

**READING MUNICIPAL
LIGHT DEPARTMENT**

**BOARD
OF
COMMISSIONERS**

REGULAR SESSION

JANUARY 5, 2012



READING MUNICIPAL LIGHT DEPARTMENT
BOARD OF COMMISSIONERS
JOINT MEETING WITH
READING MUNICIPAL LIGHT DEPARTMENT
CITIZENS' ADVISORY BOARD

230 Ash Street
Reading, MA 01867
January 5, 2012
7:00 p.m.

7:00 p.m. 1. Call Meeting to Order

7:05 p.m. 2. Renewable Energy Certificates (RECs) (Tab A)

ACTION ITEM

a. Memo Dated October 21, 2011 on RECs

Note: Memo is from Jane Parenteau and Bill Seldon

b. RMLD Board Power & Rate Committee Minutes on the REC Issue
January 19, 2011, April 20, 2011, May 16, 2011, June 22, 2011,
July 21, 2011, October 3, 2011, October 24, 2011, December 5, 2011

c. RMLD Board of Commissioners Meeting Minutes
January 26, 2011 and May 25, 2011

d. Memo Dated December 27, 2011 on RECs

Note: Memo is from Vinnie Cameron

e. Commissioner Soli's Public Document

f. Chairman Hahn's Public Document

g. Memo Dated December 28, 2011 on Renewable Energy Strategies

Note: Memo is from Chairman Hahn

h. Executive Session

(If discussion involves such items as pricing and strategy.)

Suggested Motion:

Move that the Board go into Executive Session based on Chapter 164 Section 47D exemption from public records and open meeting requirements in certain instances and return to Regular Session.

7:20 p.m. 3. Return to Regular Session

8:35 p.m. 4. Adjournment

ACTION ITEM

Suggested Motion:

Move to adjourn the Regular Session.




RENEWABLE ENERGY CERTIFICATES

- a. MEMO DATED OCTOBER 21, 2011**



To: Vin Cameron

From: Jane Parenteau
Bill Seldon 

Date: October 21, 2011

Subject: Renewable Energy Certificates (RECs)

The Reading Municipal Light Department (RMLD) entered into a Purchase Power Agreement (PPA) with Swift River Hydro for the output of four hydro projects including capacity, energy, Renewable Energy Certificates (RECs) and all other environmental attributes. In addition, RMLD has signed a PPA with Concord Steam, a biomass project which is scheduled to be operational in early 2013.

Swift River Hydro

Table 1 shows the projected monthly Mwh generation for each of the four projects that RMLD has negotiated a PPA: Woronoco, Turners Falls, Pepperell, and Indian River. Swift River currently has a PPA for the Collins project with NSTAR which expires in September, 2013.

Table 1
Projected Monthly Mwh

	Average Woronoco	Average Turners Falls	Average Pepperell ³	2011 Indian River	2011-12 Total Energy Output	Average Collins	2015 Total Energy Output
January	993	139	685	307	2,124	581	2,704
February	898	169	688	263	2,018	515	2,533
March	1,367	418	972	440	3,197	707	3,903
April	1,503	392	957	793	3,645	703	4,348
May	1,267	231	811	634	2,944	665	3,609
June	750	13	529	329	1,621	442	2,063
July	460	247	308	154	1,168	271	1,439
August	387	244	264	129	1,024	258	1,282
September	364	0	233	127	723	215	937
October	521	68	410	207	1,206	313	1,519
November	839	91	566	379	1,875	440	2,314
December	1,001	264	700	467	2,433	561	2,993
Annual Output:	10,350	2,276	7,123	4,228	23,978	5,667	29,645
CT Class 1 RECs:	3,881 ¹	2,276 ⁴	7,123 ⁶	4,228 ⁸	17,509	-	17,509
CT Class 2 RECs:	6,469 ¹	-	-	-	6,469	5,667 ¹⁰	12,136
RI New RECs:	3,881 ²	-	3,775 ⁶	-	7,657	-	7,657
RI Existing RECs:	6,469 ²	-	3,348 ⁶	-	9,817	-	9,817
MA Class 1 RECs:	4,037 ³	-	8,500 ⁷	4,228 ⁹	16,765	5,667 ¹¹	22,432
MA Class 2 RECs:	6,314 ³	-	-	-	6,314	-	6,314

One REC is equivalent to 1,000 kWh or 1 Mwh of generation. Based on the projected monthly generation, it is anticipated that the four projects would have an annual generation of 23,978 Mwhs. This would result in the RMLD receiving 23,978 RECs.

Investor Owned Utilities (IOUs) have a Renewable Portfolio Standard (RPS). Below is a summary of the RPS.

- Under the Class I Renewable Portfolio Standard, all retail electricity suppliers must provide a minimum percentage of kilowatt-hours (kWh) sales to end-use customers in Massachusetts from eligible renewable energy resources installed *after* December 31, 1997, according to the following schedule:
 - 5.0% of sales by 12/31/2010
 - 6.0% of sales by 12/31/2011
 - 7.0% of sales by 12/31/2012
 - 8.0% of sales by 12/31/2013
 - 9.0% of sales by 12/31/2014
 - 10.0% of sales by 12/31/2015
 - 11.0% of sales by 12/31/2016

Currently, Massachusetts municipals are exempt from the Renewable Portfolio Standard.

The current RECs that are attributable to the Swift River Hydro projects have a financial value.

Table 2 shows the projected four year market value of the anticipated RECs from Swift River.

	2011	2012	2013	2014
CT Class 1 RECs:	\$ 418,903.39	\$ 407,478.75	\$ 407,478.75	\$ 388,437.69
CT Class 2 RECs:	\$ 2,186.20	\$ 4,372.40	\$ -	\$ -
Annual Value	\$ 421,089.59	\$ 411,851.15	\$ 407,478.75	\$ 388,437.69
MA Class 1 RECs:	\$ 494,563.50	\$ 502,945.93	\$ 494,563.50	\$ 486,181.07
Annual Value	\$ 494,563.50	\$ 502,945.93	\$ 494,563.50	\$ 486,181.07

Concord Steam

In 2013, the RMLD anticipates that the Concord Steam Project should achieve Commercial Operation. Based on an annual plant production of 130,000 Mwhs and the RMLD receiving 33% of the output, the RMLD would have an additional 42,500 Mwhs with an equivalent of 42,500 RECs. The projected market value of NH Class I REC is \$29.00 REC. This would result in an annual value of approximately \$1.2 million.

The RMLD has several options available regarding RECs.

Potential Options:

Option 1: If the RMLD would like to refer to the output of the hydro projects as "renewable", then RMLD would need to retire the RECs from the projects. By doing so, the value of the RECs would be zero.

Option 2: Currently the RMLD does not have a RPS. The RMLD could set a policy where a portion of the RECs are sold and a portion could be retired. This would provide RMLD with additional funds that could be earmarked for other sustainable projects within the RMLD service territory (i.e., Solar on municipal buildings).

Option 3: The RMLD could market all the RECs until it has a RPS. The revenue that RMLD receives as a result of this could be used to lower the overall cost of the project. For Swift River, it is estimated that utilizing this option could reduce the overall cost of the project by approximately \$20/Mwh.

Energy Services would like to work with the RMLD Board and CAB to determine the direction that would best serve the interest of the RMLD customers.

With the lack of an RPS, many municipalities are marketing the value of the RECs associated with their renewable resources. These systems include Ipswich, Princeton, Taunton and Templeton. Additionally, Holden, Wellesley, Middleborough, and Concord are currently selling their Solar RECs (SRECs).

We look forward to discussing this concept with you as well as both the RMLD and CAB Boards.



RENEWABLE ENERGY CERTIFICATES

- b. RMLD BOARD POWER & RATE COMMITTEE MINUTES**



Reading Municipal Light Department (RMLD) Board of Commissioners
Power & Rate Committee
Regular Session Minutes
January 19, 2011

Start Time: 7:30 p.m.
End Time: 9:10 p.m.

Attendees:

Committee Members: Messrs. Hahn, Soli and Ms. O'Neill
RMLD Commissioner: Ms. Snyder
RMLD Staff: Messrs. Cameron, Seldon, and Ms. Parenteau

Mr. Hahn called the meeting to order at 7:30 p.m.

At 7:35 pm Mr. Hahn made a motion seconded by Ms. O'Neill to go into Executive Session to discuss power supply issues based on Chapter 164 Section 47D exemption from Public records and open meeting requirements, and return to regular session for the sole purpose of adjournment.

Motion carried 3:0:0.

Mr. Soli, Aye; Ms. O'Neill, Aye; and Mr. Hahn; Aye.

The Power & Rate Committee re-entered Regular Session.

Concord Power and Steam LLC

The Reading Municipal Light Department Board Power & Rate Committee moves to recommend to the RMLD Board of Commissioners to authorize the General Manager of the Reading Municipal Light Department to finalize negotiations and execute a contract with Concord Power and Steam LLC.

Motion carried 3:0:0.

Swift River Trading Company, LLC

The Reading Municipal Light Department Board Power & Rate Committee moves to recommend to the RMLD Board of Commissioners to authorize the General Manager of the Reading Municipal Light Department to finalize negotiations and execute a contract with Swift River Trading Company, LLC.

Motion carried 3:0:0.

RMLD's Fiscal Year 2011 Addendum to the Cost of Service Study

Mr. Cameron presented the update to the Residential and Industrial Time of Use (TOU) rates. Mr. Cameron said that he brought these rates to the Power & Rate Committee on December 7, 2010 and the Committee wanted Mr. Cameron to see if it would be possible to diminish the amount of On-Peak hours and make the rate change revenue neutral. Mr. Cameron said that the On-Peak hours were now 12 pm to 7 pm and the rate change was revenue neutral for both the Residential and Industrial TOU rates.

Discussion followed.

Mr. Soli presented an analysis he performed showing that the Return on Ratebase in the FY11 COSS was not equal for all rate classes. Discussion followed. Mr. Cameron said that he would take a look at the analysis and get back to the Power & Rate Committee.

Mr. Hahn made a motion seconded by Ms. O'Neill that the Power & Rate Committee recommend to the Board of Commissioners to authorize the General Manager to implement new Time-of-Use Rates for Residential and Industrial Customers as described in the Addendum to the 2011 Cost of Service Study.

Mr. Hahn Aye, Ms. O'Neill, Aye, Mr. Soli, Nay.

Motion carried 2:1:0. Mr. Soli voted against this motion.

Motion to Adjourn

At 9:10 pm Mr. Soli made a motion seconded by Ms. O'Neill to adjourn.

Mr. Hahn, Aye; Ms. O'Neill, Aye; and Mr. Soli, Aye.

Motion carried 3:0:0.



Reading Municipal Light Department (RMLD) Board of Commissioners
Power & Rate Committee
Regular Session
April 20, 2011

Start Time: 6:30 p.m.
End Time: 9:15 p.m.

