmental grants	330,000	451,761
Loss on disposal of assets	(132,742)	(163,530)
Other	<u>700,305</u>	<u>518,273</u>
Total Nonoperating Revenues, net	<u>1,029,547</u>	<u>1,196,929</u>
Income Before Transfers	5,178,500	5,106,373
Return on investment transfer to Town of Reading	<u>(2,480,506)</u>	<u>(2,480,506)</u>
Change in Net Position	2,697,994	2,625,867
Net Position at Beginning of Year	<u>119,334,812</u>	<u>116,708,945</u>
Net Position at End of Year	<u>\$ 122,032,806</u>	<u>\$ 119,334,812</u>

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

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TOWN OF READING, MASSACHUSETTS
READING MUNICIPAL LIGHT DEPARTMENT

Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Receipts from customers and users	\$ 87,248,917	\$ 83,693,173
Payments to vendors and employees	(79,210,265)	(75,945,319)
Customer purchase power adjustments	<u>(1,528,186)</u>	<u>1,322,296</u>
Net Cash Provided By Operating Activities	6,510,466	9,070,150
Cash Flows From Noncapital Financing Activities		
Return on investment to Town of Reading	(2,480,506)	(2,480,506)
Other	<u>700,304</u>	<u>518,271</u>
Net Cash (Used For) Noncapital Financing Activities	(1,780,202)	(1,962,235)
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(8,277,017)	(7,283,998)
Contributions in aid of construction	234,903	340,018
Intergovernmental revenues	<u>330,000</u>	<u>451,761</u>
Net Cash (Used For) Capital and Related Financing Activities	(7,712,114)	(6,492,219)
Cash Flows From Investing Activities		
Investment income	131,984	390,425
Increase in investments	<u>24,840</u>	<u>(95,356)</u>
Net Cash Provided By Investing Activities	<u>156,824</u>	<u>295,069</u>
Net Change in Cash and Short-Term Investments	(2,825,026)	910,765
Cash and Short-Term Investments, Beginning of Period	<u>50,508,924</u>	<u>49,598,159</u>
Cash and Short-Term Investments, End of Period	\$ <u>47,683,898</u>	\$ <u>50,508,924</u>
Reconciliation of Operating Income to Net Cash provided by Operating Activities		
Operating income	\$ 4,148,953	\$ 3,909,444
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation expense	4,869,844	4,699,207
Changes in assets, liabilities, and deferred outflows/inflows		
Accounts receivable	(824,414)	(654,272)
Prepaid and other assets	226,073	(22,186)
Inventory	50,753	(57,912)
Deferred outflows - related to pensions	(1,241,925)	2,826,041
Deferred outflows - related to OPEB	(152,163)	(84,334)
Accounts payable and accrued liabilities	724,488	152,055
Customer deposits	141,642	97,409
Net pension liability	(100,797)	(2,555,066)
Net OPEB liability	(3,007,808)	71,937
Deferred inflows - related to pensions	1,009,196	750,866
Deferred inflows - related to OPEB	<u>666,624</u>	<u>(63,039)</u>
Net Cash Provided By Operating Activities	\$ <u>6,510,466</u>	\$ <u>9,070,150</u>

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

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5/17/2022

TOWN OF READING, MASSACHUSETTS
READING MUNICIPAL LIGHT DEPARTMENT

Statement of Fiduciary Net Position
December 31, 2021
(With Comparative Totals as of December 31, 2020)

	<u>Other Post Employment Benefits Trust Fund</u>	
	<u>2021</u>	<u>2020</u>
Assets		
Cash and short-term investments	\$ -	\$ 4,508,256
Investments:		
Pooled investments	<u>5,084,284</u>	<u>-</u>
Total investments	<u>5,084,284</u>	<u>-</u>
Total Assets	<u>5,084,284</u>	<u>4,508,256</u>
Net Position		
Total net position held in trust	<u>\$ 5,084,284</u>	<u>\$ 4,508,256</u>

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

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5/17/2022

TOWN OF READING, MASSACHUSETTS
READING MUNICIPAL LIGHT DEPARTMENT

Statement of Change In Fiduciary Net Position
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	Other Post Employment Benefits <u>Trust Fund</u>	
	<u>2021</u>	<u>2020</u>
Additions		
Contributions:		
Employer	\$ 937,222	\$ 1,042,087
Investment Income:		
Interest	<u>188,435</u>	<u>33,826</u>
Total additions	1,125,657	1,075,913
Deductions		
Benefit payments to plan members, beneficiaries and other systems	<u>549,629</u>	<u>655,233</u>
Net increase	576,028	420,680
Net position restricted for OPEB purposes		
Beginning of year	<u>4,508,256</u>	<u>4,087,576</u>
End of year	\$ <u>5,084,284</u>	\$ <u>4,508,256</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:

Business Activity

The Department purchases electricity for distribution to more than 70,000 residents within the towns of Reading, North Reading, Wilmington, and Lynnfield Center.

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 purchase power fuel charge and the purchase power capacity and transmission 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.

The proprietary fund financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 proprietary fund are charges to customers for electric sales and services. Operating expenses for the Department's proprietary 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 nonoperating revenues and expenses.

Concentrations

The Department operates within the electric utility industry. In 1998, the Commonwealth of Massachusetts (the Commonwealth) 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 utilities are not currently subject to this legislation.

Pension Trust

The Reading Municipal Light Department Employees' Retirement Trust (the "Pension Trust") was established by the Reading Municipal Light Board on December 30, 1966, 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 Reading 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.

In accordance with Government Accounting Standards Board Statement 68 (GASB 68), the Pension Trust was consolidated into the Department and is reflected in the Department's net position as "restricted for pension trust."

Other Post-Employment Benefits Trust

The Other Post-Employment Benefits 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.

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 year.

Cash and Short-term Investments

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

Investments

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.

Inventory

Inventory consists of parts and accessories purchased for use in the utility business for construction, operation, and maintenance purposes and is stated at average cost. Meters and transformers are capitalized when purchased.

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 position.

Massachusetts General Laws require utility plant in service to be depreciated at a minimum 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.

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 upon normal termination at the current rate of pay.

Pension and OPEB Obligations

In accordance with GASB Statement No. 68, *Accounting and Reporting for Pensions*, employers report a net pension liability and related deferred outflows and inflows and related pension expense as determined by the plan. Disclosures required under GASB Statement No. 68 apply to the Department for its participation in the Town of Reading Contributory Retirement System defined benefit plan.

In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, the Department reports net OPEB liability and related deferred outflows and inflows and related OPEB expense associated with the Department's OPEB plan.

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.

Rate of Return

The Department's rates must be set such that earnings attributable to electric operations do not exceed 8% of the net cost of plant. The Department's 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 limitations, the Department performs the following calculation. Using the net income per the audited financial statements, the return on investment to the Town of Reading is added back, the fuel charge, capacity and transmission adjustments are 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 is 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 8% rate of return, which is calculated by adding the book value of net plant and the investment in associated companies multiplied by 8%. From this calculation, the Department will determine what cash transfers need to be made at the end of the fiscal year.

2. Cash and Investments

Total cash and investments as of December 31, 2021 are classified in the accompanying financial statements as follows:

Proprietary Fund:	
Unrestricted cash and short-term investments	\$ 16,901,052
Restricted cash and short-term investments	30,782,846
Restricted investments	2,648,178
Fiduciary Fund:	
Pooled investments	<u>5,084,284</u>
Total cash and investments	<u>\$ 55,416,360</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. 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 December 31, 2021, 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 December 31, 2021, the Department and Pension Trust held investments in domestic and foreign fixed income bonds with varying maturity dates as follows:

<u>Corporate Bonds</u>	<u>Amount</u>	<u>Maturity Date</u>
AT&T Inc	\$ 447,552	12/01/22
General Electric Cap Corp	423,348	01/09/23
Wells Fargo & Co	419,472	08/15/23
Simon Property	418,306	03/15/27
Rabobank Nederland Bank	513,225	11/09/22
BNP Paribas	<u>426,275</u>	03/03/23
Total	<u>\$ 2,648,178</u>	

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 December 31, 2021, the

Department and Pension Trust held investments in domestic and foreign fixed income bonds with varying ratings as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Moody's Rating</u>
Corporate Bonds:		
AT&T Inc	\$ 447,552	Baa2
General Electric Cap Corp	423,348	Baa1
Wells Fargo & Co	419,472	A3
Simon Property	418,306	A3
Rabobank Nederland Bank	513,225	Baa1
BNP Paribas	426,275	Aa3
Total	\$ <u>2,648,178</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 December 31, 2021, 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 total investments, while the investment in Rabobank Nederland Bank represents approximately 19%.

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 percent 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 and short-term investments with the Town of Reading, and bank accounts are maintained in the name of the Town, the amount of the Department's balance exposed to custodial credit risk at December 31, 2021, cannot be reasonably determined.

As of December 31, 2021, none of the Department or Pension Trust investments were exposed to custodial credit risk because the related securities were registered in the Department's name.

Fair Value

The Department categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application (GASB 72)*.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

The net asset value (NAV) per share is the amount of net assets attributable to each share outstanding at the close of the period. Investments measured using NAV for fair value are not subject to level classification.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Department's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Department has the following fair value measurements as of December 31, 2021:

<u>Description</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments measured using fair value:				
Debt securities:				
Corporate bonds	\$ 2,648,178	\$ -	\$ 2,734,900	\$ -
Investments measured at the net asset value (NAV):				
External investment pool	<u>5,084,284</u>			
Total	<u>\$ 7,732,462</u>			

<u>Description</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool	\$ 5,084,284	\$ -	Quarterly	30 days

3. Restricted Cash and Investments

The Department's restricted cash and investment balances represent the following reserves:

	<u>12/31/21</u>	
	<u>Cash</u>	<u>Investments</u>
Depreciation fund	\$ 8,268,321	\$ -
Construction fund	3,691,693	-
Deferred fuel reserve	1,669,140	-
Deferred energy conservation reserve	1,683,168	-
Rate stabilization	6,857,347	-
Reserve for uncollectible accounts	200,000	-
Sick leave benefits	630,924	1,324,089
Hazardous waste fund	750,000	-
Customer deposits	1,547,700	-
Pension trust	<u>5,484,553</u>	<u>1,324,089</u>
Total	<u>\$ 30,782,846</u>	<u>\$ 2,648,178</u>

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 account represents amounts set aside by the Department for construction-related projects.
- 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 compensated absence liability.
- Hazardous waste fund -This reserve was set up by the Municipal Light Board 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.
- Pension trust - 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.

4. Accounts Receivable

Accounts receivable consist of the following at December 31, 2021:

Customer Accounts:		
Billed	\$	2,899,908
Less allowances:		
Uncollectible accounts		(200,000)
Sales discounts		<u>(189,756)</u>
Total billed		2,510,152
Unbilled, net of sales discounts		<u>5,657,252</u>
Total customer accounts		8,167,404
Other Accounts:		
Liens and other		<u>425,529</u>
Total other accounts		<u>425,529</u>
Total net receivables	\$	<u><u>8,592,933</u></u>

5. Prepaid Expenses

Prepaid expenses consist of the following:

Insurance and other	\$	1,425,639
Purchase power		7,200
NYPA prepayment fund		307,573
WC Fuel - Watson		<u>377,684</u>
Total	\$	<u><u>2,118,096</u></u>

6. Inventory

Inventory comprises supplies and materials at December 31, 2021, and is valued using the average cost method.

7. Investment in Associated Companies

Investment in associated companies consists of the following, at December 31, 2021:

New England Hydro-Transmission (NEH & NHH)	\$	295,296
Energy New England		540,637
Black Rock Funding - Saddleback Ridge		<u>48,033</u>
Total	\$	<u><u>883,966</u></u>

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 advances to fund its equity requirements for the Hydro-Quebec Phase II interconnection. The Department is carrying its investment at fair value, reduced by shares repurchased. The Department's equity position in the Project is less than one-half of one percent.

In April 2019, the Department invested in 8.334% shares of Energy New England (ENE). The Department's equity position at December 31, 2021 is based on ENE's capital, retained earnings, and the net profit from April 2019 through December of 2021.

In December 2013, the Department signed a purchase power agreement with Saddleback Ridge Wind, LLC for the output of Saddleback Ridge Wind located in Carthage, Maine. The contract for Saddleback Ridge Wind is effective from January 1, 2015 through December 31, 2035. The Department receives energy plus all attributes for this contract. The average annual generation is estimated to be approximately 15,820 megawatt-hours per year.

8. Capital Assets

The following is a summary of the year ended December 31, 2021 activity in capital assets (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, being depreciated:				
Structures and improvements	\$ 20,961	\$ 140	\$ -	\$ 21,101
Equipment and furnishings	36,151	1,086	(216)	37,021
Infrastructure	<u>105,681</u>	<u>7,051</u>	<u>(886)</u>	<u>111,846</u>
Total capital assets, being depreciated	162,793	8,277	(1,102)	169,968
Less accumulated depreciation for:				
Structures and improvements	(11,345)	(569)	-	(11,914)
Equipment and furnishings	(24,222)	(881)	216	(24,887)
Infrastructure	<u>(45,720)</u>	<u>(3,434)</u>	<u>753</u>	<u>(48,401)</u>
Total accumulated depreciation	<u>(81,287)</u>	<u>(4,884)</u>	<u>969</u>	<u>(85,202)</u>
Total capital assets, being depreciated, net	81,506	3,393	(133)	84,766
Capital assets, not being depreciated:				
Land	<u>1,266</u>	<u>-</u>	<u>-</u>	<u>1,266</u>
Total capital assets, not being depreciated	<u>1,266</u>	<u>-</u>	<u>-</u>	<u>1,266</u>
Capital assets, net	<u>\$ 82,772</u>	<u>\$ 3,393</u>	<u>\$ (133)</u>	<u>\$ 86,032</u>

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Department that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

10. Accounts Payable

Accounts payable represent 2021 expenses that were paid after December 31, 2021.

11. Accrued Liabilities

Accrued liabilities consist of the following at December 31, 2021:

Accrued payroll	\$	304,765
Accrued sales tax		83,966
Other		<u>5,208</u>
Total	\$	<u><u>393,939</u></u>

12. Customer Deposits

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

13. Contributions in Aid of Construction

The application of ASC 980 results in certain revenues and expenses being removed from the Statement of Revenues, Expenses and Changes in Fund Net Position and reflected in the Statement of Net Position as contributions in aid of construction. The revenues that have been removed from the Statement of Revenues, Expenses, and Changes in Fund Net Position and added to the Statement of Net Position are the Department's contributions in aid of construction. These deferred inflows will be amortized over the life of the corresponding capital assets.