Attendees:

Committee Members:
RMLD Staff:

Messrs. Hahn and Soli, Ms. O'Neill
Mr. Cameron, Ms. Parenteau, and Mr. Seldon

Mr. Hahn called the meeting to order at 6:30 p.m.

Executive Session

At 6:31 pm. Mr. Soli made a motion seconded by Ms. O'Neill that the Power & Rate Committee go into Executive Session to discuss issues related to Chapter 164 Section 47D, exemption from public records and open meeting requirements in certain instances, and return to Regular Session.

Motion carried 3:0:0.

Mr. Soli, Aye; Ms. O'Neill, Aye; and Mr. Hahn, Aye.

Ms. Parenteau provided an update to the Power & Rate Committee on the RMLD's intention to go out for power supply Request for Proposal (RFP). Ms. Parenteau explained that the RMLD is following its Power Supply Strategy of layering and laddering of the RMLD power supply portfolio formulated several years ago. Ms. Parenteau said that this presentation was for information only and no action was necessary by the Power & Rate Committee. Mr. Cameron suggested that a final presentation be made to the Power & Rate Committee in May and at that time a recommendation to the RMLD Board could be made.

Discussion followed.

The members of the Power & Rate Committee agreed that they would meet in May and take up the Power Supply RFP and make a recommendation to the RMLD Board.

Street Light Rate

Mr. Cameron presented the Street Light Cost of Service memo to the Committee. Mr. Cameron said that the RMLD requested that Mr. Cameron review the Street Light Rate from the FY11 COSS. Mr. Cameron did so and found that the RMLD's present rate is higher than the cost of service according to the FY11 COSS. When Mr. Cameron performed a Cost of Service analysis of the Street Light Rate based on the replacement cost for the present street lights in the service territory he found that the rate should be decrease. Mr. Cameron also found that according to MGL Chapter 164, Section 58, street light rates can be set at the average cost of electricity for a municipal light department. Mr. Cameron said the he calculated the average price cost of street light rate and found that they were marginally lower than the proposed cost of service rate.

Mr. Cameron said that the RMLD will have their revenues reduced by about \$300,000 annually if the proposed street light rates or the average street light rates are adopted by the RMLD Board.

Mr. Soli said that he thought the rates could be lowered even more than what is proposed by Mr. Cameron because the capital cost of the rates do not equal the Net Plant of the street lights according to the FY11 COSS. Mr. Cameron reminded Mr. Soli that his analysis is based on replacement cost of the present street lights on the system and not historical Net Plant of the street lights.

Discussion followed.

Mr. Hahn made a motion seconded by Ms. O'Neill to recommend to the RMLD Board of Commissioners to accept the Proposed Street Light Rate as presented by the General Manager.

Motion passed 2:1:0. Mr. Soli opposed.

Commercial C-Rate

The RMLD needed to change the On-Peak and Off-peak Rate in the Optional Contract demand portion of the C commercial C-Rate. This was not done when the Industrial time of Use Rate was filed on April 1, 2011.

Mr. Hahn made a motion seconded by Ms. O'Neill to recommend to the RMLD Board of Commissioners to accept the Commercial C-Rate as presented by the General Manager.

Motion passed 3:0:0.

Net Metering Rate

Mr. Cameron started out by stating that there is a Net Metering Rate that is law however this applies to the Investor Owned utilities, not the municipal electric utilities and Mr. Cameron has this in writing from the RMLD's General Counsel. Mr. Cameron went on to explain that the RMLD has Net Metering requirements on its website that residential customers must follow in order to install generation in their homes. This generation is mostly solar installations and in one instance a customer installed a Combined Heat and Power system. The Net Metering requirements the RMLD is proposing to file as a rate includes what the customer must do in order for their generation not to back feed the RMLD's distribution system in the event of an power outage, how the metering scheme will work, and what the customer will be paid for energy generated onto the RMLD's distribution system.

Discussion followed.

The committee was concerned that the Net Metering information was not in rate form. The committee said that the Net Metering rate should be brought back to the committee in rate form in May. Mr. Cameron said that he would do that.

Terms and Conditions

Mr. Cameron said that the RMLD's Terms and Conditions is a rate that includes many items that apply to all RMLD customers. The Terms and Conditions were included on the agenda for possible changes to the re-connect charges; however, after assessing the charges, Mr. Cameron is not proposing any changes to them.

Discussion followed.

Green Choice Program

Mr. Seldon explained that since the RMLD signed the Swift River Contract for hydro power the RMLD has been receiving renewable Energy Certificates (RECs). Mr. Seldon pointed out that the RECs received from Swift River are more than the amount of RECs being sold to RMLD customers in the Green Choice program. Mr. Seldon said that the RMLD is considering changing the Green Choice program. Mr. Seldon stated there could be several options, one of which could be building a solar installation on a roof at the RMLD.

Discussion followed.

Water Heater Rate Update

Mr. Cameron said that the RMLD is preparing to go out for qualifications for companies that could provide systems that would control water heaters and other appliances in homes and businesses.

Discussion followed

Motion to Adjourn

At 9:15 p.m. Ms. O'Neill made a motion seconded by Mr. Hahn to adjourn.
Mr. Hahn, Aye; Ms. O'Neill, Aye, Mr. Soli, Aye.

Motion carried 3:0:0.



Reading Municipal Light Department (RMLD) Board of Commissioners
Power & Rate Committee
Regular Session
May 16, 2011

Start Time: 7:00 p.m.
End Time: 8:10 p.m.

Attendees:

Committee Members:
RMLD Staff:

Messrs. Hahn and Soli, Ms. Snyder
Messrs. Cameron and Seldon, Ms. Parenteau,

Mr. Hahn called the meeting to order at 7:00 p.m.

Executive Session

At 7:01 p.m. Mr. Soli made a motion seconded by Ms. Snyder that the Power & Rate Committee go into Executive Session to discuss issues related to Chapter 164 Section 47D, exemption from public records and open meeting requirements in certain instances, and return to Regular Session for the release of Executive Session minutes and adjournment.

Motion carried 3:0:0.

Mr. Soli, Aye; Ms. Snyder, Aye; and Mr. Hahn, Aye.

At 7:27 p.m. the Committee re-entered Regular Session.

Annual Request for Proposal for Power Supply

Ms. Parenteau said that the RMLD is following its Power Supply Strategy of layering and laddering of the RMLD power supply portfolio formulated several years ago. Ms. Parenteau explained the memo and spreadsheet that presented how much energy the RMLD was requesting and for the period 2012 through 2015.

Discussion followed.

Mr. Hahn made a motion seconded by Ms. Snyder to recommend to the RMLD Board of Commissioners to accept the Annual Request for Proposal for Power Supply as presented by the General Manager and staff.

Motion passed 3:0:0.

Net Metering Rate

Mr. Cameron stated that this rate was brought to the Committee on April 20 and reviewed. The Committee instructed the General Manager to put it in rate form, which the General Manager has done. Ms. Snyder pointed out several typos in the document. Mr. Soli said that Section 9, which is mostly legal requirements with language that should be looked at by lawyers in order to ensure that the RMLD has the required protections in the event of a problem with the customer interconnection.

Discussion followed.

Mr. Cameron said that he would send this to General Counsel for review.

Motion to Adjourn

At 8:10 p.m. Ms. Snyder made a motion seconded by Mr. Soli to adjourn.
Mr. Hahn, Aye; Ms. Snyder, Aye, Mr. Soli, Aye.

Motion carried 3:0:0.



Reading Municipal Light Department (RMLD) Board of Commissioners
Power & Rate Committee
Regular Session
June 22, 2011

Start Time: 6:35 p.m.
End Time: 7:25 p.m.

Attendees:

Committee Members:
RMLD Staff:

Messrs. Hahn and Soli, Ms. Snyder
Messrs. Cameron and Seldon and Ms. Parenteau

Mr. Hahn called the meeting to order at 6:35 p.m. Mr. Soli and Mr. Hahn were in attendance at the start of the meeting. Ms. Snyder had previously informed the Committee that she would be arriving late, due to a prior commitment.

Executive Session

At 6:35 pm. Mr. Hahn made a motion that the Power & Rate Committee go into Executive Session to discuss issues related to Chapter 164 Section 47D, exemption from public records and open meeting requirements in certain instances, and return to Regular Session for the release of Executive Session minutes and adjournment.

Mr. Soli questioned why the Power & Rate Committee needed to go into Executive Session. Mr. Hahn stated that the General Manager and RMLD Staff were going to present information on power supply that is confidential. Mr. Soli still questioned why the need for Executive Session. Mr. Cameron said that each time he and the RMLD Staff have made a presentation on power supply to the RMLD Board, CAB or a committee that included sensitive information of a competitive nature it has been done in Executive Session.

Discussion followed.

Mr. Soli seconded the motion on the table.

Motion carried 2:0:0.

Mr. Hahn, Aye; Mr. Soli, Aye.

The Power & Rate Committee re-entered Regular Session at 7:15 pm.

Response to Mr. Soli's Inquiry on the Proposed Street Light Rates

Mr. Cameron stated that Mr. Soli circulated a handout at the May 25, 2011 RMLD Board Meeting concerning the proposed street light rates the RMLD is putting in place on August 1, 2011. Mr. Cameron said that Mr. Soli basically redid his analysis of the proposed street light costs, and that Mr. Soli had used only the directly-charged street light maintenance costs shown in the FY12 budget. Mr. Cameron developed a response to Mr. Soli's analysis, which was sent to all RMLD Board Members. Mr. Cameron pointed out that Mr. Soli's analysis understates the cost of maintaining the street lights by only using the direct charge maintenance costs shown in the FY12 Operating Budget. The RMLD's originally proposed street light rate used the allocated costs from the FY11 Cost of Service Study, which correctly assigns operating, maintenance costs associated with the operation of the street lights on annual basis.

Discussion followed.

Mr. Hahn said that the committee should take this issue again at a future meeting.

Ms. Snyder entered the meeting at this point. Mr. Soli left the meeting at this point.

Motion to Adjourn

At 7:25 p.m. Mr. Hahn made a motion seconded by Ms. Snyder to adjourn.

Mr. Hahn, Aye; and Ms. Snyder, Aye.

Motion carried 2:0:0.



Reading Municipal Light Department (RMLD) Board of Commissioners
Power & Rate Committee
Regular Session
July 21, 2011

Start Time: 7:00 p.m.

End Time: 9:00 p.m.

Attendees:

Committee Members:

Messrs. Hahn and Soli and Ms. Snyder

RMLD Staff:

Mr. Cameron, Ms. Parenteau, and Mr. Seldon

Commissioners:

Ms. O'Neill

Mr. Hahn called the meeting to order at 7:00 p.m.

Renewable Energy Policy

Mr. Hahn asked Mr. Soli to present his request concerning a Renewable Energy Policy for the RMLD. Mr. Soli said that he thought the RMLD needed both a Renewable Energy Policy as guide for the RMLD purchasing renewable energy.

Discussion followed.

Mr. Hahn asked the General Manager and Staff to come up with initial language for a Renewable Energy Policy.

Direction Regarding Renewable Power

Mr. Soli thought that the RMLD was also in need of a direction in purchasing customer owned generation. Mr. Cameron said that legal counsel is reviewing the customer owned generation guidelines as requested by the Power & Rate Committee.

Discussion followed.

Energy Environmental Policy Concepts

Ms. Snyder said that she cut these concepts from articles and other things she found on the Internet that were related to Environmental Policies.

Discussion ensued.

Ms. Snyder said that she would like to look these over and get back to the committee with a formalized draft policy.

Article Relative to - Greater Reliance on Efficiency, wind and Long Term Contracts Reduces Risks and Ratepayer Costs

Ms. Snyder said that she sent this to the General Manager and thought it would be helpful for the RMLD. Mr. Cameron said that he downloaded the report, which he had with him. Mr. Cameron said that the report analyzes power supply planning from regions such as vagueness, ignorance, uncertainty, and risk. Mr. Cameron said that the conclusions are that central station power projects are not the most favored and that companies should be looking at renewable energy projects in small to medium sizes.

Concepts for Possible RMLB Environmental Policy

Ms. Snyder said that this information was from her and that it is somewhat related to the article submitted.

Discussion followed.

Other Discussion

Mr. Hahn said that he had a discussion with the General Manager recently about the RMLD's ability to use the Renewable Energy Certificates (RECs) from the Swift River project to cover the RMLD requirement for RECs in the Green Choice program. Mr. Hahn said he agreed with that concept. Ms O'Neill said that she disagreed and that the Green Choice Program should be discontinued. Ms. O'Neill believed that the Green Choice program had outlived its usefulness and that since the RMLD is receiving RECs with the Swift River power purchase the RMLD should consider going in another direction.

Discussion followed.

Mr. Hahn asked the General Manager and Staff to come back to the committee with more detail about the Green Choice Program.

Motion to Adjourn

At 9:00 p.m. Mr. Soli made a motion seconded by Ms. Snyder to adjourn.

Mr. Hahn, Aye; Ms. Snyder, Aye, Mr. Soli, Aye.

Motion carried 3:0:0.

Reading Municipal Light Department (RMLD) Board of Commissioners
Power & Rate Committee Regular Session Minutes
October 3, 2011

Start Time: 6:30 p.m.
End Time: 9:00 p.m.

Attendees:

Committee Members: Messrs. Hahn and Soli and Ms. Snyder
RMLD Staff: Mr. Cameron, Ms. Parenteau, and Mr. Seldon
Commissioners: Ms. O'Neill

Chairman Hahn called the meeting to order at 6:30 p.m.

Ms. Snyder made a motion seconded by Mr. Soli to go into Executive Session based on Chapter 164, Section 47D exemption from the public records and open meeting law requirements in certain circumstances, to discuss proposals from renewable energy projects and return to Regular Session.

Mr. Hahn, Aye; Ms. Snyder, Aye, Mr. Soli, Aye.

Motion passed 3:0:0.

The Power & Rate Committee re-entered Regular Session at 8:15 p.m.

Sustainable Energy Policy

Mr. Seldon stated that at the last meeting of the Power & Rate Committee on July 21, 2011, which was a joint meeting with the Policy Committee, the RMLD General Manager and staff were told to come back to the Power & Rate Committee with a draft policy addressing renewable energy acquisition. The RMLD has developed a draft Sustainable Energy Policy for the committee's review. Mr. Seldon went over the salient points of policy. Mr. Seldon pointed out that the Policy elements include reaching certain renewable energy portfolio levels at stated milestones, price levels of projects that would warrant consideration by the committee, and how to deal with Renewable Energy Certificates (RECs).

Discussion followed.

The sense of the committee was that the policy would need further discussion.

Environmental Policy

Ms. Parenteau gave an overview of the draft environmental policy the Staff developed and was presenting. At the last meeting of the Power & Rate Committee meeting the committee discussed the development of an Environmental Policy and asked staff to come up with a draft policy.

Discussion followed.

Chairman Hahn asked the General Manager and Staff to determine the cost of taking the actions included in the policy and bring them back to the committee.

Net Metering Rate

Mr. Cameron explained that the RMLD had brought a draft Net Metering Rate to the committee in July and was asked to make changes to the rate, have counsel review the rate, and bring it back to the committee for further review. Chairman Hahn asked about the metering scheme described in the rate.

Discussion followed.

Mr. Cameron thought it would be best if he sent a schematic and explanation of the net metering scheme to the committee. Chairman Hahn said that would be helpful in understanding how the net metering works.

Other Business

Chairman Hahn acknowledged that the RMLD Board of Commissioners had received a few e-mails from customers asking about 0% loans to finance energy efficiency measures. Mr. Cameron said that he would get background on this and bring it back to the Board for discussion.

Motion to Adjourn

At 9:00 p.m. Mr. Soli made a motion seconded by Ms. Snyder to adjourn.

Motion carried 3:0:0.

Reading Municipal Light Department (RMLD) Board of Commissioners
Power & Rate Committee Joint Meeting with the Citizens' Advisory Board
Regular Session
October 24, 2011

Start Time: 7:00 pm
End Time: 8:28 pm

Attendees:

Committee Members: Mr. Hahn, Ms. Snyder, and Mr. Soli
RMLD Staff: Mr. Cameron, Mses. O'Leary and Parenteau, and Mr. Seldon
CAB: Messrs. Carakatsane, Chairman (Lynnfield), Hooper (Wilmington), Capobianco (Reading)

Chairman Hahn called the RMLD Board of Commissioners' Power & Rate Committee meeting to order at 7:05 P.M.

Chairman Carakatsane called the CAB meeting to order at 7:05 P.M.

The Retiring/Expiring of Renewable Energy Certificates (RECs)

Mr. Carakatsane explained that at the last CAB Meeting on October 4, a question was raised about what was happening with the Renewable Energy Certificates (RECs). He added that there was knowledge that the RECs are being let to expire and in the meantime, the Board as a whole has not considered the issue. It was a concern of the CAB, so this meeting was requested to discuss both sides of the issue.

Mr. Seldon wished to modify some comments made at the last meeting. He clarified that the RECs for the Green Choice Program were allowed to expire, because that is how the program was set up. The new RECs that the Department is getting with the Swift River Project are not expired, and are being banked in the RMLD's account.

Chairman Hahn stated that the Board has discussed the issue, but there is no unanimous consensus as to whether the RECs should be retired. The Board asked Energy Services to come in with options, and the Board allowed the RECs to be bought and expired under the Green Choice Program.

Ms. Parenteau added that there has been discussion at this Committee level to develop a sustainability policy and address what to do with RECs in the policy. The Committee has also discussed whether or not to utilize the Swift River RECs to satisfy the Green Choice RECs. A definitive answer has not arisen, but there has been discussion.

Chairman Hahn noted that RECs could be sold on a retroactive basis so no value has been lost by sitting on them.

Ms. Parenteau said that the whole purpose of Green Choice is that the RMLD would go out, purchase RECs, and retire them. Since then the RMLD found a purchase power agreement with Swift River, which is a whole new set of RECs. With the new set of RECs a discussion on what should the policy be related to the RECs and how to move forward is now a pertinent discussion.

Mr. Carakatsane asked how the RECs expire.

Ms. Parenteau passed out an informational page (from mass.gov), which gives a summary and an overview of what is an RPS (Renewable Portfolio Standard), how the RECs work, how does a REC originate, and who keeps track of a REC. It also notes that generation providers who are classified as renewables have the ability to sell those RECs. She added that within the current contract with Swift River, Swift River generates the RECs, which go onto a GIS system.

Chairman Hahn explained that the GIS system maintains all the generator attributes. When a REC is generated, it is tracked on the GIS system.

Mr. Hooper asked if the Swift River REC would expire.

Ms. Parenteau responded that once the REC is banked, it is the RMLD's, and that it only has a value if someone wants to buy it. The RMLD has complete control over the REC, and it stays in our bank.

Ms. Snyder asked if the Green Choice RECs are retired annually.

Ms. Parenteau responded that the RECs are retired quarterly, and noted that there is a window of time that generators have to put the information into the system in terms of transferring the RECs. For example, from July through December, Quarter 1 RECs can be recorded.

Discussion ensued.

Mr. Capobianco noted that the RMLD is buying energy along with the RECs.

Chairman Hahn responded that was correct, and it goes into the RMLD's energy supply portfolio.

Mr. Carakatsane recalled that the basic idea behind the Green Choice Program was to raise money to invest in renewables.

Chairman Hahn stated the RECs were bought because the RMLD wanted to say that it had some renewable green power.

Mr. Soli asked how residential solar customers could get RECs.

Chairman Hahn explained that a customer would have to be a certain size to go into the GIS system, so a single rooftop solar panel would not be eligible. He added that there are developers who will install residential solar panels, and they will take the RECs and bundle them to be big enough to go into the GIS system.

Ms. Parenteau commented that there are also aggregators that will go up to individual solar customers and will start a contract with them to aggregate their solar to buy RECs. She noted that Jared Carpenter is looking into the possibility of aggregating some of the individual solar customers and working with a third party vendor who has the ability to do it.

Discussion ensued.

Mr. Carakatsane asked if a RPS policy had been developed.

Ms. Parenteau responded that Energy Services had a meeting with the Power and Rate Committee and presented an outline of a sustainability policy.

Mr. Carakatsane asked if an energy portfolio standard and having RECs go hand in hand.

Ms. Parenteau stated that municipal utilities are exempt at the present time.

Chairman Hahn noted that the Board of Commissioners has directed the General Manager and the employees to go find renewable projects, i.e., Concord Steam, Swift River Hydro, solar. Chairman Hahn believes the Board does not want to opt into an RPS, but would rather set its own policy, which is more complicated than it appears. He added that the initial step was the Green Choice Program: buy the REC and see if there is customer interest; however, there was only tepid interest. He said that the Board must decide what percentage of the portfolio should be renewable taking into consideration that it is a policy issue, a rate issue, and a generation/supply issue.

Mr. Carakatsane asked what is done with the RECs, besides sell them and get cash back to possibly subsidize buying renewables.

Ms. Parenteau noted that if the RECs were sold, the RMLD would not be buying anything that is "green". She added that what makes this "green" is having the certificate attached to the megawatt hours and keeping those together.

Mr. Carakatsane asked if you could use them to buy more "green".

Mr. Seldon explained that one of the options (as listed in a memo attached to the agenda packet) is if all or a portion of the RECs are sold you can use the money for other sustainable projects. He commented that as long as the Board sets the criteria, the Energy Services Division (ESD) could do it.

Ms. Parenteau added that it is really a policy decision.

Chairman Hahn stated that if the RMLD wants to be called "green" then a piece of paper is needed that says it is "green".