14. Accrued Employee Compensated Absences

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

15. Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended December 31, 2021, the following changes occurred in long-term liabilities (in thousands):

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Less <u>Current Portion</u>	Equals <u>Long-Term Portion</u>
Net pension liability	\$ 12,055	\$ -	\$ (101)	\$ 11,954	\$ -	\$ 11,954
Net OPEB liability	7,167	-	(3,008)	4,159	-	4,159
Compensated absences	<u>2,222</u>	<u>-</u>	<u>(267)</u>	<u>1,955</u>	<u>(316)</u>	<u>1,639</u>
Totals	<u>\$ 21,444</u>	<u>\$ -</u>	<u>\$ (3,376)</u>	<u>\$ 18,068</u>	<u>\$ (316)</u>	<u>\$ 17,752</u>

16. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net position by the Department that is applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources are related to pension and OPEB, and contributions in aid of construction. Pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes.

17. Reading Contributory Retirement System

The Department follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

Plan Description

Substantially all employees of the Department are members of the Town of Reading Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, as well as contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports, which are publicly available from the System's administrative offices located at Reading Town Hall, 16 Lowell Street, Reading, Massachusetts, 01867.

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Department employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree,

the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Department’s contribution to the System for the year ended December 31, 2021 was \$2,140,461 which was equal to its actuarially determined contribution.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from System’s fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions

At December 31, 2021, the Department reported a liability of \$11,954,138 for its proportionate share of the System’s net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021. The Department’s proportion of the net pension liability was based on an actuarially determined projection of the Department’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. At December 31, 2020, the Department’s proportion was 26.82%.

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For the year ended December 31, 2021, the Department recognized pension expense of \$1,806,956. In addition, the Department reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,501,789	\$ 104,900
Changes of assumptions	2,426,521	645,288
Net difference between projected and actual investment earnings on pension plan	-	2,158,001
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	627,032
Contributions subsequent to the measurement date	<u>2,140,481</u>	<u>-</u>
Total	<u>\$ 6,068,791</u>	<u>\$ 3,535,221</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net pension liability in the year ended December 31, 2022.

Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2022	\$ 60,293
2023	557,096
2024	(410,358)
2025	87,475
2026	<u>98,583</u>
Total	<u>\$ 393,089</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2021
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Investment rate of return	7.00%, net of pension plan investment expense, including inflation (Previously 7.50%)
Projected salary increases	4.25%-6.00% for Groups 1 and 2
Inflation rate	2.30% Annually
Post-retirement cost-of-living adjustment	3.00% of first \$14,000

Mortality rates were based on the RP-2014 Blue Collar Mortality Table, with full generational mortality improvement using Scale MP-2018. For disabled members, RP-2014 Blue Collar Mortality Table, set forward one year with full generational mortality improvement using MP-2018.

Target Allocations

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Rates of Return</u>
Global equity	39.00%	4.43%
Core Fixed income	15.00%	0.40%
Private equity	13.00%	7.90%
Portfolio completion	11.00%	2.90%
Real estate	10.00%	3.70%
Value-added fixed income	8.00%	3.90%
Timberland	4.00%	4.30%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Department’s proportionate share of the net pension liability (asset) calculated using the current discount rate of 7.00%, as well as what the Department’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

1% Decrease	Current Discount Rate	1% Increase
<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
\$18,387,897	\$11,954,138	\$6,507,398

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued System financial report.

Town of Reading Municipal Light Department Employees Retirement Trust (“Pension Trust”)

The Department has established an irrevocable trust for the purpose of currently funding its annual required contribution to the Town of Reading Contributory Retirement System (RCRS). Annual contributions to the trust are actuarially determined to be the net normal cost for funding the Department’s liability for pension benefits for covered employees, and both the principal and income of the trust is restricted for the exclusive benefit of Department employees and their beneficiaries. This Pension Trust is included in the proprietary fund statements in the Department’s basic financial statements.

As noted in the first paragraph of this section, the Department’s proportionate share of the RCRS net pension liability was determined by an actuarial valuation as of January 1, 2021. However, the actuarial valuation does not take into account the fiduciary net

position of the Department's Pension Trust at December 31, 2020 (the measurement date). As of December 31, 2020, the value of the pension trust was \$6,585,203.

18. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2010, the Department established a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of December 31, 2021.

General Information about the OPEB Plan

Plan Description

The Department provides post-employment healthcare benefits for retired employees through the Department's plan. The Department provides health insurance coverage through Blue Cross Blue Shield. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

The Department provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Department and meet the eligibility criteria will receive these benefits.

Funding Policy

The Department's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on actuarially determined amounts.

Plan Membership

At June 30, 2020 (actuarial valuation date), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	106
Active employees	<u>47</u>
Total	<u><u>153</u></u>

Investments

The OPEB trust fund assets consist of investments with the State Retiree Benefit Trust Fund (SRBTF) in the Pension Reserves Investment Trust (PRIT).

For the year ended December 31, 2021, the annual money-weighted rate of return on investments, net of investment expense, was not available. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of June 30, 2020, and used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
	6.00% decreasing to 4.25% based on service for Group 1 and Group 2
Salary increases	7.00% (Previously 7.25%)
Investment rate of return	Unknown
Municipal bond rate	7.00%
Discount rate	Medical/Prescription Drug: 7.00% decreasing by 0.25% for 10 years to an ultimate level of 4.50% per year.
Healthcare cost trend rates	Contributions: Retiree contributions are expected to increase with medical trend.
Participation rate	100% of active employees

Mortality rates were based on:

- Pre-Retirement: RP-2014 Blue Collar Employee Mortality Table projected generationally using Scale MP-2018
- Healthy: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2018
- Disabled: RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP-2018

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of June 30, 2020.

Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	22.00%	6.28%
Core fixed income	15.00%	0.38%
Private equity	14.00%	10.11%
International developed markets equity	12.00%	7.00%
Real estate	10.00%	3.50%
Hedge fund, GTAA, risk parity	10.00%	2.35%
High yield fixed income	8.00%	2.97%
International emerging markets equity	5.00%	8.82%
Commodities	4.00%	3.45%
Total	<u>100.00%</u>	

Contributions

In addition to the implicit subsidy contribution, the Department’s policy is to contribute the ADC.

Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Net OPEB Liability

The components of the net OPEB liability, measured as of December 31, 2021, were as follows:

Total OPEB liability	\$	9,242,982
Plan fiduciary net position		<u>5,084,284</u>
Net OPEB liability	\$	<u><u>4,158,698</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability		55.01%

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability for the past year.

	Increase (Decrease)		
	Total OPEB Liability <u>(a)</u>	Plan	
		Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balances, beginning of year	\$ 11,674,762	\$ 4,508,256	\$ 7,166,506
Changes for the year:			
Service cost	346,715	-	346,715
Interest	851,982	-	851,982
Contributions - employer	-	937,222	(937,222)
Net investment income	-	188,435	(188,435)
Changes of benefit terms	(2,404,503)	-	(2,404,503)
Differences between expected and actual experience	296,537	-	296,537
Changes in assumptions or other inputs	(972,882)	-	(972,882)
Benefit payments	<u>(549,629)</u>	<u>(549,629)</u>	<u>-</u>
Net Changes	<u>(2,431,780)</u>	<u>576,028</u>	<u>(3,007,808)</u>
Balances, end of year	<u>\$ 9,242,982</u>	<u>\$ 5,084,284</u>	<u>\$ 4,158,698</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
\$ 5,229,573	\$ 4,158,698	\$ 3,266,391

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease <u>(6.00%)</u>	Current Healthcare Cost Trend Rates <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
\$ 3,105,951	\$ 4,158,698	\$ 5,436,485

OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB

For the year ended December 31, 2021, the Department recognized an OPEB expense of \$(1,556,125). At December 31, 2021, the Department reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 287,464	\$ -
Changes in assumptions	-	792,702
Net difference between projected and actual earnings on OPEB investment	<u>398,242</u>	<u>-</u>
Total	<u>\$ 685,706</u>	<u>\$ 792,702</u>

Amounts reported as deferred outflows and (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31:</u>	
2022	\$ (9,423)
2023	(44,781)
2024	(83,285)
2025	<u>30,493</u>
Total	\$ <u>(106,996)</u>

19. Participation in Massachusetts Municipal Wholesale Electric Company

The Town of Reading, acting through the Reading Municipal 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 operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix No 1 Project, Nuclear Project Three, Nuclear Project Four, Nuclear Project Five and Project Six, which comprise an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. The operating license for Seabrook Station extends to March 15, 2050. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

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). The Department has entered into PSAs with MMWEC. Under the PSAs the Department is required to make certain payments to MMWEC payable solely from Department revenues. 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. 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. Project participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs. Each participant is unconditionally obligated to make payments due to

MMWEC whether or not the Project is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

Pursuant to the PSAs, the MMWEC 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 Millstone and Seabrook 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.

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

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses as discussed above) associated with the Department's Project Capability of the Projects in which it participates for the years ended December 31, 2021 and 2020, respectively are listed in the table below.

Projects	Percentage Share	Years Ended			
		Total Capital Expenditures	Total Capital Expenditures	Capacity, Fuel & Transmission Billed	Capacity, Fuel & Transmission Billed
		2021	2020	2021	2020
Stony Brook Peaking Project	19.5163%	\$ 12,088,787	\$ 11,804,463	\$ 778,875	\$ 737,155
Stony Brook Intermediate Project	15.9249%	29,170,553	28,760,974	2,320,014	2,211,613
Nuclear Mix No. 1-Seabrook	14.7191%	1,513,418	1,498,043	63,124	69,035
Nuclear Mix No. 1-Millstone	14.7191%	9,169,163	9,042,897	978,120	874,492
Nuclear Project No. 3-Millstone	5.2617%	7,973,312	7,883,321	696,645	626,561
Nuclear Project No. 4-Seabrook	12.5560%	38,169,208	37,820,072	1,438,529	1,572,540
Nuclear Project No. 5-Seabrook	6.1186%	5,033,573	4,990,509	180,368	196,683
		<u>\$ 103,118,014</u>	<u>\$ 101,800,279</u>	<u>\$ 6,455,675</u>	<u>\$ 6,288,079</u>

20. Non-Carbon Certificates

In April of 2021, Massachusetts put the 2021 Climate Law into effect. For the first time, Massachusetts municipal light plants are under emission compliance standards. Emission compliance targets were set for 2030, 2040, and 2050. Specifically, Massachusetts municipal light plants must source energy from non-carbon sources equal to or above a percentage of kwh sales, set as 50% of annual kwh sales in 2030, 75% of annual kwh sales in 2040, net-zero of annual kwh sales in 2050, with a 2020 baseline of 20% of annual kwh sales.

Compliance is recognized as retiring non-carbon certificates. Hence, the new metric is non-carbon certificates where renewable energy certificates are a subset of non-carbon certificates. Emissions Free Energy Certificates (EFECs) are classified as non-carbon certificates and are valid for compliance. Nuclear facilities can register EFECs with the NEPOOL GIS regional tracking system. Seabrook and Millstone nuclear facilities create EFEC's as part of the Departments' contracts and NYPA certificates are also EFECs.

In anticipation of the 2021 Climate Law, the Department updated its Policy no. 30 in February 2021. In an effort to avoid rate shocks in 2030, 2040, and 2050, the updated Department policy requires the retirement of non-carbon certificates at a level of 23% of annual 2021 kwh sales. The retirement level will increase 3% annually, such that the 50% compliance target is met in 2030, then 2.5% annual retirement increases thereafter.

The Department typically purchases non-carbon certificates bundled with energy, as an associated purchase of energy plus environmental attributes (certificates), and historically has not purchased non-carbon certificates in the open market.

The Departments power supply portfolio currently provides non-carbon certificates in excess of the retirement levels required by policy no. 30 and the certificates in excess of retirement targets are sold. Accounting for the 3 to 6 month minting process, the Department retires or sells non-carbon certificates on a quarterly basis.

The table below summarizes Department's non-carbon certificate holdings as of December 31, 2021. The table includes certificates acquired as part of power supply contracts, regardless of the timing of minting where minting is a prerequisite to the Department's ability to transact (retire or sell) these certificates.

The following table reflects certificates acquired during 3rd quarter 2021 and 4th quarter 2021, where 3rd quarter 2021 certificates would typically be transacted in February 2022 and 4th quarter 2021 certificates would be typically transacted in May 2022. 1st and 2nd quarter 2021 certificates were transacted prior to December 31, 2021. The yearend certificate pricing reflects market prices as of December 31, 2021 and was sourced from weekly Marex Spectrometer US Environmental market price report dated December 31, 2021 (report: SpectrometerUSGreenWeekly_27_311221) for regularly traded certificates and most recent contract prices used for the rest.

Information regarding the Department's year ending December 31, 2021 non-carbon certificate balances is as follows:

<u>Non-Carbon Certificates Holdings at December 31, 2021</u>		
	<u>Projected</u>	<u>Estimated</u>
	<u>Certificates</u>	<u>Value</u>
MA Class I	\$ 4,676	\$ 188,213
MA/CT/RI/NH Class I	6,758	269,912
ME Class I	12,513	400,416
MA/RI/NH/ME Class I	3,328	127,092
CT/RI Class I	4,986	196,636
ME Class II	13,298	93,084
MA Class II	6,875	195,944
VT Tier I	390	2,730
EFECs	<u>63,594</u>	<u>120,829</u>
Total	<u>\$ 116,418</u>	<u>\$ 1,594,856</u>

Currently, there is no formal accounting guidance under GAAP for non-carbon certificates, including renewable energy certificates. The Department's non-carbon certificates holdings at December 31, 2021 are not recognized as an asset in the Statement of Net Position.