Ms. Snyder said that it appears the power generation is completely separated from the "greenness" of it, so you can sell the "greenness".

Mr. Capobianco stated that all we are really talking about is whether or not we call ourselves "green". If we want to say we are "green", the RECs get retired; if we want to take the money and invest it in other renewable projects, then we have to say we are not green.

Mr. Seldon said that if you wanted to take it one step further, we could say that we are going to call so much of the power green and retire a portion of the RECs, and sell the others for investment.

Discussion ensued.

Ms. Parenteau stated in her opinion that it is very important, no matter what option the Board may decide, that it is communicated clearly that if the RECs are sold, that we do not call it "green".

Mr. Soli commented that controlling the peak is important, and whatever the RMLD does, it should be encouraging solar. He added that if it means the RECs should be sold to use that money to build solar, and encourage solar, then that is what is important to him. Saying that you're green or not is not so important to him, but protecting the environment by cutting down CO₂ is more important.

Chairman Hahn offered a different viewpoint. He agreed that controlling the peak load is important, but CO₂ comes from generation throughout the year and is just as damaging in January as in August. He added that solar only has a 16% capacity factor, wind 25%, water 30%, and hydro 30-60%. Per kW of capacity, hydro will avoid most greenhouse gas. He believes they are all important and would not exclude hydro and wind, and solar is the most expensive.

Mr. Carakatsane asked where is the Board and/or Committee in this discussion, policy or thoughts?

Chairman Hahn stated that at the last Committee meeting they had a lot of questions that they were trying to get answered. He believes it comes down to whether the RMLD wants to be called "green" or not, and how much more above market will we pay? He said they have not come to a quick resolution on this, because it is not a simple solution.

Mr. Hooper said that in his opinion although we are talking about "green", it makes more sense to sell the RECs and invest in more renewable energy.

Mr. Capobianco's opinion was to sell the RECs and use that money to bridge the gap for more renewable energy at a more reasonable cost, and increase the amount of renewable energy within the portfolio. He agrees with Mr. Soli regarding solar panels, however, you don't get as much bang for the buck.

Chairman Hahn stated that if RMLD is not worried about its current portfolio being "green", then don't buy renewables, buy conventional power supply, and take that money that is saved and invest directly in the RMLD's service territory. Mr. Hahn (own opinion) does not believe the RMLD should buy renewable power, sell the RECs, and call itself "green".

Discussion ensued.

Mr. Cameron stated that he doesn't believe a project is dead forever with respect to "green". He believes that at a certain point in time you can stop selling the RECs and retire them. He added that the Department does not have an RPS yet, and thinks the legislature may in the future have municipals come under an RPS. When that happens, municipals will be scrambling. After some research, he found that those municipals that do have renewables are selling them. If the RMLD comes under an RPS, he would hope that the RMLD would have been proactive enough to have enough potentially green power in their portfolio so that if RMLD stops selling RECs, the RMLD would meet that portfolio standard. He believes that it is a question of philosophy, and agrees that Chairman Hahn is correct that if we sell the RECs, we cannot call ourselves "green". He feels that the Department should do a middle of road concept in acquiring green power and sell the RECs and relieve some of the cost. Mr. Cameron added that the RMLD should keep in mind that the RPS is now for the Investor Owned Utilities (IOUs), as the Department adds more potentially green power to the portfolio so that it can be there if and when a RPS is imposed. He does not disagree with Chairman Hahn, but wants to be conscious of the fact that the RMLD should be where it may need to be in the future with respect to an RPS.

Mr. Carakatsane commented that he sees Chairman Hahn's point; however, at the moment he is not against selling a portion of the RECs to try to recoup some of the expenses. He feels there is an obligation to the ratepayers to keep costs down.

Mr. Carakatsane explained that tonight was a gathering of information to discuss the philosophies of both sides. He said that perhaps after the Committee comes up with a draft; both the CAB and the Power & Rate Committee could meet jointly again.

Discussion ensued.

Mr. Soli had a question about the banking of RECs asking if the RECs have a shelf life.

Ms. Parenteau would get the information to Mr. Soli.

Discussion ensued.

Mr. Carakatsane said it sounds as though an annual discussion should take place on what to do with the RECs.

Ms. Parenteau would like to get direction from the Board and the CAB in the form of a policy.

Chairman Hahn said that ESD couldn't move forward until the Board and the CAB decide whether the RMLD is going to be "green" or not.

Ms. Snyder stated that in the conversations she has had with people from the energy office in Rhode Island, they were very interested in solar because of the issue of summer peaks. Ms. Snyder likes Option 2 with some of the RECs being sold and those funds used for municipal buildings getting solar.

Chairman Hahn would like to see the costs in a numerical analysis. If the Department did sell the RECs, how much money would we raise and would it make a difference? He stated that without some kind of numerical analysis, it is just guessing.

Mr. Capobianco stated that one of the reasons for holding on to the RECs is because we may be subject to an RPS in the future, and he wanted to know if he were correct.

Mr. Cameron said that if the RECS could be sold, and then if we do have a RPS apply to us, the Department would stop selling the RECs and then they would count as "green".

Chairman Hahn explained that the Department would buy RECs from Swift River and whatever RECs the RMLD gets in 2012 or 2013, the Department would sell. Then come 2015, the RMLD stops selling them. He said that doesn't mean that those RECs are banked all along the way, and added that RECs can't be sold and banked.

Mr. Capobianco said then why not sell them until the Department is forced to retain them.

Ms. Snyder and Chairman Hahn responded that the Department bought them to be "green".

Mr. Capobianco said they could be sold to subsidize the purchase of more green energy.

Chairman Hahn's question is how much money will be received if they are sold, and how much will the Department be able to do that is "green".

Mr. Carakatsane referred to Table 2 in the memo regarding market value.

Discussion ensued.

Mr. Carakatsane said that he encourages discussion by both Boards and the Committee on this issue, and for the Committee to perhaps develop a draft policy for review. He would welcome a financial analysis.

Mr. Soli commented that the options listed in the memo are good, and added that there should be a 2B. outlining what to do with the money.

Mr. Parenteau stated that ESD would provide more numbers or any other information the Boards would like.

Chairman Hahn noted that if the RMLD decides to sell RECs, he does not see how he could approve buying another Swift River. He feels RMLD would be taking money out of ratepayers' pockets and not be any "greener" than before.

Mr. Carakatsane asked if the Committee had anything on the table such as a meeting in the future on this issue.

Chairman Hahn stated that it will be brought up at their next meeting, and feels the issue should be decided quickly.

Ms. Snyder asked if the joint meeting of the Power and Rate and the Policy Committees was because of this issue.

Mr. Cameron responded that there were still some questions on the policy, so it was not ready to go to the Policy Committee. He feels this issue goes hand in hand with the policy. He said that the policy would have to go back to the Power and Rate Committee again for review, and keep the CAB apprised.

Chairman Hahn asked the CAB what option they liked.

Mr. Carakatsane responded that he likes Option 2, which would include a policy, perhaps a 2B, although he is concerned about not enough opportunity.

Chairman Hahn also wanted to know where those prices are going in the future. He added that the outlook of supply and demand is heavily in favor of supply, and if Cape Wind comes in the state will be awash with RECs. The RECs won't be worth much.

Mr. Carakatsane said he prefers a year-to-year approach, because what may make sense now may not make sense 18 months or two years from now.

Mr. Soli suggested having specific review dates and/or periods in the policy.

Adjournment

A motion was made at 8:15 P.M. by Mr. Hooper and seconded by Mr. Capobianco to adjourn the CAB meeting.

Motion carried unanimously 3:0:0.

A motion was made at 8:16 P.M. by Ms. Snyder and seconded by Mr. Soli to adjourn the RMLD Board of Commissioners Power & Rate Committee meeting.

Motion carried unanimously 3:0:0.

Reading Municipal Light Department (RMLD) Board of Commissioners
Power & Rate Committee Meeting
Regular Session
December 5, 2011

Start Time: 7:05 p.m.
End Time: 8:28 p.m.

Attendees:

Committee Members: Messrs. Hahn and Soli and Ms. Snyder
RMLD Staff: Mr. Cameron, Ms. Parenteau, and Mr. Seldon

Chairman Hahn called the meeting to order at 7:05 p.m.

At 7:06 p.m. Ms. Snyder made a motion seconded by Mr. Soli to go into Executive Session based on Chapter 164, Seciton 47D exemption from the public records and open meeting law requirements in certain circumstances and return to Regular Session.

Chairman Hahn called for a poll of the vote:

Mr. Hahn, Aye; Ms. Snyder, Aye; Mr. Soli, Aye.

Motion passed 3:0:0.

The Power & Rate Committee reentered Regular Session at 7:28 p.m.

Swift River LLC - Renewable Energy Certificates

Chairman Hahn said that the committee would be taking up the issue of Renewable Energy Certificates (RECs) the RMLD receives from the Swift River hydroelectric projects.

Mr. Cameron said that Ms. Parenteau would be presenting this issue to the Board. Ms. Parenteau stated that the Power & Rate Committee has taken up this issue at a prior meeting. The RMLD is receiving RECs from the Swift River Hydroelectric project and these RECs have a value of approximately \$400,000 based on the REC market presently. Ms. Parenteau said that selling the RECs is the right thing to do because the RMLD is not under a Renewable Portfolio Standard (RPS) and it will lower the costs to the RMLD customers. Mr. Cameron said that that if RMLD comes under a RPS they will have to meet certain renewable energy percentage in its power supply portfolio. Mr. Cameron also believes that the RMLD should be buying some renewable power at competitive costs so that if the RMLD comes under a RPS then the RMLD will stop selling the RECS and be positioned to meet the requirements of the RPS.

Discussion followed.

The committee felt that they should take up the Sustainable Energy Policy at this time since it is related to the REC issue they are discussing.

Sustainable Energy Policy

Mr. Seldon explained that the RMLD had made changes to the Sustainable Energy Policy that was brought to the committee in prior meetings. Mr. Seldon said that the policy now includes a target date for the RMLD achieve certain levels of renewable energy in its power supply portfolio. Ms. Parenteau also said that the policy includes the RMLD reassessing whether the REC should be sold or not.

Discussion ensued.

Chairman Hahn said that it was his intention when the RMLD started purchasing renewable energy that the REC not be sold. Mr. Soli reiterated that the Sift River RECs were worth approximately \$400,000.

Mr. Soli made a motion seconded by Ms. Snyder that the Reading Municipal Light Department (RMLD) Power & Rate Committee recommend to the RMLD Board of Commissioners to authorize the General Manager to sell the Renewable Energy Certificates associated with the output of the four hydroelectric plants owned by Swift River LLC that the RMLD presently has entitlement to.

Discussion followed.

Ms. Snyder made a motion seconded by Mr. Soli to add to the motion on the table the words "and to be reconsidered annually by the RMLD Board."

Discussion followed.