21. Leases

Related Party Transaction - Property Sub-Lease

The Department is the lessor of facilities that are currently sub-leased 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, 2022. Following is the future minimum rental income to be received by the Department under the terms of this lease for the year ending December 31:

2022	\$ <u>8,984</u>
Total	\$ <u><u>8,984</u></u>

Operating Lease - Warehouse

The Department is the lessee of a warehouse facility owned by JCM Real Estate Trust. The original lease agreement for this facility commenced in December 1998 and was extended by various amendments through May 31, 2018. Under the terms of the most recent lease amendment, the Department has exercised the option to extend the lease for an

additional 60 months until May 31, 2025. Following is the future minimum rental expense to be paid by the Department for the year ending December 31:

2022	\$ 161,347
2023	161,347
2024	161,347
2025	<u>67,228</u>
Total	<u>\$ 551,269</u>

22. Subsequent Events

Management has evaluated subsequent events through _____, 2022, which is the date the financial statements were available to be issued.

Pension Trust Fund

Subsequent to year end the Department voted to dissolve the Pension Trust. The assets in the Pension Trust were closed to unrestricted operating cash.

23. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States and across the globe has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, special acts or legislation by the state or federal government, and the impact on our customers, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain. Additionally, the Department has not experienced any disruptions in operations or supply chains as of the date of the financial statements. The Department will continue to monitor the situation going forward.

Outstanding Legal Issues

On an ongoing basis, there are typically pending legal issues in which the Department is involved. The Department's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

24. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Department beginning with its calendar year ending December 31, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements. Management has not yet evaluated the impact of GASB 87 on its financial statements.

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5/17/2022

TOWN OF READING, MASSACHUSETTS
READING MUNICIPAL LIGHT DEPARTMENT
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability

December 31, 2021
(Unaudited)

Reading Contributory Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
December 31, 2021	December 31, 2020	26.82%	\$11,954,138	\$6,758,995	176.86%	79.07%
December 31, 2020	December 31, 2019	28.35%	\$12,054,935	\$6,754,079	178.48%	78.24%
December 31, 2019	December 31, 2018	28.35%	\$14,610,001	\$6,513,347	224.31%	72.56%
December 31, 2018	December 31, 2017	29.15%	\$10,781,819	\$6,938,057	155.40%	79.32%
June 30, 2018	December 31, 2017	29.15%	\$10,781,819	\$6,938,057	155.40%	79.32%
June 30, 2017	December 31, 2016	29.15%	\$13,076,538	\$6,393,765	204.52%	73.43%
June 30, 2016	December 31, 2015	28.25%	\$12,862,732	\$6,147,851	209.22%	72.17%
June 30, 2015	December 31, 2014	28.25%	\$8,464,663	\$5,908,694	143.26%	79.89%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Department's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

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TOWN OF READING, MASSACHUSETTS
READING MUNICIPAL LIGHT DEPARTMENT

Required Supplementary Information
Schedule of Pension Contributions

December 31, 2021
(Unaudited)

Reading Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2021	December 31, 2020	\$ 2,140,461	\$ 2,140,461	\$ -	\$ 7,136,404	29.99%
December 31, 2020	December 31, 2019	\$ 2,039,462	\$ 2,039,462	\$ -	\$ 6,758,995	30.17%
December 31, 2019	December 31, 2018	\$ 1,781,345	\$ 1,781,345	\$ -	\$ 6,754,079	26.37%
December 31, 2018	December 31, 2017	\$ 1,691,058	\$ 1,691,058	\$ -	\$ 6,513,347	25.96%
June 30, 2018	December 31, 2017	\$ 1,650,416	\$ 1,650,416	\$ -	\$ 6,938,057	23.79%
June 30, 2017	December 31, 2016	\$ 1,579,345	\$ 1,579,345	\$ -	\$ 6,938,057	22.76%
June 30, 2016	December 31, 2015	\$ 1,461,650	\$ 1,461,650	\$ -	\$ 6,393,765	22.86%
June 30, 2015	December 31, 2014	\$ 1,401,638	\$ 1,401,638	\$ -	\$ 6,147,851	22.80%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Department's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

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TOWN OF READING, MASSACHUSETTS
READING MUNICIPAL LIGHT DEPARTMENT
Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedule of Changes in the Net OPEB Liability

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability					
Service cost	\$ 346,715	\$ 336,113	\$ 245,905	\$ 238,384	\$ 230,880
Interest	851,982	811,737	799,729	766,539	733,280
Changes of benefit terms	(2,404,503)	-	-	-	-
Differences between expected and actual experience	296,537	-	260,248	-	-
Changes of assumptions	(972,882)	-	(252,156)	-	-
Benefit payments, including refunds of member contributions	<u>(549,629)</u>	<u>(655,233)</u>	<u>(577,471)</u>	<u>(552,351)</u>	<u>(504,917)</u>
Net change in total OPEB liability	(2,431,780)	492,617	476,255	452,572	459,243
Total OPEB liability - beginning	<u>11,674,762</u>	<u>11,182,145</u>	<u>10,705,890</u>	<u>10,253,318</u>	<u>9,794,075</u>
Total OPEB liability - ending (a)	9,242,982	11,674,762	11,182,145	10,705,890	10,253,318
Plan Fiduciary Net Position					
Contributions - employer	937,222	1,042,087	1,012,408	1,159,476	813,663
Net investment income	188,435	33,826	90,920	75,522	35,045
Benefit payments, including refunds of member contributions	<u>(549,629)</u>	<u>(655,233)</u>	<u>(577,471)</u>	<u>(552,351)</u>	<u>(504,917)</u>
Net change in plan fiduciary net position	576,028	420,680	525,857	682,647	343,791
Plan fiduciary net position - beginning	<u>4,508,256</u>	<u>4,087,576</u>	<u>3,561,719</u>	<u>2,879,072</u>	<u>2,535,281</u>
Plan fiduciary net position - ending (b)	<u>5,084,284</u>	<u>4,508,256</u>	<u>4,087,576</u>	<u>3,561,719</u>	<u>2,879,072</u>
Net OPEB liability - ending (a-b)	<u>\$ 4,158,698</u>	<u>\$ 7,166,506</u>	<u>\$ 7,094,569</u>	<u>\$ 7,144,171</u>	<u>\$ 7,374,246</u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Department's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

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5/17/2022

TOWN OF READING, MASSACHUSETTS
READING MUNICIPAL LIGHT DEPARTMENT

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedules of Net OPEB Liability, Contributions, and Investment Returns

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability					
Total OPEB liability	\$ 9,242,982	\$ 11,674,762	\$ 11,182,145	\$ 10,705,890	\$ 10,253,318
Plan fiduciary net position	<u>5,084,284</u>	<u>4,508,256</u>	<u>4,087,576</u>	<u>3,561,719</u>	<u>2,879,072</u>
Net OPEB liability	<u>\$ 4,158,698</u>	<u>\$ 7,166,506</u>	<u>\$ 7,094,569</u>	<u>\$ 7,144,171</u>	<u>\$ 7,374,246</u>
Plan fiduciary net position as a percentage of the total OPEB liability	55.01%	38.62%	36.55%	33.27%	28.08%
Covered employee payroll	\$ unavailable	\$ unavailable	unavailable	\$ unavailable	unavailable
Participating employer net OPEB liability (asset) as a percentage of covered employee payroll	\$ unavailable	\$ unavailable	unavailable	\$ unavailable	unavailable
Schedule of Contributions					
Actuarially determined contribution	\$ 848,942	\$ 1,136,780	\$ 1,146,987	\$ 991,048	\$ 932,387
Contributions in relation to the actuarially determined contribution	<u>937,222</u>	<u>1,042,087</u>	<u>1,012,408</u>	<u>1,159,476</u>	<u>813,663</u>
Contribution deficiency (excess)	<u>\$ (88,280)</u>	<u>\$ 94,693</u>	<u>\$ 134,579</u>	<u>\$ (168,428)</u>	<u>\$ 118,724</u>
Schedule of Investment Returns					
Annual money weighted rate of return, net of investment expense	unavailable	unavailable	unavailable	unavailable	unavailable

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Department's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

APPROVAL OF BOARD MINUTES
ATTACHMENT 2



Town of Reading Meeting Minutes

Board - Committee - Commission - Council:

RMLD Board of Commissioners

Date: 2022-02-24

Time: 7:30 PM

Building:

Location:

Address:

Session: Open Session

Purpose:

Version: Draft

Attendees: **Members - Present:**

Mr. Robert Coulter, Chair; Mr. Philip Pacino, Vice Chair; Mr. David Talbot, Commissioner; Ms. Marlena Bitz, Commissioner.

Members - Not Present:

Mr. John Stempeck, Commissioner.

Others Present:

RMLD Staff: Ms. Coleen O'Brien, General Manager; Mr. Greg Phipps, Director of Integrated Resources; Ms. Wendy Markiewicz, Director of Business Finance; Mr. Hamid Jaffari, Director of Engineering and Operations; Mr. Brian Hatch, Director of IT; Ms. Paula O'Leary, Materials Manager; Ms. Erica Morse, Executive Assistant.

RMLD Finance Committee Liaisons: Jackie McCarthy, Reading

Citizens' Advisory Board: Mr. Dennis Kelley, CAB, Reading.

Minutes Respectfully Submitted By: Philip Pacino, Secretary Pro Tem

Topics of Discussion:

1. Call Meeting to Order

Chair Coulter called the Board of Commissioner's meeting to order at 7:30 PM and announced that the meeting would be held on Zoom and live on RCTV and YouTube.

Opening Remarks

Chair Coulter read RMLD's code of conduct.

Vice Chair Pacino served as Secretary at the meeting.

Introductions

Chair Coulter welcomed everyone to the meeting of the RMLD Board of Commissioners and asked all attendees to identify themselves.

2. Public Comment

Citizens' Advisory Board

Mr. Kelley reported that at the last meeting, the CAB voted to recommend the upcoming solar array and hydro projects.

Chair Coulter noted that himself as well as Vice Chair Pacino attended the CAB meeting; the meeting was brief and went well.

Liaisons to RMLD Board

Ms. McCarthy thanked Ms. O'Brien and Ms. Morse for their collaboration in scheduling a visit and presentation to the Finance Committee on March 23, 2022.

Public Comment

There was no comment from the public during this meeting.

3. Approval of Board Minutes

Materials: Board Packet, Attachment 1 (PDF)

The December 21, 2021, regular session meeting minutes were approved by the Board as presented.

Vice Chair Pacino made a **motion**, seconded by Mr. Talbot, that the Board of Commissioners approve the meeting minutes of the December 20, 2021, meeting on the recommendation of the General Manager.

Motion Carried: 4:0:1 (4 in favor, 1 absent) Roll call: Vice Chair Pacino, Aye; Mr. Talbot, Aye; Ms. Bitá, Aye; Chair Coulter, Aye. Mr. Stempeck was not present at the meeting.

4. General Manager's Report

Ms. O'Brien provided a General Manager's report as follows:

ENE Board of Directors

Ms. Bitá asked for Ms. O'Brien to further explain what it means to be appointed.

Ms. O'Brien noted that the RMLD is an 8% owner, as well as a member, of Energy New England (ENE). This motion allows for Ms. O'Brien to continue as a Director on the Board representing the RMLD as an owner.

Mr. Talbot asked a question regarding the structure of ENE meetings and Ms. O'Brien's role. It was confirmed that as a director who sits on the ENE Board, Ms. O'Brien attends Board meetings, and weighs in on ENE policy. Some Board meetings are public while Executive Sessions are closed. Mr. Talbot noted that ENE policies loop back to the RMLD since ENE does a lot of work for the department.

Mr. Talbot asked if Ms. O'Brien could provide the ENE agenda topics at the BOC meeting prior to each ENE Board meeting. This would provide the Board with the opportunity to weigh in on topics before the next ENE meeting.

Ms. O'Brien agreed to Mr. Talbot's request and stated that she would send the Board the most recent ENE meeting agendas and provide an update at the next meeting.

Mr. Talbot asked if the ENE meetings were on zoom or in person? Ms. O'Brien stated that the meetings are hybrid at this time and noted that she has been attending on zoom due to COVID precautions.

Ms. O'Brien noted that the ENE Board is comprised of owners, GMs, and private entities. As a director, Ms. O'Brien solely represents the RMLD, along with its mission statements, visions, and policies.

Ms. O'Brien commented on the timeframe of which the ENE agendas are usually circulated prior to a meeting; days prior.

Mr. Talbot cited a concern around the Board understanding what ENE is doing.

Vice Chair Pacino proposed that the RMLD provide a quarterly update on ENE to the Board, to which all agreed.

Ms. Bita noted that Ms. Morse shares the MEAM meetings for Board attendance, and the ENE meetings could follow a similar process.

Vice Chair Pacino made a **motion**, seconded by Ms. Bita, move that pursuant to Section 3.2 of the Operating Agreement of the Energy New England, LLC, the Reading Municipal Light Department Board of Commissioners hereby re-appoint Coleen O'Brien as a Class B Director of the Energy New England, LLC Board of Directors for a term of three years.

Motion Carried: 4:0:1 (4 in favor, 1 absent) Roll call: Vice Chair Pacino, Aye; Ms. Bita, Aye; Mr. Talbot, Aye; Chair Coulter, Aye. Mr. Stempeck was not present at the meeting.

Community Update

Storm Update

RMLD has storm crews coming in at 1:00 AM, including control authorities. Ms. Mulvaney sent out a memo stating that the department is activating the liaison phone at 1:00 AM. The liaison phone is mainly used for Town Managers, who are not calling police and fire, to get ahold of RMLD.

RMLD's service area is expected to receive around 12 inches. As of now, the building will remain open, and a final decision will be made tomorrow. Some staff are working remote, and a skeleton crew will remain in the office. Operations will be fully staffed.

Supply Chain

Ms. O'Brien stated that the RMLD has taken steps to ensure that spare parts are available and trying to stay ahead of supply chain issues. However, the impact of the supply chain on the department is inevitable.

Mr. Jaffari will be presenting the transformer bid at the next meeting. The department is being told that this will be a two year wait and the Department will further examine the impact of this delay.

RMLD has been focusing on transformer inspection and replacement for equipment that has reached the end of its useful life. The department will continue with inspections and replace any equipment that shows signs of leaking or degrading. However, other projects may be pushed off to ensure stock remains intact and/or in the case of an emergency.

Supply chain issues will affect most equipment. Transformer inspection and replacement is one of the main projects that will be largely impacted. This will influence how the department will shift workload that is presently scheduled.

RMLD Electric Vehicle Charging Strategies Webinar

The EV charging strategies webinar was held on February 1, 2022, with approximately 80 live attendees. Ms. O'Brien commended Mr. Talbot for serving as a panelist. The recording was shared in last newsletter and is available on website and YouTube.

Elementary Art Contest Awards Nights

The Elementary Art Contest will be held virtually on March 3rd and March 10th at 7 PM.

High School Art Contest artwork is due March 25, 2022

The High School Art Contest has kicked off; a press release was sent out last week. The artwork is due on March 25, 2022, and the winner is usually featured on the front page of the annual report. The theme of the contest is versatility, which dovetails into the 2021 annual report theme.

Ms. O'Brien noted that the art contest is fun to participate and vote on; the artwork is usually very inspirational.

The carpet and paint in the AV room are complete; and the department is working to finalize specifications for the AV equipment with a goal to hold hybrid meetings in the spring.

The annual report will be published in the spring after the financial audit is complete. The report will have a different format lending to a more holistic feel and expand on the RMLD's versatility. Instead of separate lists, the department accomplishments will be integrated and organized by topic.

Economic Development Meeting

Ms. O'Brien stated that the RMLD master plan for the 230 Ash Street Campus was put on hold in 2014 due to town economic-development plans; the department would like to get back to working on this master plan. There are several visions for the development of the Ash Street Campus on the town's website. To gain a better understanding of what is happening with the Ash Street Campus, Ms. O'Brien is working to facilitate a conversation between the Select Board and BOC in a joint meeting,

The first step was to invite the BOC, Select Board, and town planning on a tour of the Ash Street Campus to see the overall layout and buildings. The tour included the Barbas Building that the department rents; Station 1, the old generating station; and the operations area where the linemen and trucks operate from. The intention was to provide attendees with the lay of the land, and the volume of space required by the RMLD for operations.

It was agreed that Ms. Morse would reach out to Ms. Herrick for evening availability and send out a doodle poll for said joint meeting.

Finance Committee Update

Ms. Markiewicz and Ms. O'Brien will be presenting at the Finance Committee meeting on March 23, 2022. Currently, the agenda is the FERC training provided by Ms. Markiewicz as well as the PILOT (Payment in Lieu of Tax) calculation.

Cultural Survey

The RMLD hired Cultural Solutions to complete the last effort under the 2014 reliability study, which called for both a customer and employee survey. The scope for the employee survey was finalized this week and the department is anticipating a signed contract Monday.

Cultural Solutions will give a kickoff presentation to the Board on how they do employee surveys all the way through to training, including leadership training. This meeting is tentatively scheduled for March. Once there is an understanding on how the survey is run, the Board can provide input to questions and move forward from there.

GM Evaluation / Annual Report

The topic "GM Evaluation / Annual Report" under agenda item 4: "General Manager's Report" was not discussed at this meeting.

5. Policy Review

Materials: Policies Board Packet (PDF).

Discussion ensued regarding holding off on certain policies until the next meeting

Ms. O'Brien reported on the following policies:

Policy 2: Surplus Material

Ms. O'Brien outline the following changes to Policy 2:

- Section 3: Assigning Value:
The current language states "Fair Market Value" which is difficult to adhere to. This verbiage was modified to reflect inspector general language and process.
- Section 4: Categorization of Surplus Property:
Values were modified to increased cost of equipment.
 - Moderate Value changed from more than \$500 to more than \$1000
 - Nominal Value changed from \$500 or less to \$1000 or less.
- Section 6: Disposal Procedures:
Removed *Section C: First Right Of Refusal, Vehicles, and Other Property* as this practice has not been occurring. Prior to this, RMLD would implement a first right of refusal for surplus material on a rotating basis to the Towns. Recently, no Towns have taken the RMLD up on any offers. Moreover, with the new DOER fuel policies, the RMLD is getting rid of most items or placing them on Munibid, which the towns have access to and can utilize.
- Section 9: Administrative Review and Reporting: Changed to quarterly reporting to the Board (substantial value) Ms. O'Brien noted that the Board Packer currently contain monthly updates and this practice will continue.

Vice Chair Pacino made a **motion**, seconded by Ms. Bita, move that the Board of Commissioners approve Policy 2: Surplus Material, as presented, on the recommendation of the General Manager.

Motion Carried: 4:0:1 (4 in favor, 1 absent) Roll Call: Vice Chair Pacino, Aye; Ms. Bita, Aye; Mr. Talbot, Aye; and Chair Coulter, Aye. Mr. Stempeck was absent.

Policy 9: Procurement

Policy 9: Procurement was postponed to a future meeting. The motion as tabled and no vote was taken.

Policy 10: Anti – Fraud

The Department has been using the long-term memo from former GM, Vinnie Cameron, titled: *Definition, Reporting, and Investigation of Fraud* as Fraud guidelines.

Ms. O'Brien, along with the Auditor, recommended transforming the Fraud Memo into a more formal policy format.

The proposed Policy 10 (policy number assigned from a previously dissolved policy) is a standard anti-fraud template that aligns with the former memo and law.

Chair Coulter asked what the difference is between the former memo and the current policy; Ms. O'Brien responded that the policy gets more into the details of the law whereas the memo is broad stroked.

Ms. Markiewicz stated that each year the Auditors ask if the Department is making the employees aware of anything relating to Fraud that outlines the RMLD's expectations from employees. The proposed Fraud policy will go a long way with the audit.

Ms. O'Brien noted that the department took the general description of that Fraud from the memo and put the information into a formal policy format with responsibilities, required trainings, etc.

Chair Coulter asked a question on whether employees will have to take an online class yearly or something similar?

Ms. O'Brien responded that the proposed policy would follow the same process as all Board Governing Policies. Once the policy is approved, the Director of Human Resources

sends the policy to all employees to review and sign. Certain policies go beyond this and have trainings; this policy will likely fall into that category.

Vice Chair Pacino asked a question regarding a Whistleblower provision. Ms. O'Brien responded that provisions would be clarified.

Chair Coulter noted the statement regarding employee misconduct (III C), does not seem to correspond with the definition of Fraud in the financial sense. Chair Coulter stated that the scope of Fraud in this policy is too broad and relates more to Human Resources.

Ms. O'Brien responded that in the eyes of the auditor and the law, everything outlined in the policy comes under the definition of fraud. This expansion on the definition of fraud was recommended when the RMLD sent the memo through legal.

Mr. Talbot asked if the policy specifies the role of the Board.

Discussion ensued on the role of the Board in the proposed fraud policy in comparison with potentially related policies, such as, anonymous communications.

Ms. Markiewicz stated that she would send the proposed policy to the auditor for review and ask for feedback on the following: addition of a whistleblower provision, the scope and definition of fraud, as well as the Board's role and involvement.

Vice Chair Pacino suggested inserting simple verbiage under III C, such as, "all whistleblower laws or procedures will be respected".

The Board agreed to postpone and re-review Policy 10.

Policy 14: Use of Voluntary Sick Banks

Ms. O'Brien stated that no changes were made to Policy 14 aside from the following: In accordance with the current RMLD Organizational Chart, Human Resources Manager was changed to Director of Human Resources throughout.

Chair Coulter commended the RMLD for offering such a great policy to its employees.

Mr. Pacino made a **motion**, seconded Ms. Bitá, move that the Board of Commissioners approve Policy 14: Use of Voluntary Sick Banks, as presented, on the recommendation of the General Manager.

Motion Carried: 4:0:1 (4 in favor, 1 absent) Roll Call: Vice Chair Pacino, Aye; Ms. Bitá, Aye; Mr. Talbot, Aye; Chair Coulter, Aye. Mr. Stempeck was absent from the meeting.

Policy 21: Non-Union Management Compensation and Benefits

Ms. O'Brien outlined the following changes to Policy 21:

- General: In accordance with the current RMLD Organizational Chart, Human Resources Manager was changed to Director of Human Resources throughout.
- General: ICMA was changed to IRC 457 throughout.
- Section 1 C: General Eligibility: A 30-hour min requirement for Tuition Reimbursement was added.
- Section 4: Overtime and Comp A: General: FSLA law was clarified.
- Section 4: B Non- exempt – 2: Rate and Accrual: Non-exempt rate and accrual was clarified.

- Section 5: Longevity Pay B Annual Payment: The monetary value associated with years of service was removed as these numbers change annually. Verbiage was added referencing the IBEW contracts.

Chair Coulter asked if any changes were made to comp time and how many employees this policy effects in total. Ms. O'Brien responded that there are grade levels exempt and non-exempt; the Director of IT and Director of HR were added and are not entitled to these benefits. Ms. O'Brien confirmed that four employees total are excluded from comp time.

Vice Chair Pacino made a **motion**, seconded by Ms. Bita, move that the Board of Commissioners approve Policy 21: Non-Union Management Compensation and Benefits, as presented, on the recommendation of the General Manager.

Motion Carried: 4-0-1 (4 in favor, 1 absent) Roll call: Vice Chair Pacino, Aye; Ms. Bita, Aye; Chair Coulter, Aye; Mr. Talbot, Aye. Mr. Stempeck was absent.

6. Integrated Resources Report (Taken out of order)
Materials: Board Packet, Attachment 3, *Integrated Resources Report* (PDF)

Mr. Phipps provided the integrated Resources Report as follows:

Solar Addition to Power Supply
PV – Milan Road (slide 3)

The new solar array is located at Milan, New Hampshire, north of Mount Washington. Borrego Energy, who has experience with solar programs, is building the project. The panels are single axis tilt. In the morning the panels tilt towards the east and in the evening towards the west, to maximize the irradiance of the sun.

The benefit of this project is that it allows for increased output. It is in the best interest of developers and operators, to ensure that the single axis tracker works all the time, since RMLD pays only for the actual output. This in turn benefits the RMLD, who wants the maximum output.

Energy New England (ENE) is proposing this utility scale project (109 MW AC). The total output will be shared among ENE members; the RMLD will secure a portion of the output, 35,000 MWh/yr, which represents 5% of the current RMLD portfolio.

The contract length is twenty-five years and will be a decreasing piece of the portfolio, as load increases. The project is anticipated to be commissioned in the early part of 2025. However, due to supply chain issues, ENE is realistically anticipating power output in the fourth quarter of 2025.

This proposed power supply addition has associated Class 1 certificates; is renewable and non-carbon; and is very well priced. Typically, solar renewables are 70% – 80% higher than average, prior to discounts from certificate sales. This project is priced lower due to the single axis tracker configuration.

Relative to RMLD's traditional power supply portfolio, large portions of supply will be shifted to non-carbon, resulting in upward price pressure over time. Mr. Phipps stated that he will present a graph at the next meeting that demonstrates pricing over time, based on the locational marginal pricing forecast (LMP) as well as, individual contracts with and without certificates.

From a purchase power perspective, RMLD has a significant amount of power coming in from southern New England, whereas this project is in northern New England. The geographic location of this solar array works to mitigate risk associated with issues that may affect a certain geographical territory. If an issue does occur, keeping the

geography spread out reduces the negative impact on the overall reliability of our supply network.

Ms. Bitá asked a question; is there an alternative to the single access tilt? Mr. Phipps responded that there are fixed (most common), and dual axis. In this case, the single axis tilt is relative to the sun (east to west rotation). for maximization sun on the panels. Typically, the RMLD tries to avoid axis rotation. However, the developer is motivated to maintain those mechanisms all the time, to ensure more energy early and late in the day.

Mr. Talbot asked a question regarding geographical risk mitigation. Mr. Phipps cited examples of potential issues that effect a certain location: clouds, thunderstorms, transmission lines down, etc. If that supply is down, then the RMLD would have to buy on the market, likely at a higher cost. Spreading risk type and geography reduces this risk.

Vice Chair Pacino asked a question, which was also raised by the CAB, regarding the 45% higher than the RMLD portfolio average. Mr. Phipps responded that currently the RMLD Power Supply Portfolio is comprised of roughly 50% mixed (natural gas) and 50% non-carbon resources. Currently, the cost of non-carbon resources (including retiring certificates verses selling) is higher than natural gas resources. Typically, in this context, solar is about 80% higher than the overall portfolio average. For this project, partly due to the single axis, the pricing is 45% higher on a dollar per megawatt basis than the 2021 RMLD portfolio average.

Mr. Phipps discussed the implications of the 2021 Climate Law and Policy 30 on cost; noting that the RMLD is migrating the portfolio to non-carbon by 2050. Moving forward it is likely that a large portion of natural gas generation will be retired, and the remaining portion will be in standby mode, for reliability; Mr. Phipps cited the example of a windless, cloudy, rainy day in August.

Now, some natural gas facilities run 5000 hours a year and this will likely drop in the future to 700 hours a year. As the capital and operating costs of these facilities will need to be paid, what is inexpensive natural gas now will become expensive natural gas, more expensive than renewable resources by 2040-2050. This highlights the benefit to filling out the portfolio with long term contracts to lock in pricing.

Vice Chair Pacino made a **motion**, seconded by Ms. Bitá, move that the Board of Commissioners, on the recommendation of the Citizens' Advisory Board, vote to accept the General Manager's recommendation to contract with Borrego Solar for energy and Class 1 certificates, from a to-be-built 109-megawatt solar project near Berlin, New Hampshire, known as Milan Road, pending environmental justice review.

Motion Carried: 4:0:1 (4 in favor, 1 absent). Roll Call: Vice Chair Pacino, Aye; Mr. Talbot, Aye; Ms. Bitá, Aye; Chair Coulter, Aye. Mr. Stempeck was absent.

Hydro Addition to Power Supply Hydro First Light Extension (slide 4)

The RMLD has existing hydro contracts in southern Connecticut, with several contracts set to expire in 2024. The RMLD is looking for approval of a six-year extension on the existing First Light hydro agreement through 2030 with the additional opportunity to take a higher percentage of project output. This project is organized by ENE, hence, RMLD only takes a percentage of it. Although the RMLD would like to extend this agreement longer, First Light is only willing to do a six-year extension for the entire group.

Mr. Phipps reported on the volume, term, certificates, and pricing, as outlined on slide 4. Mr. Phipps noted the various benefits such as the fact that First Light is a strong entity, the cost is good, and the output complements solar in the portfolio.

Mr. Phipps discussed the concept of “ponding”, which adds additional value for entitlement holders (RMLD). “Ponding” allows the facility to shift the output by hours, giving them the flexibility to let water levels rise and fall. This is particularly beneficial when output can increase during peak hours.

Even though this is an existing contract, the RMLD will conduct an environmental justice review.