Chairman Hahn called for a vote on the amended motion.
Motion failed 1:2:0. (Hahn and Soli voted against.)

Discussion followed.

Chairman Hahn then asked for a vote on the original motion made Mr. Soli.
Motion failed 1:2:0. (Hahn and Snyder voted against.)

Net Metering Rate

Mr. Cameron pointed out that this rate had been brought to the Power & Rate Committee prior to this meeting. Mr. Cameron said that has incorporated the comments from the previous the Net Meeting was discussed and they have been incorporated into the Residential and Commercial Net Metering rates.

Chairman Hahn said that he had a question as to the metering scheme the RMLD was proposing in the Net Metering Rate and his questions were answered by Mr. Cameron.

Mr. Soli said that he had several questions on the rates. Mr. Soli said that it looks like the usage and the energy being sent to the RMLD's system was being netted out. Mr. Cameron said that is not what is proposed. Mr. Cameron said that he will take his comments and make revisions and get it back to the committee quickly.

Ms. Snyder made a motion seconded by Mr. Soli for the Reading the Reading Municipal Light Department (RMLD) Power &Rate Committee recommend to the RMLD Board of Commissioners to accept the Residential and Commercial Net Metering Policies, with edits, to the RMLD Board of Commissioners.

Motion passed 3:0:0.

At 8:28 p.m. Mr. Soli made a motion seconded by Ms. Snyder to adjourn.
Motion carried 3:0:0.

RENEWABLE ENERGY CERTIFICATES

c. RMLD BOARD MEETING MINUTES



Reading Municipal Light Board of Commissioners

Regular Session

230 Ash Street

Reading, MA 01867

January 26, 2011

Start Time of Regular Session: 7:32 p.m.

End Time of Regular Session: 9:00 p.m.

Attendees:

Commissioners:

Mary Ellen O'Neill, Chairman

Philip B. Pacino, Secretary

Robert Soli, Commissioner

Richard Hahn, Vice Chair

Gina Snyder, Commissioner

Staff:

Vinnie Cameron, General Manager

Jeanne Foti, Executive Assistant

Jane Parenteau, Energy Services Manager

Beth Ellen Antonio, Human Resources Manager

Robert Fournier, Accounting/Business Manager

Kevin Sullivan, E&O Manager

Citizens' Advisory Board

Arthur Carakatsane, Chair

Chairman O'Neill called the meeting to order and stated that the meeting of the Reading Municipal Light Department (RMLD) Board of Commissioners is being broadcast live at the RMLD's office at 230 Ash Street, Reading, MA. Live broadcasts are available only in Reading due to technology constraints. The meeting was video taped for distribution to the community television stations in North Reading, Wilmington and Lynnfield.

Opening Remarks/Approval of Meeting Agenda

Chairman O'Neill thanked everyone for their efforts where this is the second meeting of the month. Chairman O'Neill asked Board members present if there were suggested changes or additions to the agenda. There were none. Ms. Snyder said that she would like the opportunity to mention an event coming up this Saturday at this meeting. Chairman O'Neill stated that she would put that on under General Discussion.

Introductions

Chairman O'Neill introduced Citizens' Advisory Board Chair, Arthur Carakatsane.

Approval of January 5, 2011 Board Minutes

Mr. Pacino made a motion seconded by Mr. Hahn to approve the Regular Session meeting minutes of January 5, 2011 as presented.

Motion carried 5:0:0.

Chairman O'Neill stated that based on Mr. Soli's comment from the last meeting, she would like to see reflected in the minutes the nays and abstentions listed by names for all formal motions. In terms of public transparency even if a vote does not pass all the names should be listed.

Report from RMLD Board Committees (Attachment 1)

Power & Rate Committee – Vice Chair Hahn

Mr. Hahn reported that the Power & Rate Committee met jointly with the Citizens' Advisory Board on January 19, 2011 in which they met in both Regular and Executive Session on a couple of items that involved power supply contracts. The first power contract was Concord Power and Steam which is a wood burning cogeneration facility in New Hampshire from which the RMLD would like to purchase a portion of the output. The second power supply contract was Swift River Trading Company, LLC which consists of four run of the river hydroelectric sites. The RMLD intends to buy the output of four facilities. Mr. Hahn commented that various aspects of this power supply contract were discussed in executive session. Mr. Hahn pointed out that at the meeting the Committee voted 3:0:0 to approve the Concord Power and Steam contract and 3:0:0 to approve the Swift River contract.

Hahn advised the Board on a last minute development related to the Swift River contract. Mr. Hahn said that the votes the Committee took at the meeting were to authorize the General Manager to finalize negotiations under the terms and conditions presented to the Committee. Before the General Manager signs the contract this matter needs to be cleared up and a resolution achieved such that Swift River provide what was contracted for. Mr. Hahn's suggestion is that the RMLD Board go forward with both power contracts and authorize the General Manager to finalize negotiations.

**Report from RMLD Board Committees (Attachment 1)
Power & Rate Committee – Vice Chair Hahn**

Mr. Hahn said that we will ask that legal counsel seek confirmation in whatever form is required ensuring Swift River has freed itself from any past commitments or encumbrances.

Mr. Carakatsane commented that the vote of the Citizens' Advisory Board for the Concord Power and Steam, LLC and Swift River Trading Company, LLC was to recommend these contracts unanimously to the Board.

Discussion followed.

Mr. Hahn made a motion seconded by Ms. Snyder that the Reading Municipal Light Department Board of Commissioners authorize the General Manager of the Reading Municipal Light Department to finalize negotiations and execute a contract with Concord Power and Steam, LLC in accordance with the term sheet that was approved at the Power & Rate Committee meeting on January 19, 2011.

Motion carried 5:0:0.

Discussion followed.

Mr. Hahn made a motion seconded by Ms. Snyder that the RMLD Board of Commissioners authorize the General Manager of the Reading Municipal Light Department to finalize negotiations and execute a contract with Swift River Trading Company, LLC in accordance with the term sheet discussed at the Power & Rate Committee meeting on January 19, 2011. The General Manager will not sign the deal until legal counsel seeks confirmation in whatever form required ensuring Swift River Trading Company, LLC has freed itself from any past commitments or encumbrances.

Motion carried 5:0:0.

Chairman O'Neill reported that for the Addendum to the Cost of Service Study there will be a motion, report from the Citizens' Advisory Board, and a ten minute presentation from Mr. Soli given in advance to the Board, followed by discussion.

Mr. Hahn reported that the third item the Power & Rate Committee took up was an Addendum to the 2011 Fiscal Year Cost of Service Study and the specific action discussed was to make some changes to RMLD's existing Time of Use Rates which includes the Residential Time of Use and Commercial/Industrial Time of Use. Mr. Hahn stated that the changes were to shorten the length of the on peak period. Mr. Hahn explained that the Time of Use rates have different charges, higher charges for use during the on peak hours when everyone is using power and lower charges during the off peak hours when power usage costs are lower. Mr. Hahn commented that the purpose of these rates is to provide an incentive to customers to shift their usage pattern from the on peak period to the off peak period. Mr. Hahn said that the proposal and analysis was provided by the General Manager and discussed at the Power and Rate Committee meeting. The Power and Rate Committee approved a motion to recommend to the full Board that these rate changes be approved which passed 2:1:0 with Mr. Soli casting the dissenting vote.

Mr. Carakatsane stated that the CAB voted unanimously to recommend the proposed changes with a small proviso that the Department will report back on the effectiveness and financial implications of the rate change in six months. It was also discussed that there were concerns on the rates and that the RMLD promote these rates to its customers.

Mr. Soli provided a presentation on his Analysis of Possibilities for the Industrial Time of Use Rate. Mr. Soli said that his objection to the rate change was for the Industrial Time of Use even though the motion included Residential Time of Use. Mr. Soli performed an analysis showing off peak reads and on peak reads.

Mr. Soli advocated that there should be a study performed on the Industrial Time of Use rate before implementing the proposed rate change.

Chairman O'Neill thanked Mr. Soli for his presentation.

Mr. Cameron said that he brought back to the Board what he was directed to do in shortening the hours from 10 am to 8 pm to 12 pm to 7 pm and to make the rate revenue neutral. Mr. Cameron said that in the revenue proof in the Addendum to the FY 2011 Cost of Service Study the rates being proposed are revenue neutral.

Discussion followed.

Report from RMLD Board Committees (Attachment 1)

Power & Rate Committee – Vice Chair Hahn

Chairman O'Neill asked if the rates are approved tonight, when they will be filed with the DPU. Mr. Cameron replied that there is a timing issue with reprogramming the meters and before the rate is filed this needs to be in sync. Chairman O'Neill asked for further clarification as to the exact timetable. Mr. Cameron will get back to the Board when the filing takes place.

Mr. Hahn made a motion seconded by Ms. Snyder that the Reading Municipal Light Board of Commissioners accept the Addendum to the RMLD's Fiscal Year 2011 Cost of Service Study that proposes changes to the RMLD's Residential and Industrial Time of Use rates.

Motion carried 4:1:0. Mr. Soli voted against this motion.

Chairman O'Neill thanked Messrs. Hahn and Soli for their work on this.

Budget Committee – Secretary Pacino

Mr. Pacino reported that the Budget Committee met before the RMLD meeting. Mr. Pacino stated that he and the General Manager met in December 2010 to go over the budget process as well as the reporting of this information. The memo dated January 21, 2011 details the changes in the process.

Mr. Cameron detailed the changes to the budget process. The proposed budget will be annual numbers without the departmental detail numbers. In addition to the proposed FY budget numbers, there will be presented current year six month numbers, six months budget numbers and the three prior years' actual numbers.

Mr. Cameron said that there will be capitalized budget figures for capitalized labor in each department which will be shown for the forecast for previous year by department. Mr. Pacino commented that the three prior years for capital labor will be a new item in this year's budget process. Mr. Cameron said that any multi year projects in the budget will be shown; and any carry over projects will be identified in the capital budget.

Mr. Cameron presented a memo to the Budget Committee on the expenses for the upcoming year. Mr. Cameron reported that the budget books will be delivered on March 31 as has been done in previous years. Mr. Cameron would like to get the CAB and the Budget Committee to have met by the second week of May to get a motion to the RMLD Board at its meeting in May if feasible; if not, June. Mr. Cameron added that part of the monthly Budget Variance Report to the Board would reflect only division level numbers, which will result in less detail. Mr. Cameron said that the departmental budget process and back up can be available for both the RMLD Board and the Citizens' Advisory Board.

General Manager's Report – Mr. Cameron

Mr. Cameron reported on the following:

Sweat Shirts for Soldiers

The Town of Reading is running a Sweat Shirts for Soldiers program. The 26th "Yankee" Brigade Headquarters and the 26th Signal Company will deploy to Afghanistan in February. The town of Reading would like to get every soldier a sweatshirt. The cost for each shirt is \$25 and your donation can be sent to the Town Hall. The town is going to have a ceremony at the high school for the soldiers and from there they go to Hanscom Air Base.