Vice Chair Pacino made a **motion**, seconded by Ms. Bitá, move that the Board of Commissioners, on the recommendation of the Citizens’ Advisory Board, vote to accept the General Manager’s recommendation to contract with First Light for energy and Class 2 certificates, from existing hydro facilities known as Shepaug and Stevenson, pending environmental justice review.

Motion Passed: 4:0:1 (4 in favor, 1 absent) Roll Call: Vice Chair Pacino, Aye; Ms. Bitá, Aye; Chair Coulter, Aye; Mr. Talbot, Aye. Mr. Stempeck was absent from the vote.

3Q2021 Quarterly Non-Carbon Certificate Update (slide 5)

Mr. Phipps provided a reminder that one certificate is equal to one megawatt hour that comes from a non-carbon source. There is a transaction window for transacting Q3 2021 certificates (January 15 – May 15).

- Opening balance: 3,600 (from Q2 2021)
- Acquired: ~ 59,000
- Retiring: ~ 43,000 (23%)
- Sell ~ 14,800 (Normally 80%; Q3 70%)
- Ending Balance: ~ 4,800 (Normally 20%; Q3 30%)

The acquired balance for each quarter remains consistent because the amount is tied into long term contracts that are in place. A rise or fall in the balance occurs based on seasonal output and the opening and closing of contracts.

In Q3 2021 70% of certificates were sold and 30% were held compared to the usual 80% sold and 20% held. This is to allow for flexibility in Q4 if more certificates are needed for retirement, as Seabrook was going through a refueling period in October of 2021. Hence, no power was provided, and therefore no associated EFECs.

Five-Megawatt Additional Storage Battery at Station 3 Update (slide 6)

In addition to the current minute man battery storage system, RMLD is looking to add more battery storage to the portfolio.

Mr. Phipps discussed the reduction of peak loads; transmission and capacity costs; the function of time shifting; and the removal of the FERC reconstitution constraint.

The chart on the bottom left of slide 6 demonstrates the load from last August at Station 3; the purple line represents the load; the blue and yellow lines represent running the battery and generator during peak hours.

Battery storage systems are an important part of the cost management system. Capacity and transmission costs are calculated on what the load was during the annual capacity peak and the monthly transmission.

Mr. Phipps discussed the forecasted financials and noted that the RMLD’s intention is not to buy the asset, but to utilize an Energy Storage Agreement.

Five-Megawatt New Battery Storage at Solar Choice 2 (slide 7)

Mr. Phipps reported on the battery storage tied to an existing solar array located at Fordham Road, Wilmington, as outlined on slide 7.

The developer, Kearsarge energy (Boston based) is proposing to add a 5MW/10MWH storage system to this site.

Mr. Phipps reported on the structure of the agreement, and the proposed forecasts. Most MLPs are accelerating their adoption of battery systems; RMLD is looking to add 25-30 megawatts by 2024. Mr. Phipps noted that the RMLD is looking at issues relating to safety.

Commercial Solar Incentive (slide 8)

Mr. Phipps discussed the RMLD goal of increasing non-carbon generation within RMLD territory.

This initiative is part of the Electrification Efficiency Charge (EEC), which was recently increased from one tenth of a cent to three tenths of a cent. Funds are allocated to both residential programs and commercial programs.

In the past commercial programs have accounted for most EEC funds. However, last year the lighting incentive program was discontinued as all lights are already LED. Most RMLD efficiency programs are custom, and the RMLD wanted to provide additional funds for a C&I incentive to encourage solar participation within that customer base.

Mr. Phipps discussed the current course of action to increase the system rebate limit; matching the rebate amount (\$1,200 / kW) to the residential incentive; the benefit payback; and the overall action plan.

7. FERC Accounting Training

Materials: Board Packet "FERC Accounting" Attachment 4 (PDF)

RMLD Financial Reporting Compliance (slide 2)

Ms. Markiewicz presented on the financial reporting compliance that the RMLD adheres to, as outlined on slide 2.

- GAAP (Generally Accepted Accounting Principles) is the foundation for approved accounting methods and standards (training and accounting degree)
- GASB (Governmental Accounting Standards Board) is the accounting reporting standards for state and local governments and is now being taught in colleges.
- FERC (Federal Energy Regulatory Commission) is a uniform system of accounts for public utilities. FERC guidance can be found in a standard instruction book (rarely updated) and is self-taught and peer trained in municipalities.

FERC Chart of Accounts (slide 3)

The specific FERC chart of accounts is dictated by the type of organization; RMLD is mainly a distribution company. A portion of the chart of accounts does not fall in line with corporate accounting as outlined on slide 3.

FERC Chart of Accounts (slide 4)

Ms. Markiewicz reported on the common FERC plant accounts, as outlined on slide 4.

Ms. Markiewicz referenced the annual capital budget presentation by Mr. Jaffari, which outlines all capital projects. Every capital project at RMLD must be properly reported in accordance with FERC compliance, so when the department files the Department of Public Utilities Return, the entire plant is captured appropriately. The FERC chart of accounts provides comparative information for all municipalities to use throughout the year for a variety of purposes.

Ms. Markiewicz stated that transformers and meters are the only assets that are capitalized immediately when they hit RMLD grounds. Regardless of whether these assets are placed in service or not, they are depreciated immediately.

General Plant

With the continuing advances in technology, and lack of updates to the FERC guidelines, the RMLD has separated out (382) computer hardware and (383) software, inside of (391) Office Furniture and Equipment. The intention of this is to understand and keep track of hardware and software expenses individually.

Capital Project Example (slide 5)

Ms. Markiewicz provided a capital project example, as outlined on slide 5. There are a variety of different accounts within each capital project. Ms. Markiewicz noted that even when employees are recording their time, they need to understand the proper FERC allocation. The RMLD captures the best categories as feasibly possible, as the categories are not all inclusive. Ms. Markiewicz reviews every invoice and ensures that expenses are charged appropriately.

Ms. Markiewicz discussed the examples of the new Wilmington Substation, Grid Modernization & Optimization, Outage Management System, and AMI mesh network. These examples provide a broad overview; within each FERC account there may be additional accounts relative to the project.

FERC Operations and Maintenance Expenses (slide 6)

Ms. Markiewicz presented the FERC operations and maintenance expenses as outlined on slide 6 and highlighted the relation to the profit and loss statement. Understanding FERC accounting translates to understanding how expenses are related.

FERC General & Administration Expenses (slide 8)

Ms. Markiewicz presented on FERC general and administration expenses as outlined on slide 8. Expenses allocated to this category demonstrate the actual expenses for handling customers, their accounts, bills etc.

FERC 930 Miscellaneous General Expenses (slide 9)

Ms. Markiewicz presented on FERC 930 miscellaneous expenses as outlined on slide 9. This chart of accounts is specific to FERC and encompasses anything that doesn't belong somewhere else. RMLD is constantly researching to identify where everything belongs.

It is important to ensure that reporting is consistent; and the profit and loss is consistent year to year as to where funds are allocated. Any expenses that are moved are identified and noted accordingly.

8. Scheduling

The next board meeting will be held on March 24, 2022.

CAB: Meeting Coverage: Mr. Stempeck

AP: Ms. Bitá

Payroll: Mr. Talbot

9. Executive Session

At 9:02 PM, Vice Chair Pacino made a **motion**, seconded by Mr. Talbot, move that the Board of Commissioners go into Executive Session pursuant to Massachusetts G.L. c.164 section 47D, exemption from public records and open meeting requirements in certain instances, to discuss the deployment of security personnel or devices, or strategies with respect thereto and return to regular session, for the sole purpose of adjournment.

Motion Carried: 4:0:1 (4 in favor, 1 absent) Roll Call: Mr. Talbot, Aye; Ms. Bitá, Aye; Vice Chair Pacino, Aye; Chair Coulter, Aye.

10. Adjournment

At 9:32 PM Vice Chair Pacino made a motion, seconded by Mr. Talbot, to adjourn

Motion Carried: 4:0:1 (4 in favor, 1 absent) Roll Call: Mr. Talbot, Aye; Ms. Bitá, Aye; Vice Chair Pacino, Aye; Chair Coulter, Aye.

DRAFT

APPROVAL OF CAB MINUTES
ATTACHMENT 3



Town of Reading Meeting Minutes

Board - Committee - Commission - Council:

RMLD Citizens Advisory Board

Date: 2021-12-20

Time: 6:00 PM

Building:

Location:

Address:

Session: Open Session

Purpose: General Business

Version:

Attendees: **Members - Present:**

Mr. Jason Small, Chair (North Reading); Mr. Vivek Soni, Vice Chair (Reading); Mr. Dennis Kelley (Wilmington)

Members - Not Present:

Mr. George Hooper, Secretary (Wilmington); Lynnfield Position Vacant

Others Present:

Staff: Ms. Coleen O'Brien, Mr. Hamid Jaffari, Ms. Wendy Markiewicz, Ms. Erica Morse, Mr. Gregory Phipps, Ms. Janet Walsh

Mr. Philip Pacino, RMLD Board of Commissioners

Minutes Respectfully Submitted By: Mr. Jason Small, Chair

Topics of Discussion:

PER GOVERNOR BAKER'S MARCH 10, 2020, ORDER SUSPENDING CERTAIN PROVISIONS OF THE OPEN MEETING LAW, G.L. c. 30A, §20 AND THE JUNE 16, 2021, ACT EXTENDING CERTAIN COVID-19 MEASURES, THIS MEETING WAS HELD REMOTELY VIA ZOOM.

1. Call Meeting to Order – J. Small, Chair

Chair Small called the meeting of the Citizens' Advisory Board to order at 6:00 PM and noted the meeting was being audio recorded. Chair Small asked all members present to state their names.

2. Approval of Minutes – J. Small, Chair

Materials: Draft Minutes from February 24, 2021, April 22, 2021, July 19, 2021, August 12, 2021, and September 23, 2021.

Mr. Kelley made a **motion** that the Citizens' Advisory Board approve the minutes of the February 24, 2021, April 22, 2021, July 19, 2021, August 12, 2021, and September 23, 2021, meetings as written, seconded by Mr. Soni. **Motion carried** 3:0:1 (3 in favor, 0 opposed, 1 absent) by roll call vote of those present: Mr. Kelley, aye; Mr. Soni, aye; Chair Small, aye. Mr. Hooper was not present.

3. General Manager's Update – C. O'Brien, General Manager

Ms. O'Brien reported that the 2022 historical calendars are now available. An Electric Vehicle Charging Strategies Webinar is scheduled for February 1st at 7:00 PM and will provide education on electric vehicles and RMLD rebates to promote electrification.

Planning is underway for the Renewable Choice program launch, High School Art Contest kickoff, and the Elementary Art Contest awards ceremony.

Ms. O'Brien reported that ENE has received the Vineyard Wind bid award; negotiations with Vineyard Wind will occur between now and April. ENE will determine how the output will be allocated amongst its members. The RMLD looks forward to being part of future wind opportunities as they continue to be built south of Massachusetts and then possibly all the way up the east coast. More information will be provided as it becomes available. An email regarding the award was sent to the CAB earlier in the day.

Ms. O'Brien provided an overview of recent legislative meetings that were set up and attended by ENE. Discussions included Green Communities and the omnibus bills pending this session. Ms. O'Brien encouraged to allow for each community to apply for Green Communities individually.

Ms. O'Brien reported that the RMLD was not able to move forward with an Innovate Mass grant with the Wilmington Housing Authority on thermal storage heat pump technology at this time. Taunton Municipal Light will be moving forward with an application and RMLD will follow their progress for lessons learned and then consider moving forward with Wilmington on the next round. The difference between Taunton and Wilmington is that Taunton Housing Authority currently uses (fossil fuel) oil burners, which are at the end of their useful life. The units are maintained by the Housing Authority so there is immediate value if they were to get a grant to eliminate fossil fuel. The Wilmington Housing Authority (20 units) uses resistive heat, and it is not very costly to maintain for the Housing Authority but is expensive for the customer to run. Ms. O'Brien noted one of the bills coming out includes funding to help all housing authorities in Massachusetts with heat pump upgrades.

Ms. O'Brien reported the ARPA (American Rescue Plan Act) health and economic stimulus package (in response to COVID) will provide some funding for electrification. Discussion ensued regarding the various grant and funding opportunities potentially available through the State.

Ms. O'Brien reported that staff will be releasing the construction bid for the five Level II EV chargers. As directed by the AG's office, the bid will list the Reading sites and the Wilmington sites as alternates. This will allow contractors to bid on both and the award will be determined based on whether Wilmington has signed their license agreement.

4. Integrated Resources Report – G. Phipps, Director of Integrated Resources
Materials: Decarbonization Strategy of RMLD Power Supply (Presentation Slides)

Mr. Phipps began review of the presentation slides, **Decarbonization Strategy of RMLD Power Supply**, with a review of the *2021 YTD Power Supply Costs* (Slide 3) noting the slide being presented has been updated from what was included the packet. The data is the same, but the RMLD budget line (purple) was added. Mr. Phipps noted the total purchase power (on the left side) is the sum of energy, capacity, and transmission (reported in dollars). The RMLD budget line (purple), is straight-lined across (the annual budget divide by 12). The inputs for the ENE forecast look at the seasonality associated with power supply costs. Capacity and transmission, and much of energy are driven by established rates, and in the case of energy, longer term contracts, and usage equivalents. The variability of usage equivalents is driven primarily by weather, specifically MWHs for energy usage and MW peaks in the case of capacity and transmission. The RMLD team dampens these seasonal changes via the fuel and PPCT monthly rates.

The snapshot presented is as of October 2021 YTD, with total purchase power just under \$1m below (RMLD) budget. The key driver is that energy is higher (\$824k) than budget, which is driven by higher usage due to weather. Capacity and transmission are lower

than budget. It is expected the total of all three will come in below budget by the end of the year.

Mr. Soni asked relative to energy costs, if the forward contracts have kept RMLD prices (costs) relatively lower; spot prices would have actually been much higher (for natural gas). Mr. Phipps said that was correct. On average somewhere between 10-20% of energy (depending on the time of year) is the open position, which is market-driven pricing. The resultant 80-90% is contract prices so there is less variability. What is shown is (primarily) a usage driven change.

Mr. Phipps then reviewed *Decarbonization Context and Implications* (Slide 4), noting the Climate Law, put into place in 2021, is going to result in an increase to the regional load and most likely the RMLD load, which is forecasted to grow 60-70% by 2050. In that same time period, the Climate Law's focus on non-carbon generation is going to phase out the majority of the natural gas generations that are in place right now; those natural gas generators represent (on average) about half of the current power supply in the ISO New England region.

Mr. Phipps outlined the challenges of acquiring hydro, wind, and solar generation projects. Staff is contracting as much hydro as possible but, in terms of the regional area, there are no new hydro facilities being built. RMLD is trying to position itself to contract existing (hydro) contracts as they expire. Hydro will offer some new incremental regional supply additions, but nothing substantial. Significant solar and wind generation assets need to be built but they will face delays and limits. Regardless, RMLD will aggressively go after these projects. Mr. Phipps reviewed some of the current initiatives underway including the Broadleaf Project and the Seabrook solar project. In summary, demand is going up and identified supply is going down, which puts upward pressure on both price and availability. Looking forward, it will be prudent for RMLD to contract a larger portion of its forecasted purchases further out than we had in the past.

Mr. Phipps then reviewed (Slide 5) *Characterization of Non-Carbon Gen Assets*. The blue line on the chart on the left shows the seasonality of RMLD load with a peak in the summer. The actual (regional) output for solar, wind and hydro are shown in the colored areas. Wind and solar are very good generators from a non-carbon perspective, but they are intermittent. Hydro output is seasonal; the maximum output is tied to higher springtime runoff flow (March, April, and May). Into August and September, when the RMLD load is high, the rivers tend to dry up and output reduces. Wind, like hydro, is strongest in the winter and lowest in August. Solar is a bit stronger in the summer, but not as strong in the winter (fewer daylight hours).

Mr. Phipps then reviewed the daily generation (chart on the right-hand side). The blue line represents RMLD's daily load, and the orange line is the actual (2020) output of all the solar generators in New England. Most of the generation is in the middle of the afternoon, and our load (or need) is late afternoon/early evening. In summary, solar, hydro and wind are all seasonal. They are all intermittent and they are all valuable to the RMLD portfolio, but RMLD cannot build its entire portfolio just on those assets; a carefully crafted mix is required.

Moving to Slide 6 (*RMLD Decarbonization Transition*), Mr. Phipps noted the data is carried out through 2049. The supply to be acquired (load) is the top of the stacked bars and represents the load growth that is anticipated (driven by electrification). In 2021 RMLD will end up roughly around 659k MWH sales versus 651k MWH sales in 2020 or about a 1.2% growth between 2020 and 2021. The RMLD annualized target (the dark line) represents certificate retirements. RMLD will need to add to its portfolio as we get out past 2025 all the way to 2049.

To the extent possible, within the context of availability as discussed earlier, wind, solar and hydro generation need to support the majority of that growth, but RMLD will also

need to add nuclear. Specifically, the proposed plan is to increase nuclear to nearly 40% of total supply mix. The intention is to fill what used to be called “base load” to allow a reliable, steady, support of power when the intermittent sources are not producing energy. Battery storage will also fit into the portfolio. The graph is a snapshot of how staff is thinking about the RMLD decarbonization strategy going forward and the importance of nuclear as part of that strategy.

Mr. Phipps stated there are only two remaining nuclear sites – one in Seabrook, New Hampshire, and the other in Milford, Connecticut (Millstone with two reactors). One of the Millstone reactors is licensed through 2035, and the second is licensed through 2046. The Seabrook license extends to 2049. RMLD will pursue a balance of Millstone and Seabrook so that the risk, in terms of supply, is spread across those three reactors. Mr. Phipps asked if there were any questions.

Mr. Kelley noted that (per the chart) the further you go out (in time) hydro and wind (contracts) are less and less. Mr. Phipps respond that was correct. RMLD is going to try where possible to keep hydro at somewhere around 20%, but there is a lot of competition for hydro since the Climate Law passed. RMLD is well positioned to take existing (hydro) contracts and extend those out, and to increase hydro. However, it will not be much more than what it is in 2024/2025 in terms of capacity because additional hydro facilities are not being built in any noteworthy quantity. Most of the supply growth is going to be in solar and wind. At the end of the day, RMLD will have to replace more than half of the natural gas supply in the portfolio right now (shown in purple “mixed”). The only choices are nuclear, wind, solar and hydro, until someone creates something new and different.

Mr. Phipps then reviewed the current proposal as outlined on Slide 7 (*Power Supply - Nuclear*). RMLD would like to increase nuclear sourced energy between 2025 and 2049 up to 40%; RMLD’s nuclear (supply) currently peaks out around 36% in 2035-2040. Incremental volume is roughly 60k megawatt hours or 9% (moving from ~27% up to ~36%). RMLD does not want to fill the portfolio until 2025 given what is already in place, which is why the proposal gives steps in 2026, 2030, 2036, and 2040, basically extending existing contracts that would be expiring at that point in time. Because of the requirement to be non-carbon compliant (100% by 2050), future contracts need to have EFECs. Currently, there is one LOI (letter of intent) with Seabrook on the table, and staff is working on a second LOI with Millstone. In both cases, pricing is going to be roughly 10-12% higher than average 2022 prices, which is good, but also keeps the relative upward pressure down. Mr. Phipps asked if there were any questions.

Mr. Soni asked for confirmation that Policy 30 did not set limits on the amount of nuclear (in the portfolio). Mr. Phipps confirmed it did not. Mr. Soni asked about the logic for the 40% limit; hypothetically, could it go up to 60% if possible. Mr. Phipps responded that the 40% is really about risk management and leaving options open for any future new technology. There are currently three reactors; they all have great track records in terms of being reliable base-load power, but we want to make sure, from a sourcing perspective, that RMLD does not put too many eggs in one basket; the life cycle of these three reactors currently expires in 2049.

Discussion ensued about the risk and benefits of being limited to 40% and whether the motion should be changed to allow more than 40%. Ms. O’Brien noted the motion is a recommendation by the General Manager, and she would not recommend going above 40%. The RMLD should stay with the strategic plan that was put together. Staff can come back and ask again but based on 40-years’ experience for portfolio building, RMLD should not put more eggs in one basket. Staff can see what happens, but that is a perfect portfolio for base. RMLD wants to balance the Seabrook with the Millstone.

Chair Small stated if there are no further questions, he would entertain a motion.

Mr. Soni made a **motion** that the Citizens' Advisory Board recommend that the Board of Commissioners vote to accept the General Manager's recommendation to add additional supply contracts from Seabrook and/or Millstone nuclear facilities such that total nuclear does not exceed 40% of RMLD's annual power supply portfolio, seconded by Mr. Kelley. **Motion carried** 3:0:1 (3 in favor, 0 opposed, 1 absent) by roll call vote of those present: Mr. Soni, aye; Mr. Kelley, aye; Chair Small, aye. Mr. Hooper was not present.

Mr. Phipps then presented information regard *Battery Storage (Slide 8)* as part of the RMLD portfolio. Staff will be presenting a proposal in January or February for additional battery storage within the RMLD network. Mr. Phipps reviewed the economic, reliability and resiliency benefits of battery storage. The chart (lower left) represents actual output from one day in September when the battery (at Station 3) was turned on. The blue line is the generator, and you can see the (corresponding) load drop. This is very good from an economic perspective in terms of peak management as well as shifting power. Staff has prepared a roadmap for placing batteries within the network and will come back to the CAB with a more detail proposal.

5. Scheduling – J. Small, Chair

- January CAB Meeting – pending confirmation of January Board of Commissioners meeting date.
- Coverage for January Commissioners Meeting – Mr. Soni will tentatively cover, pending confirmation of date for Board of Commissioners meeting.

6. Adjournment – J. Small, Chair

Mr. Kelley made a **motion** to adjourn the Citizens' Advisory Board meeting, seconded by Mr. Soni. **Motion carried** 3:0:1 (3 in favor, 0 opposed, 1 absent) by roll call vote of those present: Mr. Kelley, aye; Mr. Soni, aye; Chair Small, aye. Mr. Hooper was not present.

The meeting adjourned at 6:45 PM.

As approved on _____.

**HYDRO POWER SUPPLY EXTENSION
ATTACHMENT 4**



Integrated Resources Report

Hydro Power Supply Short Term Extension

*Presented to the
Board of Commissioners and
Citizens' Advisory Board*

23 May 2022



Power Supply – Hydro Short Term Extension



Aspinook Wyre Wynd Hydro - original 1880 textile mill on Quinebaug River in Jewett City, CT

Existing contract ends 21 June 2022 (known as Summit Hydro prior to 2016); 100% output to RMLD

Extension is a prerequisite to longer term contract renewal

Total Volume - ~10,000 MWh/yr (~1.5% RMLD total energy purchases)

Term – up to 36 months; until FERC license response received by facility (expected early 2024)

Certificates – CT Class I not part of existing contract nor this extension, but will be when renewed

Pricing – increase 10% which brings it up to average of hydro only portfolio

Source: Gravity Renewables and RMLD analysis; energy position master graph 2021-04-21`

Thank You
from the IRD Team

**RMLD PROCUREMENT REQUESTS
REQUIRING BOARD APPROVAL
ATTACHMENT 5**



May 17, 2022

Town of Reading Municipal Light Board

Subject: IFB 2022-18 Electric Utility Excavation Services

Pursuant to M.G.L., c. 30 § 39M, on April 13, 2022, an invitation for bid was placed as a legal notice in the Middlesex East Section of the Daily Times Chronicle, was published in the Central Register, and was posted on COMMBUYS and the RMLD website, requesting sealed bids for Electrical Utility Excavation including Emergency Excavation and Construction Services.

An invitation for bid was sent to twenty-three (23) companies.

Sealed bids were received from five (5) companies: E. B. Rotondi & Sons, Inc., Tim Zanelli Excavating, LLC, APC Vacuum Excavation., Dagle Electrical Construction Corp., and Caruso & McGovern Construction, Inc.

The sealed bids were publicly opened and read aloud at 11:00 a.m. on May 4, 2022, in the Town of Reading Municipal Light Department's Audio Visual Spurr Room, 230 Ash Street, Reading, Massachusetts.

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

Move that bid 2022-18 Electrical Utility Excavation Services for hourly rates be awarded to Tim Zanelli Excavating, LLC, pursuant to M.G.L., c. 30 § 39M, as the lowest responsible and eligible bidder, on the recommendation of the General Manager.¹ The contract is for a one-year term with the option for RMLD to renew the contract for a maximum of two one-year renewal terms.

¹See attached analysis.

These services will be paid from various operating and capital accounts as the work dictates.

Brian Smith (May 19, 2022 08:01 EDT)

Brian Smith, Systems Engineer

John McDonagh, Assistant Director of E&O

Hamid Jaffari (May 19, 2022 08:45 EDT)

Hamid Jaffari, Director of E&O

coleen obrien (May 19, 2022 12:48 EDT)

Coleen O'Brien, General Manager

IFB 2022-18 Electric Utility Excavation Services Analysis

TIM ZANELLI EXCAVATING, LLC							
<i>*Hours stated are for bidding purposes only. Work is assigned as needed</i>							
YEAR ONE: June 1, 2022-May 31, 2023	REGULAR HOURLY RATE	ESTIMATED HOURS PER YEAR*	TOTAL REGULAR HOURLY RATES PER YEAR	OVERTIME HOURLY RATE	HOURS PER YEAR*	TOTAL OT HOURLY RATES PER YEAR	COMBINED TOTAL YEAR ONE
Foreman	\$ 150.00	200	\$ 30,000.00	\$ 150.00	50	\$ 7,500.00	\$ 37,500.00
Laborer	\$ 150.00	200	\$ 30,000.00	\$ 150.00	50	\$ 7,500.00	\$ 37,500.00
Backhoe	\$ 1.00	200	\$ 200.00	\$ 1.00	50	\$ 50.00	\$ 250.00
Mini-Excavator	\$ 49.00	200	\$ 9,800.00	\$ 49.00	50	\$ 2,450.00	\$ 12,250.00
10-Wheel Dump Truck	\$ 49.00	200	\$ 9,800.00	\$ 49.00	50	\$ 2,450.00	\$ 12,250.00
Vactor (Vac Truck)	\$ 50.00	200	\$ 10,000.00	\$ 50.00	50	\$ 2,500.00	\$ 12,500.00
Jack Hammer	\$ 0.01	200	\$ 2.00	\$ 0.01	50	\$ 0.50	\$ 2.50
Compactor	\$ 0.01	200	\$ 2.00	\$ 0.01	50	\$ 0.50	\$ 2.50
YEAR ONE TOTALS			\$ 89,804.00			\$ 22,451.00	\$ 112,255.00
YEAR TWO: June 1, 2023-May 31, 2024	REGULAR HOURLY RATE	HOURS PER YEAR	TOTAL REGULAR HOURLY RATES PER YEAR	OVERTIME HOURLY RATE	HOURS PER YEAR*	TOTAL OT HOURLY RATES PER YEAR	COMBINED TOTAL YEAR TWO
Foreman	\$ 150.00	200	\$ 30,000.00	\$ 150.00	50	\$ 7,500.00	\$ 37,500.00
Laborer	\$ 150.00	200	\$ 30,000.00	\$ 150.00	50	\$ 7,500.00	\$ 37,500.00
Backhoe	\$ 1.00	200	\$ 200.00	\$ 1.00	50	\$ 50.00	\$ 250.00
Mini-Excavator	\$ 49.00	200	\$ 9,800.00	\$ 49.00	50	\$ 2,450.00	\$ 12,250.00
10-Wheel Dump Truck	\$ 49.00	200	\$ 9,800.00	\$ 49.00	50	\$ 2,450.00	\$ 12,250.00
Vactor (Vac Truck)	\$ 50.00	200	\$ 10,000.00	\$ 50.00	50	\$ 2,500.00	\$ 12,500.00
Jack Hammer	\$ 0.01	200	\$ 2.00	\$ 0.01	50	\$ 0.50	\$ 2.50
Compactor	\$ 0.01	200	\$ 2.00	\$ 0.01	50	\$ 0.50	\$ 2.50
YEAR TWO TOTALS			\$ 89,804.00			\$ 22,451.00	\$ 112,255.00
YEAR THREE: June 1, 2024-May 31, 2025	REGULAR HOURLY RATE	ESTIMATED HOURS PER YEAR	TOTAL REGULAR HOURLY RATES PER YEAR	OVERTIME HOURLY RATE	EST. HOURS PER YEAR	TOTAL OT HOURLY RATES PER YEAR	COMBINED TOTAL YEAR THREE
Foreman	\$ 150.00	200	\$ 30,000.00	\$ 150.00	50	\$ 7,500.00	\$ 37,500.00
Laborer	\$ 150.00	200	\$ 30,000.00	\$ 150.00	50	\$ 7,500.00	\$ 37,500.00
Backhoe	\$ 1.00	200	\$ 200.00	\$ 1.00	50	\$ 50.00	\$ 250.00
Mini-Excavator	\$ 49.00	200	\$ 9,800.00	\$ 49.00	50	\$ 2,450.00	\$ 12,250.00
10-Wheel Dump Truck	\$ 49.00	200	\$ 9,800.00	\$ 49.00	50	\$ 2,450.00	\$ 12,250.00
Vactor (Vac Truck)	\$ 50.00	200	\$ 10,000.00	\$ 50.00	50	\$ 2,500.00	\$ 12,500.00
Jack Hammer	\$ 0.01	200	\$ 2.00	\$ 0.01	50	\$ 0.50	\$ 2.50
Compactor	\$ 0.01	200	\$ 2.00	\$ 0.01	50	\$ 0.50	\$ 2.50
YEAR THREE TOTALS			\$ 89,804.00			\$ 22,451.00	\$ 112,255.00
Combined Three Year Total						\$ 22,451.00	\$ 336,765.00

IFB 2022-18 Electric Utility Excavation Services Analysis

DAGLE ELECTRICAL CONSTRUCTION, CORP.