Residential Customer Survey

The residential customer survey will begin in February with 400 of RMLD's customers being called. This will be conducted by telephone, with a company RMLD has used in the past and will contain 50 questions.

Dave Roffi

Dave Roffi, a Stockman with 32 years of service at the RMLD, passed away on Monday evening. Dave was a very good and loyal employee of the RMLD and he will be dearly missed. Our thoughts and prayers are with Dave's wife and children. The Board expressed their condolences.

Financial Report –December, 2010 – Mr. Fournier (Attachment 2)

Mr. Fournier reported on the Financial Report for December 2010 which represents the first half of the 2011 fiscal year.

Mr. Fournier reported Net Loss for December was \$240,000 decreasing year-to-date Net Income to \$2.1 million. The year to date budgeted Net Income is \$2.7 million.

Financial Report –December, 2010 – Mr. Fournier (Attachment 2)

Mr. Fournier noted that the Base Revenues are \$23.3 million compared to the budgeted amount of \$20.8 million. Purchased Power Base costs were \$14.1 million compared to the budgeted amount of \$14.1 million. Mr. Fournier said that the Operating and Maintenance expenses were at \$6.1 million compared to the budgeted amount of \$6.2 million.

The Depreciation Expense and Voluntary Payments to the Towns are on budget. Cumulatively, all five divisions were under budget by \$131,000 or 1.4%.

Mr. Soli asked a couple of question about the Gaw revenue; Chairman O'Neill asked about the Hazmat charges. The Department answered all questions.

Mr. Fournier reported that on the pension trust for the first six months ending December 31, 2010, there is \$3.7 million in the cash account and \$1 million in the investment account with the total net assets of \$4.7 million.

Power Supply Report – December, 2010 – Ms. Parenteau (Attachment 3)

Ms. Parenteau reported on the Power Supply Report for December 2010. Mr. Parenteau reported that RMLD's load for December was 62 million kilowatt hours which was a fraction less compared to December 2009. Energy costs were \$3.58 million which is equivalent to \$.0577 per kilowatt hour. In December, the Fuel Charge Adjustment was \$.059 per kilowatt hour. RMLD's sales in December were 54.5 million kilowatts. In December the RMLD under collected by \$441,000, resulting in a Deferred Fuel Cash Reserve balance of \$2.45 million. Mr. Parenteau said that in January the Fuel Charge Adjustment remained the same at \$.059 per kilowatt hour and currently the forecast is that it will remain unchanged for February. Ms. Parenteau reported that the RMLD purchased approximately 19% of its energy requirement from the ISO Spot Market with the average cost of \$66 per megawatt hour. Ms. Parenteau pointed out that per Mr. Soli's request at the last meeting this has been incorporated in Table 1. The RMLD hit a demand of 113.5 megawatts on December 20, 2010 at 7:00 p.m. compared to the peak of 113 megawatts which occurred in December 2009. The RMLD's monthly capacity requirement was 205.3 megawatts. The RMLD paid \$1.5 million for capacity which is equivalent to \$7.39 per kilowatt month. Ms. Parenteau said that at last month's meeting, there was a question on the discrepancy on the Watson Unit, on the actual versus original forecasted prior to the project coming in online. Energy Services is in the process of finalizing this information and will e-mail the full Board. The RMLD's transmission costs for December were \$626,000 which is a 3% increase from November.

Chairman O'Neill asked about the capacity requirement. Ms. Parenteau replied that this month it went down slightly because of Hydro Quebec. Ms. Parenteau explained that for the first auction, Hydro Quebec received a 1,400 megawatt credit, however based on a deterministic model; it received zero capacity for the months of December through February, as a result of that it lowered the overall requirement for the entire pool. The overall costs were the same and they bought a little less in the market.

Engineering and Operations Report – December, 2010 - Mr. Sullivan (Attachment 4)

Mr. Sullivan reported on the Engineering and Operations Report for December 2010.

Mr. Sullivan provided an update on the Gaw project. Mr. Sullivan said that the milestones and completion dates remain the same. Mr. Sullivan reported that there was an increase of RMLD labor for \$6,800. Mr. Sullivan said that the project is winding down however, there are additional costs. Mr. Sullivan reported on the soil remediation cost which is at \$2.4 million, including the paid and unpaid invoices. Chairman O'Neill asked if the soil remediation costs are complete. Mr. Sullivan replied it is close; however, there are some filings and reports that need to be done. Mr. Sullivan added that relative to the soil remediation that West Street is closed out, not the substation.

Mr. Sullivan commented on the following projects worked on during the month: Project 4 Boutwell Street – in process; Project 7 URD Completion – completed waiting for costs; Project 36 3W8 Salem Street & Baystate Road - in process; Project 37 Elm Street – in process; Project 38 – 115kV Insulator Replacement RMLD received the insulators; and Project 11 Gaw Substation – in process.

Mr. Sullivan said that on the service installations on the residential side there were approximately 35 services and on the commercial side there were two services. In routine construction there were 23 cutouts making a total of 223 for fiscal year 2011.

Engineering and Operations Report – December, 2010 - Mr. Sullivan (Attachment 4)

Mr. Sullivan reported on the Reliability Report. The Customer Average Interruption Duration Index (CAIDI) rolling average for the month is up to 2.5 minutes for the month; however, the rolling average was down approximately the same amount at 46.26 minutes. The System Average Interruption Frequency Index (SAIFI), the rolling average decreased significantly for the year, with a small amount of customers out in December totaling 267. The Months between Interruptions (MBTI) is up significantly from 14.8 months to 16.67 months for customers on the system.

Mr. Sullivan provided an update on the reliability statistics number: outage incidents 14, customers affected 267, feeder outages 0, area outages 10, and service outages 4 with the causes of outages remaining the same with tree conditions, animals, connectors and failed hardware.

General Discussion

Ms. Snyder said that as a follow up to the new programs for the energy efficiency there will be a blower door demonstration put on by the Cities for Climate Protection and the Town of Reading who are sponsors. This will be held at Conservation Commission's Mattera Cabin, 1481 Main Street on Saturday, January 28 at 10:00 am. There will also be weatherization and energy efficiency tips.

BOARD MATERIAL AVAILABLE BUT NOT DISCUSSED

Rate Comparisons, January 2011

E-Mail responses to Account Payable/Payroll Questions

Upcoming Meetings

Wednesday, February 23, 2011 and March 30, 2011

Mr. Pacino said that he will be unable to attend the RMLD Board meeting on February 23, 2011.

Executive Session

At 9:00 p.m. Mr. Pacino made a motion seconded by Mr. Hahn that the Board go into Executive Session to approve Executive Session meeting minutes of December 1, 2010 and discuss strategy with respect to Chapter 164 Section 47D, exemption from public records and open meeting requirements in certain instances, and return to Regular Session for adjournment.

Motion carried 5:0:0.

Mr. Soli, Aye; Ms. Snyder, Aye; Chairman O'Neill, Aye; Mr. Hahn, Aye; and Mr. Pacino, Aye.

Adjournment

At 9:00 p.m. Mr. Pacino made a motion seconded by Mr. Soli to adjourn the Regular Session.

Motion carried 5:0:0.

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

Philip B. Pacino, Secretary
RMLD Board of Commissioners



Reading Municipal Light Board of Commissioners

Regular Session

230 Ash Street

Reading, MA 01867

May 25, 2011

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

End Time of Regular Session: 9:00 p.m.

Attendees:

Commissioners:

Richard Hahn, Chairman
Gina Snyder, First Secretary
Robert Soli, Commissioner

Philip B. Pacino, Vice Chair
Mary Ellen O'Neill, Second Secretary

Staff:

Vinnie Cameron, General Manager
Paula O'Leary, E&O Operational Assistant
Kevin Sullivan, E&O Manager

Robert Fournier, Accounting/Business Manager
Jane Parenteau, Energy Services Manager

Citizens' Advisory Board

Arthur Carakatsane, Chairman

Chairman Hahn called the meeting to order and stated that the meeting of the Reading Municipal Light Department (RMLD) Board of Commissioners is being broadcast live at the RMLD's office at 230 Ash Street, Reading, MA. Live broadcasts are available only in Reading due to technology constraints. This meeting was video taped for distribution to the community television stations in North Reading, Wilmington and Lynnfield.

Opening Remarks/Approval of Meeting Agenda

Chairman Hahn asked the Board members present if there were suggested changes or additions to the agenda.

Ms. O'Neill requested that future agendas specify any anticipated items for action by the Board. The motion itself need not be listed, but if there are any anticipated motions, the topic of those should be listed under the committees or separately if appropriate.

Chairman Hahn asked if it would be where the Board expects to take a vote.

Ms. O'Neill responded, "yes," and explained that if someone wanted to come down and speak on a particular topic, he/she would know what was being discussed at the meeting.

Chairman Hahn suggested that in the right hand column on the agenda words be added such as "Vote Required".

Discussion followed.

Mr. Pacino suggested the words, "Action Item", and the Board agreed.

Introductions

There were no members of the public present, and the CAB representative, Chairman Arthur Carakatsane, would be late arriving.

Report from Board Committees

Budget Committee – Vice Chair Pacino

Report of May 9 and May 25 Meetings

Mr. Pacino reported that the Budget Committee reviewed the FY12 Capital and Operating Budgets as presented on May 9. The CAB approved those versions of the budgets. The Committee approved both the Capital and Operating Budgets as presented at that meeting by a vote of 3:0:0.

Mr. Pacino reported that at this evening's Committee meeting two items were considered: 1) The Operating Budget had some changes made in an addendum that lowered the Net Income from \$4.3 million to \$3.9 million, approximately a \$430,000 decrease due to additional costs related to Power Supply, the demolition of the old Control Center, fuel expenses and fuel revenue. Mr. Pacino said that the Budget Committee reviewed those changes this evening with the General Manager and staff and approved the changes by a vote of 3:0:0. Mr. Pacino explained that these changes had been presented to members of the CAB and at least four of the members saw no problems with the addendum, and did not feel a meeting was necessary to discuss the changes. 2) Although the Department is

May 25, 2011

Budget Committee – Vice Chair Pacino

Report of May 9 and May 25 Meetings

still below making its 8% return, it made more revenue than anticipated. The Committee discussion about the excess included returning it to the customers or putting it in the Pension Reserve, which is severely under funded. If it were to be refunded now customers may have to give it back in the future in the form of a rate increase. It doesn't rule out a rate increase, but it would delay the process. The Budget Committee felt it was prudent to transfer the funds into the Pension Reserve, and recommended that the motion for the transfer be approved.

Mr. Soli asked about whether the CAB was meeting on the changes.

Mr. Cameron explained that when the CAB recommends the budget, it includes "no significant changes are made without CAB approval." The CAB was notified by e-mail and asked if they considered these changes significant, and they e-mailed back that they did not.