*Hours stated are for bidding purposes only. Work is assigned as needed

YEAR ONE: June 1, 2022-May 31, 2023	REGULAR HOURLY RATE	ESTIMATED HOURS PER YEAR*	TOTAL REGULAR HOURLY RATES PER YEAR	OVERTIME HOURLY RATE	HOURS PER YEAR*	TOTAL OT HOURLY RATES PER YEAR	COMBINED TOTAL YEAR ONE
Foreman	\$ 210.00	200	\$ 42,000.00	\$ 250.00	50	\$ 12,500.00	\$ 54,500.00
Laborer	\$ 135.00	200	\$ 27,000.00	\$ 172.00	50	\$ 8,600.00	\$ 35,600.00
Backhoe	\$ 188.00	200	\$ 37,600.00	\$ 232.00	50	\$ 11,600.00	\$ 49,200.00
Mini-Excavator	\$ 175.00	200	\$ 35,000.00	\$ 219.00	50	\$ 10,950.00	\$ 45,950.00
10-Wheel Dump Truck	\$ 140.00	200	\$ 28,000.00	\$ 178.00	50	\$ 8,900.00	\$ 36,900.00
Vactor (Vac Truck)	\$ 350.00	200	\$ 70,000.00	\$ 360.00	50	\$ 18,000.00	\$ 88,000.00
Jack Hammer	\$ 45.00	200	\$ 9,000.00	\$ 45.00	50	\$ 2,250.00	\$ 11,250.00
Compactor	\$ 24.00	200	\$ 4,800.00	\$ 24.00	50	\$ 1,200.00	\$ 6,000.00
YEAR ONE TOTALS			\$ 253,400.00			\$ 74,000.00	\$ 327,400.00
YEAR TWO: June 1, 2023-May 31, 2024	REGULAR HOURLY RATE	HOURS PER YEAR	TOTAL REGULAR HOURLY RATES PER YEAR	OVERTIME HOURLY RATE	HOURS PER YEAR	TOTAL OT HOURLY RATES PER YEAR	COMBINED TOTAL YEAR TWO
Foreman	\$ 210.00	200	\$ 42,000.00	\$ 250.00	50	\$ 12,500.00	\$ 54,500.00
Laborer	\$ 135.00	200	\$ 27,000.00	\$ 172.00	50	\$ 8,600.00	\$ 35,600.00
Backhoe	\$ 192.00	200	\$ 38,400.00	\$ 238.00	50	\$ 11,900.00	\$ 50,300.00
Mini-Excavator	\$ 179.00	200	\$ 35,800.00	\$ 225.00	50	\$ 11,250.00	\$ 47,050.00
10-Wheel Dump Truck	\$ 144.00	200	\$ 28,800.00	\$ 184.00	50	\$ 9,200.00	\$ 38,000.00
Vactor (Vac Truck)	\$ 350.00	200	\$ 70,000.00	\$ 360.00	50	\$ 18,000.00	\$ 88,000.00
Jack Hammer	\$ 46.00	200	\$ 9,200.00	\$ 46.00	50	\$ 2,300.00	\$ 11,500.00
Compactor	\$ 24.00	200	\$ 4,800.00	\$ 24.00	50	\$ 1,200.00	\$ 6,000.00
YEAR TWO TOTALS			\$ 256,000.00			\$ 74,950.00	\$ 330,950.00
YEAR THREE: June 1, 2024-May 31, 2025	REGULAR HOURLY RATE	ESTIMATED HOURS PER YEAR	TOTAL REGULAR HOURLY RATES PER YEAR	OVERTIME HOURLY RATE	EST. HOURS PER YEAR	TOTAL OT HOURLY RATES PER YEAR	COMBINED TOTAL YEAR THREE
Foreman	\$ 210.00	200	\$ 42,000.00	\$ 250.00	50	\$ 12,500.00	\$ 54,500.00
Laborer	\$ 135.00	200	\$ 27,000.00	\$ 172.00	50	\$ 8,600.00	\$ 35,600.00
Backhoe	\$ 192.00	200	\$ 38,400.00	\$ 238.00	50	\$ 11,900.00	\$ 50,300.00
Mini-Excavator	\$ 179.00	200	\$ 35,800.00	\$ 225.00	50	\$ 11,250.00	\$ 47,050.00
10-Wheel Dump Truck	\$ 144.00	200	\$ 28,800.00	\$ 184.00	50	\$ 9,200.00	\$ 38,000.00
Vactor (Vac Truck)	\$ 350.00	200	\$ 70,000.00	\$ 360.00	50	\$ 18,000.00	\$ 88,000.00
Jack Hammer	\$ 46.00	200	\$ 9,200.00	\$ 46.00	50	\$ 2,300.00	\$ 11,500.00
Compactor	\$ 24.00	200	\$ 4,800.00	\$ 24.00	50	\$ 1,200.00	\$ 6,000.00
YEAR THREE TOTALS			\$ 256,000.00			\$ 74,950.00	\$ 330,950.00
Combined Three Year Total						\$ 74,950.00	\$ 989,300.00

IFB 2022-18 Electric Utility Excavation Services Analysis

CARUSO & MCGOVERN CONSTRUCTION, INC.

*Hours stated are for bidding purposes only. Work is assigned as needed

YEAR ONE: June 1, 2022-May 31, 2023	REGULAR HOURLY RATE	ESTIMATED HOURS PER YEAR*	TOTAL REGULAR HOURLY RATES PER YEAR	OVERTIME HOURLY RATE	HOURS PER YEAR*	TOTAL OT HOURLY RATES PER YEAR	COMBINED TOTAL YEAR ONE
Foreman	\$ 176.00	200	\$ 35,200.00	\$ 264.00	50	\$ 13,200.00	\$ 48,400.00
Laborer	\$ 143.00	200	\$ 28,600.00	\$ 214.50	50	\$ 10,725.00	\$ 39,325.00
Backhoe	\$ 229.00	200	\$ 45,800.00	\$ 315.00	50	\$ 15,750.00	\$ 61,550.00
Mini-Excavator	\$ 232.00	200	\$ 46,400.00	\$ 318.00	50	\$ 15,900.00	\$ 62,300.00
10-Wheel Dump Truck	\$ 204.00	200	\$ 40,800.00	\$ 274.00	50	\$ 13,700.00	\$ 54,500.00
Vactor (Vac Truck)	\$ 572.00	200	\$ 114,400.00	\$ 658.00	50	\$ 32,900.00	\$ 147,300.00
Jack Hammer	\$ 9.00	200	\$ 1,800.00	\$ 9.00	50	\$ 450.00	\$ 2,250.00
Compactor	\$ 12.00	200	\$ 2,400.00	\$ 12.00	50	\$ 600.00	\$ 3,000.00
YEAR ONE TOTALS			\$ 315,400.00			\$ 103,225.00	\$ 418,625.00
YEAR TWO: June 1, 2023-May 31, 2024	REGULAR HOURLY RATE	HOURS PER YEAR	TOTAL REGULAR HOURLY RATES PER YEAR	OVERTIME HOURLY RATE	HOURS PER YEAR	TOTAL OT HOURLY RATES PER YEAR	COMBINED TOTAL YEAR TWO
Foreman	\$ 180.00	200	\$ 36,000.00	\$ 270.00	50	\$ 13,500.00	\$ 49,500.00
Laborer	\$ 146.00	200	\$ 29,200.00	\$ 219.00	50	\$ 10,950.00	\$ 40,150.00
Backhoe	\$ 232.00	200	\$ 46,400.00	\$ 320.00	50	\$ 16,000.00	\$ 62,400.00
Mini-Excavator	\$ 235.00	200	\$ 47,000.00	\$ 323.00	50	\$ 16,150.00	\$ 63,150.00
10-Wheel Dump Truck	\$ 207.00	200	\$ 41,400.00	\$ 276.00	50	\$ 13,900.00	\$ 55,300.00
Vactor (Vac Truck)	\$ 575.00	200	\$ 115,000.00	\$ 663.00	50	\$ 33,150.00	\$ 148,150.00
Jack Hammer	\$ 9.00	200	\$ 1,800.00	\$ 9.00	50	\$ 450.00	\$ 2,250.00
Compactor	\$ 12.00	200	\$ 2,400.00	\$ 12.00	50	\$ 600.00	\$ 3,000.00
YEAR TWO TOTALS			\$ 319,200.00			\$ 104,700.00	\$ 423,900.00
YEAR THREE: June 1, 2024-May 31, 2025	REGULAR HOURLY RATE	ESTIMATED HOURS PER YEAR	TOTAL REGULAR HOURLY RATES PER YEAR	OVERTIME HOURLY RATE	EST. HOURS PER YEAR	TOTAL OT HOURLY RATES PER YEAR	COMBINED TOTAL YEAR THREE
Foreman	\$ 184.00	200	\$ 36,800.00	\$ 276.00	50	\$ 13,800.00	\$ 50,600.00
Laborer	\$ 149.00	200	\$ 29,800.00	\$ 223.50	50	\$ 11,175.00	\$ 40,975.00
Backhoe	\$ 236.00	200	\$ 47,200.00	\$ 326.00	50	\$ 16,300.00	\$ 63,500.00
Mini-Excavator	\$ 239.00	200	\$ 47,800.00	\$ 329.00	50	\$ 16,450.00	\$ 64,250.00
10-Wheel Dump Truck	\$ 210.00	200	\$ 42,000.00	\$ 283.00	50	\$ 14,150.00	\$ 56,150.00
Vactor (Vac Truck)	\$ 579.00	200	\$ 115,800.00	\$ 618.00	50	\$ 30,900.00	\$ 146,700.00
Jack Hammer	\$ 9.00	200	\$ 1,800.00	\$ 9.00	50	\$ 450.00	\$ 2,250.00
Compactor	\$ 12.00	200	\$ 2,400.00	\$ 12.00	50	\$ 600.00	\$ 3,000.00
YEAR THREE TOTALS			\$ 323,600.00			\$ 103,825.00	\$ 427,425.00
Combined Three Year Total							\$ 1,269,950.00

MATERIALS AVAILABLE BUT NOT DISCUSSED

From: [Erica Morse](#)
To: [Erica Morse](#)
Subject: AP and Payroll Questions for the 22-4-21 Board of Commissioners Book
Date: Wednesday, May 18, 2022 10:08:00 AM

AP

From April 8, 2022, through May 13, 2022, there were no Commissioner questions.

Payroll:

From April 11, 2022, through May 16, 2022, there were no Commissioner questions.

Erica Morse
Executive Assistant
Reading Municipal Light Department
O: 781-942-6489
C: 617-791-3304
www.rmld.com



Town of Reading, Massachusetts
Municipal Light Department
Statement of Net Assets
3/31/2022

	2022	2021
ASSETS		
Current:		
Unrestricted Cash	\$ 18,958,724	\$ 21,927,822
Restricted Cash	31,047,537	29,855,178
Restricted Investments	2,585,069	2,704,568
Receivables, Net	9,094,845	7,943,389
Prepaid Expenses	1,869,239	1,964,631
Inventory	2,019,590	2,133,624
Total Current Assets	65,575,003	66,529,212
Noncurrent:		
Investment in Associated Companies	883,956	822,084
Capital Assets, Net	86,080,526	82,881,408
Total Noncurrent Assets	86,964,481	83,703,492
Deferred Outflows - Pension Plan	6,754,497	5,360,409
TOTAL ASSETS	159,293,982	155,593,113
 LIABILITIES		
Current		
Accounts Payable	8,735,754	7,435,118
Accrued Liabilities	549,664	635,878
Customer Deposits	1,567,425	1,408,478
Advances from Associated Companies	200,000	200,000
Customer Advances for Construction	2,538,260	2,107,769
Total Current Liabilities	13,591,104	11,787,244
Non-current		
Accrued Employee Compensated Absences	1,955,013	2,221,737
Net OPEB Obligation	4,158,698	7,166,506
Net Pension Liability	11,954,138	12,054,935
Total Non-current Liabilities	18,067,849	21,443,178
Deferred Inflows - Pension Plan	4,327,923	2,652,103
TOTAL LIABILITIES	35,986,875	35,882,525
 NET POSITION		
Invested in Capital Assets, Net of Related Debt	86,080,526	82,881,408
Restricted for Depreciation Fund	11,918,574	10,223,674
Restricted for Pension Trust	6,791,160	6,583,378
Unrestricted	18,516,847	20,022,128
TOTAL NET POSITION	123,307,107	119,710,588
Total Liabilities and Net Assets	\$ 159,293,982	\$ 155,593,113

Town of Reading, Massachusetts
Municipal Light Department
Business Type Proprietary Fund
Statement of Revenues, Expenses and Changes in Fund Net Assets
3/31/2022