Mr. Soli questioned the Open Meeting Law.

Mr. Cameron responded that it was informational only and no discussion took place.

Mr. Pacino made a motion seconded by Ms. Snyder that the RMLD Board of Commissioners approve the FY12 Capital Budget as presented in the amount of \$5,910,048 on the recommendation of the RMLD Board Budget Committee, the RMLD Citizens' Advisory Board, and the General Manager.

Motion carried 5:0:0.

Mr. Soli questioned why the topic/motion was not on the agenda.

Chairman Hahn stated that the discussion of the budget was on the agenda, but not flagged as a vote.

Mr. Cameron noted that the e-mails from the CAB would be a part of the meeting.

Mr. Pacino made a motion seconded by Ms. Snyder that the RMLD Board of Commissioners approve the FY12 Operating Budget based on a Net Income Amount of \$3,939,043 on the recommendation of the RMLD Board Budget Committee, the RMLD Citizens' Advisory Board, and the General Manager.

Mr. Soli moved to table the motion until Mr. Carakatsane arrived to hear his input. Mr. Pacino seconded the motion.

Motion carried 4:1:0. (Chairman Hahn voted against this motion.)

Ms. O'Neill asked if this is the format (the Net Income Amount) that the Board usually approves for the budget.

Mr. Cameron stated that it has been used in the past, although last year was done differently, the Board accepted the Operation and Maintenance section of the budget, but the revenues were not accepted, because a Cost of Service Study (COSS) needed to be done.

Mr. Pacino noted that he would have liked to see the two (budget) motions on the agenda.

Chairman Hahn asked if they could be attached separately, and Mr. Pacino said that was fine. Chairman Hahn's preference was to attach motions separately or the agenda becomes crowded. He said that motions for bids will continue to be put in the agenda itself, and motions that can be reasonably anticipated will be attached.

Power & Rate Committee – Chairman Hahn

Report of May 16 Meeting

Chairman Hahn reported the following: 1) A discussion continued from the Power & Rate Committee's April meeting regarding the possibility of a long term contract with an existing resource in New England, and the Committee decided not to recommend any action at this time. 2) An Annual Request for Proposals (RFP) for Power Supply was discussed, and a motion was made and approved by a vote of 3:0:0 to recommend to the full Board that they approve the RFP as presented. 3) New streetlight rates were recommended by the General Manager. Chairman Hahn pointed out for the most part the rates are lower than the existing rates for most categories of streetlights, although some old fashioned streetlights cost more. The Committee made a motion to recommend to the full Board that these new rates be accepted by a vote of 2:1:0 with Mr. Soli voting against this motion. 4) A change to the Commercial C Rate was discussed at the April 20 Committee meeting, but no action was taken, because it had to go to the CAB. The CAB accepted the Commercial C Rate at its May 18 meeting, and the Power & Rate Committee voted to recommend the rate change to the full Board by a vote of 3:0:0.

May 25, 2011

Power & Rate Committee – Chairman Hahn

Report of May 16 Meeting

CAB Chairman, Mr. Carakatsane, arrived at this time during the meeting.

Chairman Hahn told Mr. Carakatsane that there was one item regarding the FY12 Operating budget that was held until he arrived.

Mr. Carakatsane stated that the CAB had met several times on the FY12 budgets and recommended approval of both the Capital and Operating budgets. He noted that the CAB was apprised of the changes to the Operating Budget and no one requested that a discussion be re-opened. He added that they also recommended other items, i.e., rate changes that are before the Board tonight.

Ms. Snyder made a motion seconded by Mr. Pacino that the RMLD Board of Commissioners approve the Annual Request for Proposal for Power Supply based on the recommendation of the RMLD Board Power & Rate Committee, the RMLD's Citizens' Advisory Board, and the General Manager to authorize the General Manager to execute one or more Power Supply Agreements in accordance with the RMLD's Strategic Power Supply Plan for power supply purchases for a period not to exceed 2012 through 2015 and in amounts not to exceed 22.050 MW in 2012, 16.750 MW in 2013, 17.600 MW in 2014, and 15.925 MW in 2015.

Mr. Pacino amended the original motion with the following changes: strike the word "and", between Committee and the RMLD and place a comma there. Add in after the Citizens' Advisory Board, "and the General Manager", and delete the words in the last sentence after 2015.

Ms. Snyder accepted the amended motion.

Motion carried 5:0:0.

Ms. O'Neill mentioned that she still wants the Department to continue to pursue efforts to obtain additional renewable energy power supply resources.

Chairman Hahn noted that it is still the objective of the Board to find reasonably priced renewable energy.

Ms. Snyder made a motion seconded by Mr. Pacino that the Reading Municipal Light Department Board of Commissioners approve the adoption of the streetlight rate as proposed based on the recommendation of the RMLD Board Power & Rate Committee, the RMLD's Citizen's Advisory Board, and the General Manager.

Mr. Soli was concerned that sometime in the future someone may ask what did they really vote on since no real record of what is being voted on, i.e., the rates, is in the motion.

Chairman Hahn stated that his recollection is that the filing of the rates speaks for what was done, and asked the General Manager if the rates have been attached to motions in the past.

Mr. Cameron responded that rates have not been attached in the past, but can be.

Mr. Soli said that a COSS has generally been on the meeting agenda, and the Board has approved the COSS, which is the record of what the Board voted on.

Ms. O'Neill proposed to amend the main motion to read, "Move that the Reading Municipal Light Department Board of Commissioners approve the adoption of the revised streetlight rate as shown in attachment A based on the recommendation of the Power & Rate Committee, the RMLD's Citizens' Advisory Board, and the General Manager.

Mr. Soli handed out a chart, and said that he would say, "Table 1 attached". He said the table shows what the committee voted on, but that he had a problem squaring the number with Table 2, the operating budget, and came up with an \$84,000 disparity.

Chairman Hahn stated that if Mr. Soli's intention is to attach this Table, he could not support that. The only thing voted on was the rates for each class of streetlight. He added that it is not appropriate to attach this Table to the motion, but if Mr. Soli would like to bring the table to the Committee for discussion that would be fine.

Mr. Soli wanted to find out about the disparity that appeared to be in the table between budget and expense on the streetlights.

It was noted that there are two components, capital and maintenance per lamp.

Chairman Hahn said that he has the opportunity to bring it to the Committee, and also noted that the table should be reviewed by the staff and the Committee prior to being presented at a board meeting.

May 25, 2011

Power & Rate Committee – Chairman Hahn

Report of May 16 Meeting

Ms. O'Neill clarified that the attachment is the chart that the Power & Rate Committee received that showed the different type of streetlights and the proposed rates. Mr. Cameron suggested that the FY11 Streetlight COSS be attached.

Chairman Hahn stated that the Power & Rate Committee and the CAB voted to accept the rates that are contained in the FY11 Streetlight COSS, and suggested creating a two-column table to show the lamps that are offered and the rates that will be charged. He stated that the handout is inappropriate, and he would not attach the entire COSS, because it was the rates that were voted.

Ms. O'Neill asked if there were one chart in the COSS that contained the rates.

Chairman Hahn stated that Table 4 lists the existing rate and the proposed rate, and could be attached to the motion. He asked if the motion could refer to Table 4.

Ms. O'Neill amended the motion as follows:

Move that the Reading Municipal Light Department Board of Commissioners approve the adoption of the revised streetlight rate as shown in Table 4 of the April 14, 2011 memorandum from the General Manager to the Board of Commissioners based on the recommendation of the RMLD Board Power & Rate Committee, the RMLD Citizens' Advisory Board, and the General Manager.

Ms. Snyder accepted the amended motion.

Motion carried 3:2:0. (Messrs. Pacino and Soli voted against this motion.)

Chairman Hahn asked the General Manager to take Mr. Soli's handout, review it, and respond to Mr. Soli's question.

Mr. Cameron stated that the response would go to the entire Board.

Ms. Snyder made a motion seconded by Mr. Pacino that the Reading Municipal Light Department Board of Commissioners approve the adoption of the Commercial C rate changes based on the recommendation of the RMLD Board Power & Rate Committee, the RMLD's Citizens' Advisory Board, and the General Manager.

Mr. Soli had the same comment and concerns as the previous motion with no rate(s) being listed in the motion.

Ms. Snyder moved to amend the motion as follows:

Move that the Reading Municipal light Department Board of Commissioners approve the adoption of the Commercial C rate changes based on the attached RMLD Tariff – MDPU #223 dated to be filed June 1, 2011 and on the recommendation of the RMLD Board Power & Rate Committee, the RMLD's Citizens' Advisory Board, and the General Manager.

Ms. O'Neill seconded the motion.

Motion carried 3:0:2. (Messrs. Pacino and Soli abstained.)

Mr. Pacino made a motion seconded by Mr. Soli to bring the (FY12 Operating Budget) motion (see below) back to the table.

Motion carried 5:0:0.

Mr. Carakatsane stated that the CAB received the changes to the Operating Budget, and no member requested a meeting to reconsider the budget. He added that if a member were interested in a meeting, one would have been convened.

Move that the RMLD Board of Commissioners approve the FY12 Operating Budget based on a Net Income Amount of \$3,939,043 on the recommendation of the RMLD Board Budget Committee, the RMLD Citizens' Advisory Board, and the General Manager.

Motion carried 5:0:0.

Approval of April 27, 2011 Board Minutes

Ms. Snyder made a motion seconded by Mr. Pacino to approve the Regular Session meeting minutes of April 27, 2011 with the following changes requested by Mr. Soli: On Page 5, third paragraph from the bottom, after the words "transfer scheme", change the period to a comma and add "and its design is being improved."

Motion as revised carried 5:0:0.

Pension Trust Transfer

Mr. Cameron reminded the Board a motion was needed for a transfer to the Pension Trust.

Pension Trust Transfer

Ms. O'Neil made a motion seconded by Ms. Snyder to approve the transfer of \$1 million from the Operating Fund to the Pension Trust based on the recommendation of the Budget Committee and the General Manager.

Motion carried 5:0:0.

General Manager's Report – Mr. Cameron

E-Billing - The e-billing system went live on May 1, 2011 for both the residential and commercial customers, and any residential customer who did not fill out an RMLD update sheet and would like to receive an e-bill should contact the RMLD.

Investments – The RMLD has a considerable amount of cash in a MMDT fund that has very low interest, and therefore not working well for the Department. Mr. Cameron advised the Board that he will be going out for an RFP for investment services. If a satisfactory investment firm were selected, he would probably recommend that the OPEB fund be invested to try to earn more interest. He spoke to the Town Manager and met with the Assistant Town Manager, Treasurer, and Mr. Fournier. They interviewed one firm just to see what they do for other municipal entities. He does have an RFP that he can put together and send out.

Chairman Hahn questioned if this is something that the Department would make a recommendation to the Budget Committee.

Mr. Cameron stated that bids do not go to a committee and the Board.