	Month Current Year	Month Last Year	Year to Date Current Year	Year to Date Last Year	Percent Change
Operating Revenues					
Base Revenue	\$ 2,371,956	\$ 2,135,267	\$ 7,572,971	\$ 6,860,464	10.4%
Fuel Revenue	2,502,352	1,885,996	8,298,134	6,135,942	35.2%
Purchased Power Capacity & Transmission	2,584,129	2,572,121	8,184,835	8,219,578	(0.4%)
Forfeited Discounts	91,034	93,600	219,363	237,219	(7.5%)
Energy Conservation Revenue	151,832	49,820	488,357	159,337	206.5%
NYPA Credit	(179,133)	(105,404)	(389,569)	(302,524)	28.8%
Total Operating Revenues	7,522,170	6,631,402	24,374,091	21,310,018	14.4%
Expenses					
Power Expenses:					
547 Purchased Power Fuel	2,184,079	2,188,954	9,007,914	7,283,689	23.7%
555 Purchased Power Capacity	1,349,577	1,441,201	4,114,598	4,402,045	(6.5%)
565 Purchased Power Transmission	1,146,955	1,135,672	3,675,515	3,472,669	5.8%
Total Purchased Power	4,680,611	4,765,826	16,798,027	15,158,403	10.8%
Operations and Maintenance Expenses:					
580 Supervision and Engineering	96,313	99,504	264,070	266,234	(0.8%)
581 Station/Control Room Operators	43,034	39,270	120,250	111,938	7.4%
582 Station Technicians	66,883	90,843	128,906	195,389	(34.0%)
583 Line General Labor	67,456	50,939	222,164	167,419	32.7%
586 Meter General	15,089	16,964	44,865	39,602	13.3%
588 Materials Management	41,922	39,644	111,502	108,908	2.4%
593 Maintenance of Lines - Overhead	65,693	44,529	99,914	89,866	11.2%
593 Maintenance of Lines - Tree Trimming	118,073	10,494	130,241	28,793	352.3%
594 Maintenance of Lines - Underground	10,612	5,584	31,797	14,913	113.2%
595 Maintenance of Line - Transformers	12,571	6,743	29,495	28,756	2.6%
598 Line General Leave Time Labor	37,965	21,016	96,275	70,882	35.8%
Total Operations and Maintenance Expenses	575,611	425,530	1,279,480	1,122,700	14.0%
General & Administration Expenses:					
903 Customer Collections	97,292	83,376	253,730	244,158	3.9%
904 Uncollectible Accounts	5,000	8,750	15,000	26,250	(42.9%)
916 Energy Audit	74,990	68,264	178,588	204,446	(12.6%)
916 Energy Conservation	78,727	192,927	195,719	272,782	(28.3%)
920 Administrative and General Salaries	192,054	167,229	499,582	440,579	13.4%
921 Office Supplies and Expense	743	1,039	1,977	3,228	(38.7%)
923 Outside Services - Legal	78,726	39,276	72,604	40,806	77.9%
923 Outside Services - Contract	4,755	22,914	32,590	47,989	(32.1%)
923 Outside Services - Education	6,012	1,795	7,722	3,648	111.7%
924 Property Insurance	16,762	48,287	105,857	130,191	(18.7%)
925 Injuries and Damages		(2,558)	1,100	(1,458)	(175.4%)
926 Employee Pensions and Benefits	438,482	191,483	1,183,102	1,089,174	8.6%
930 Miscellaneous General Expense	34,541	36,103	147,864	121,180	22.0%
931 Rent Expense	19,006	19,878	59,915	63,736	(6.0%)
933 Vehicle Expenses	20,671	26,076	47,042	65,850	(28.6%)
933 Vehicle Expenses - Capital	(36,796)	(33,132)	(92,584)	(88,803)	4.3%
935 Maintenance of General Plant	80,817	87,622	109,373	158,694	(31.1%)
935 Maintenance of Building & Garage	142,886	79,431	267,153	211,138	26.5%
Total General & Administration Expenses	1,254,670	1,038,759	3,086,334	3,033,588	1.7%

Town of Reading, Massachusetts
Municipal Light Department
Business Type Proprietary Fund
Statement of Revenues, Expenses and Changes in Fund Net Assets
3/31/2022

	Month Current Year	Month Last Year	Year to Date Current Year	Year to Date Last Year	Percent Change
Other Operating Expenses:					
403 Depreciation	424,919	406,980	1,274,757	1,220,939	4.4%
408 Voluntary Payments to Towns	143,387	137,953	430,161	413,859	3.9%
Total Other Expenses	<u>568,306</u>	<u>544,933</u>	<u>1,704,919</u>	<u>1,634,798</u>	<u>4.3%</u>
Operating Income	442,973	(143,646)	1,505,331	360,529	317.5%
Non Operating Revenues (Expenses):					
415 Contribution in Aid of Construction					
419 Interest Income	(10,435)	(2,639)	(24,207)	8,415	(387.7%)
419 Other	215,812	270,275	419,355	638,266	(34.3%)
426 Return on Investment to Reading	(206,709)	(206,709)	(620,126)	(620,126)	0.0%
426 Loss on Disposal					
431 Interest Expense	(2,004)	(3,758)	(6,051)	(11,307)	(46.5%)
Total Non Operating Revenues (Expenses)	<u>(3,336)</u>	<u>57,169</u>	<u>(231,030)</u>	<u>15,247</u>	<u>(1615.2%)</u>
Change in Net Assets	439,637	(86,477)	1,274,301	375,776	239.1%
Net Assets at Beginning of Year	122,032,806	119,334,812	122,032,806	119,334,812	2.3%
Ending Net Assets	<u>\$ 122,472,442</u>	<u>\$ 119,248,336</u>	<u>\$ 123,307,107</u>	<u>\$ 119,710,588</u>	<u>3.0%</u>

Town of Reading, Massachusetts
Municipal Light Department
Business Type Proprietary Fund
Statement of Budgeted Revenues, Expenses and Changes in Fund Net Assets
3/31/2022

	Actual Year to Date	Budget through MARCH 2022	OVER/UNDER \$	OVER/UNDER %
Operating Revenues				
Base Revenue	\$ 7,572,971	\$ 7,524,892	\$ 48,079	0.6%
Fuel Revenue	8,298,134	6,630,589	1,667,545	25.1%
Purchased Power Capacity & Transmission	8,184,835	8,858,874	(674,039)	(7.6%)
Forfeited Discounts	219,363	225,747	(6,384)	(2.8%)
Energy Conservation Revenue	488,357	497,913	(9,556)	(1.9%)
NYPA Credit	(389,569)	(264,326)	(125,244)	47.4%
Total Operating Revenues	24,374,091	23,473,689	900,402	3.8%
Expenses				
Power Expenses:				
555 Purchased Power Fuel	9,007,914	6,366,264	2,641,650	41.5%
555 Purchased Power Capacity	4,114,598	4,244,578	(129,980)	(3.1%)
565 Purchased Power Transmission	3,675,515	4,614,296	(938,781)	(20.3%)
Total Purchased Power	16,798,027	15,225,137	1,572,889	10.3%
Operations and Maintenance Expenses:				
580 Supervision and Engineering	264,070	288,397	(24,327)	(8.4%)
581 Station/Control Room Operators	120,250	134,736	(14,485)	(10.8%)
582 Station Technicians	128,906	168,641	(39,735)	(23.6%)
583 Line General Labor	222,164	281,211	(59,047)	(21.0%)
586 Meter General	44,865	49,447	(4,582)	(9.3%)
588 Materials Management	111,502	117,790	(6,288)	(5.3%)
593 Maintenance of Lines - Overhead	99,914	138,056	(38,142)	(27.6%)
593 Maintenance of Lines - Tree Trimming	130,241	226,944	(96,703)	(42.6%)
594 Maintenance of Lines - Underground	31,797	22,035	9,762	44.3%
595 Maintenance of Line - Transformers	29,495	93,290	(63,795)	(68.4%)
598 Line General Leave Time Labor	96,275	119,446	(23,170)	(19.4%)
Total Operations and Maintenance Expenses	1,279,480	1,639,993	(360,513)	(22.0%)
General & Administration Expenses:				
903 Customer Collection	253,730	294,062	(40,331)	(13.7%)
904 Uncollectible Accounts	15,000	26,250	(11,250)	(42.9%)
916 Energy Audit	178,588	246,820	(68,232)	(27.6%)
916 Energy Conservation	195,719	610,275	(414,556)	(67.9%)
920 Administrative and General Salaries	499,582	593,459	(93,878)	(15.8%)
921 Office Supplies and Expense	1,977	5,000	(3,023)	(60.5%)
923 Outside Services - Legal	72,604	113,980	(41,376)	(36.3%)
923 Outside Services - Contract	32,590	183,925	(151,335)	(82.3%)
923 Outside Services - Education	7,722	82,457	(74,735)	(90.6%)
924 Property Insurance	105,857	139,125	(33,268)	(23.9%)
925 Injuries and Damages	1,100	6,400	(5,300)	(82.8%)
926 Employee Pensions and Benefits	1,183,102	955,331	227,771	23.8%
930 Miscellaneous General Expense	147,864	145,032	2,833	2.0%
931 Rent Expense	59,915	53,000	6,915	13.0%
933 Vehicle Expense	47,042	94,750	(47,708)	(50.4%)
933 Vehicle Expense - Capital Clearing	(92,584)	(69,107)	(23,477)	34.0%
935 Maintenance of General Plant	109,373	178,280	(68,907)	(38.7%)
935 Maintenance of Building & Garage	267,153	232,430	34,723	14.9%
Total General & Administration Expenses	3,086,334	3,891,468	(805,134)	(20.7%)

Town of Reading, Massachusetts
Municipal Light Department
Business Type Proprietary Fund
Statement of Budgeted Revenues, Expenses and Changes in Fund Net Assets
3/31/2022

Other Operating Expenses:

403 Depreciation	1,274,757	1,277,219	(2,462)	(0.2%)
408 Voluntary Payments to Towns	430,161	426,960	3,201	0.7%
Total Other Expenses	<u>1,704,919</u>	<u>1,704,179</u>	740	0.0%

Operating Income	1,505,331	1,012,912	492,419	48.6%
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Non Operating Revenues (Expenses):

415 Contribution in Aid of Construction	-	12,500	(12,500)	(100.0%)
419 Interest Income	(24,207)	75,000	(99,207)	(132.3%)
419 Other Income	419,355	177,500	241,855	136.3%
421 Intergovernment Grants	-	22,500	(22,500)	(100.0%)
426 Return on Investment to Reading	(620,126)	(632,147)	12,020	(1.9%)
426 Loss on Disposal	-	(25,000)	25,000	(100.0%)
431 Interest Expense	(6,051)	(10,000)	3,949	(39.5%)
Total Non Operating Revenues (Expenses)	<u>(231,030)</u>	<u>(379,647)</u>	148,617	(39.1%)

Net Income	<u>\$ 1,274,301</u>	<u>\$ 633,265</u>	<u>\$ 641,036</u>	<u>101.2%</u>
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**Reading Municipal Light Department
Outside Services
Total through March 31, 2022**

LEGAL CATAGORY	AMOUNT
Policy Review & General	\$ 7,124.27
Labor Relations	\$ 25,668.50
Engineering & Operations	\$ -
Business & Finance	\$ -
Procurement & Liability Claims	\$ 31,113.37
Purchased Power & IRD	\$ 8,697.36
	<u>\$ 72,603.50</u>

OUTSIDE SERVICES	AMOUNT	DESCRIPTION
AMERICAN ARBITRATION ASSOCIATION	\$ 325.00	Fee for Arbitration
BOXWOOD TECH	\$ 885.00	APPA Job Postings
CDM SMITH INC.	\$ 21,000.00	Electric GIS Model updates
ENERGY NEW ENGLAND	\$ 4,500.00	Regulatory Advisory Services
PLM ELECTRIC POWER ENGINEERING	\$ 670.00	PLM-SCADA reporting
PLM ELECTRIC POWER ENGINEERING	\$ 760.00	Resiliency Operation at Station 3
UTILITY SERVICES OF VERMONT LLC	\$ 1,050.00	Fixed Service Agreement CIP Low Impact
UTILITY SERVICES OF VERMONT LLC	\$ 3,400.00	NERC Compliance
	<u>\$ 32,590.00</u>	

TRAINING	AMOUNT	EMPLOYEE
LICENSE RENEWAL	\$ 210.00	Smith and Keefe
VIRTUAL TRAINING CLASSES		
Train the Trainer	\$ 1,500.00	Janet Walsh
Protection Testing	\$ 150.00	Ken Finne
Substation Equipment and Control Systems	\$ 1,695.00	Vaughan Bryan
CONTINUING ED		
10% MBA after One year Policy 17, Sect 4D-2	\$ 2,337.17	Tyler Abegg
MBA Class 645	\$ 1,829.59	Wendy Markiewicz
	<u>\$ 7,721.76</u>	

TOTAL OUTSIDE SERVICES \$ 112,915.26

VENDORS	AMOUNT
BOXWOOD TECHNOLOGIES	885.00
EMPLOYEES EXPENSE REPORTS	1,710.00
STARKWEATHER & SHEPLEY	(6,122.88)
UTILITY SERVICES OF VERMONT	4,450.00
ENERGY NEW ENGLAND	4,500.00
CDM SMITH	21,000.00
DOUCETT & ASSOCIATES, LTD	508.75
KP LAW, P.C.	66,211.00
DUNCAN & ALLEN	8,114.86
FERRITER SCOBBO & RODOPHELE	2,559.27
THE FLOOD GROUP	750.00
AMERICAN ARBITRATION ASSOCIATION	325.00
PLM ENGINEERING	1,430.00
WENDY MARKIEWICZ- TUITION REIMBURSEMENT	1,829.59
TYLER ABEGG- TUITION REIMBURSEMENT	2,337.17
UNIVERSITY OF WISCONSIN-MADISON -	
FUNDAMENTALS OF SUBSTATION EQUIP AND	1,695.00
CONTROLS	
TOWN OF WILMINGTON- PETRINI & ASSOCIATES	582.50
OMICRON	150.00
TOTAL VENDORS	<u><u>\$ 112,915.26</u></u>

From: [Maureen Sullivan](#)
To: [Erica Morse](#)
Cc: [Paula O'Leary](#)
Subject: Surplus Update - April 2022
Date: Monday, May 2, 2022 8:54:37 AM

Good morning Erica,

I am sending this email to inform you that there were NO Surplus Items of Substantial Value that were disposed of in April 2022.

Thank you,
Maureen

Maureen Sullivan
Assistant Materials Manager
Reading Municipal Light Department (RMLD)
230 Ash Street
Reading, MA 01867

Tel. No. 781-942-6441
Email: msullivan@rmlld.com