Chairman Hahn stated that the idea of choosing a different investment strategy, not the RFP itself, is something reasonable to put before the Budget Committee.

Mr. Cameron said that he had no problem with submitting it to the Budget Committee.

Mr. Soli questioned when the Board went through the paperwork for the OPEB, the Board was very careful about the language saying that the Town Treasurer had that responsibility not the Board. He wondered how all of this would affect the language that is currently set up for the OPEB.

Mr. Cameron responded that he didn't know how this would affect that language, and added that the town treasurer would be using this firm to invest money.

Mr. Pacino asked if the town would have input with the selection of the firm.

Mr. Cameron stated that given that the town treasurer is custodian, they would be part of the selection process.

Mr. Pacino asked if this is going to change the legal ramifications of what they put in that document.

Mr. Cameron suggested speaking to Rubin and Rudman.

Mr. Pacino stated that he would feel comfortable with Rubin and Rudman looking at it.

Chairman Hahn stated that one of the reasons he would want it sent to the Budget Committee is because he thinks it is important to understand what the liability question is. He said that is why the change in strategy should be discussed further before an RFP is sent out. The Board should have a better understanding and have some documentation on the pros and cons of doing this and how it affects the Department. Chairman Hahn will leave it up to the General Manager as to how to best proceed in improving the use of the assets.

Mr. Pacino wished to again stress that if any member of the public has any questions or concerns, the General Manger is available anytime in his office. Mr. Pacino added that the public may contact the General Manger directly or the Chairman of the Board or even Mr. Pacino, the senior member of the Board.

Financial Report – April, 2011 – Mr. Fournier (Attachment 1)

Mr. Fournier reported on the Financial Report for April 2011.

Mr. Fournier reported that the ten-month year to date Net Income is a little over \$2.6 million. The year to date budgeted Net Income is \$1.6 million, making the difference \$989,000. Mr. Fournier said that the year to date Fuel Revenues exceeded Fuel Expenses by \$338,000. The energy conservation expenses exceeded energy conservation revenues by \$129,000. The Gaw soil remediation expenses total \$1.2 million for this fiscal year bringing the total cost combining the two fiscal years to \$2.3 million.

Mr. Fournier reported major expenses over budget were the maintenance of line transformers by \$634,000, which represents a lot of the Gaw soil remediation expense, and employee benefits by \$325,000. The latter number was due to sick leave buy back payments made.

May 25, 2011

Financial Report – April, 2011 – Mr. Fournier (Attachment 1)

The Depreciation Expense and Voluntary Payments to the Towns were on budget. Cumulatively, all five divisions were over budget by \$541,275.

Discussion followed.

Power Supply Report – April, 2011– Ms. Parenteau (Attachment 2)

Ms. Parenteau presented the Power Supply Report for April 2011. Ms. Parenteau reported that RMLD's load for April was 53.3 Million kWh, about a half percent increase compared to April 2010. Energy costs were \$2.75 million, which is equivalent to \$.051 cents per kilowatt hour. RMLD sales totaled approximately 56.3 million kWhs and, as a result, the RMLD overcollected by \$229,000 resulting in a Deferred Fuel Cash Reserve balance of \$2.66 million.

In April and May, the Fuel Charge Adjustment was set at \$.0535 cents per kilowatt hour.

Ms. Parenteau reported that the RMLD purchased approximately 27% of its energy requirement from the ISO Spot Market at an average cost of \$41.20 per kilowatt hour. The RMLD hit a peak of 92.6 MW at noon on April 28, 2011 as compared to a peak of 95.6 MW, which occurred on April 7, 2010 at 9:00 P.M. The RMLD's monthly capacity requirement was around 213 MW. The RMLD paid \$1.62 million for capacity, which is equivalent to \$7.59 per kW-month. Ms. Parenteau noted that on Table 3, the Stoneybrook Peaking Plant had an adjustment.

Ms. Parenteau reported that transmission costs for April were \$620,000.

Discussion followed.

Engineering and Operations Report – April, 2011 - Mr. Sullivan (Attachment 3)

Gaw Update

Mr. Sullivan reported on the Engineering and Operations Report for April 2011.

Mr. Sullivan said that the Gaw Project had no changes in the tangible milestones. He added that the running total of the project is \$6.846 million, and the soil remediation expense for this month is \$7,600.

Mr. Sullivan listed the following projects worked on during the month: Projects 1, 2, 5, 36, 9, and 11. He added that another project was completed this month making a total of 9 completed projects.

Mr. Sullivan said that on the service installations that there were two commercial services in Wilmington, one on Ballardvale Street and one on Main Street. Residential services: there were approximately 25-30 services for the month. In routine construction there were 31 cutouts replaced making a total of 338 for fiscal year 2011.

Mr. Sullivan reported on the Reliability Report: Customer Average Interruption Duration Index (CAIDI) is up nine minutes due to the storm on April 1; the System Average Interruption Frequency Index (SAIFI) decreased with 494 April customers affected by outages as compared to March's 1,877. The Months between Interruptions (MBTI) is up from 22 to 23 months.

Mr. Sullivan provided an update on the reliability statistics numbers that include the April 1 storm: 124 calls, 24 (14 on 4/1) outage incidents, 494 customers affected, no feeder outages, 20 area outages, and 4 service outages. Fifteen outages were due to trees, others were caused by birds, insulators and failed hardware.

Ms. O'Neill stated that although she understands the numbers on reconciling the Gaw Project, the numbers do not include the soil remediation expenses, and to her that is the total project cost and therefore more realistic.

Ms. O'Neill asked for an update on the Meter Upgrade Project, and would like one each month. She added that the publicity has been good on the Project.

Mr. Sullivan responded that the running total of installed meters is about 4,900, averaging about 1,000 per month. He added that the concentration of installations has presently been in Reading, but does include all four towns, and installation is also being done on Saturdays.

Mr. Soli questioned Mr. Sullivan on an invoice from the Massachusetts Department of Environmental Protection (MassDEP) regarding the Gaw Project asking how long these charges would be billed, and Mr. Sullivan responded that there was just this one charge.

May 25, 2011

M.G.L. Chapter 30B Bid

2011-14 Residential and Commercial Energy Audits

Ms. Snyder made a motion seconded by Ms. O'Neill to award bid 2011-14 for Tier II Residential Energy Audits to Energy Egghead, LLC as the only qualified bidder on the recommendation of the General Manager.

Motion carried 5:0:0.

Mr. Cameron explained the bid was sent to many potential bidders, and only one was received. He then went over the costs.

Ms. Snyder asked if the Department is tracking if customers are saving energy after an audit.

Ms. Parenteau stated that it has not been done; however, the Department has the ability to do it.

Ms. Snyder stated that she would like to see that.

Ms. O'Neill had some reservations about awarding the contract to the only one that was received, not knowing why no one else bid.

Ms. Parenteau had spoken to the Purchasing Manager, who did contact several of the potential bidders as did Mr. Carpenter. It appears to be a staffing issue for some of the organizations, because the RMLD requires that they be certified; others want to provide more than just an audit. She added that the bid was advertised in the *Reading Chronicle*. Chairman Hahn noted that the bid was e-mailed to many companies, and thought that a longer term of two or three years might be more attractive to some. He added that there is not a lot of margin in this for a company, and since the contract takes effect on July 1, there is no time for a second bid. Mr. Hahn asked if Egghead is the incumbent firm, and Ms. Parenteau replied that Egghead does provide the current audits. Ms. O'Neill asked if there had been a previous bid, and Ms. Parenteau responded that it had been bid last year. Ms. Parenteau added that the Customer Service Manager has received positive feedback from customers regarding the firm. The Department hopes to go out for a longer-term contract next year. Ms. Parenteau reported that through April 144 audits were completed, and three audits using the blower door.

Mr. Soli asked if all the munis have to provide this service, and Mr. Cameron responded that it is his understanding that they do, and added that the investor-owned companies must also provide the service.

Discussion followed.

General Discussion

Mr. Carakatsane suggested making the Meter Project and E-billing more prominent on RMLD's web site.

Regarding e-billing, Ms. Snyder stated that she thought she would receive an e-mail after she returned the red card.

Mr. Fournier responded that he would look into it.

Ms. O'Neill requested an update on the Green Communities Act in Massachusetts.

BOARD MATERIAL AVAILABLE BUT NOT DISCUSSED

Rate Comparisons, April, 2011

E-Mail responses to Account Payable/Payroll Questions

Upcoming Meetings

RMLD Board Meetings

Wednesday, June 22, 2011

Executive Session

Not held.

Adjournment

At 9:00 p.m. Mr. Soli made a motion seconded by Mr. Pacino to adjourn the Regular Session.

Motion carried 4:1:0. (Ms. O'Neill voted against this motion.)

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

Gina Snyder, Secretary
RMLD Board of Commissioners



RENEWABLE ENERGY CERTIFICATES

d. MEMO DATED DECEMBER 27, 2011



READING MUNICIPAL LIGHT DEPARTMENT

To: RMLD Board

Date: December 27, 2011

From: Vinnie Cameron

Subject: Discussion of Renewable Energy Certificates

Over the past six months, the Reading Municipal Light Department (RMLD) has been engaged in discussions with the Power & Rate Committee and the Citizens' Advisory Board (CAB) over the issue of selling or retiring the Renewable Energy Certificates (RECs) that the RMLD receives as a result of various RMLD Purchase Power Agreements (PPAs). The RMLD has been directed by the RMLD Board to purchase renewable energy (wind, solar, hydroelectric, biomass, etc.) at reasonable rates. Over the last year, the RMLD has signed two such contracts, one with Concord Steam, a biomass generator and the other with Swift River, LLC, an owner of several hydroelectric dams. The price of these two projects is very competitive and their effect on the RMLD's rate is insignificant. Attributes of these two projects also include RECs.

The intent of this memo is to inform the RMLD Board and the CAB as to the facts surrounding the REC issue.

What is a REC?

The REC, in its simplest form, is a representation that electricity that was generated from an eligible renewable energy resource. A renewable energy provider (such as a wind farm) is credited with one REC for every 1,000 kWh or 1 MWh of electricity it produces

What can you do with a REC?

A utility company may retire the RECs they receive from renewable energy suppliers or they can sell the RECs into the REC market. There are different "Class" designations of RECs based on the mode of generation, location, and date of development.

What is the REC market?

REC markets have been established in order for owners of RECs to sell them to entities that require RECs. RECs can be traded directly from buyer to seller, however, marketers, brokers, or asset managers are found in the marketplace.

Renewable generation facilities will often sell their RECs to these entities who then resell them on the market at a later date.

There are also Solar RECs, which are associated with the output of solar energy installations. Currently, these RECs are worth \$550 a megawatt-hour or \$.55/kWh in Massachusetts. In 2012 and 2013 the Solar RECs decrease in worth gradually to an estimated \$365 megawatt-hour or \$.365/kWh in 2021. Solar RECs are purchased by Investor Owned Utilities (IOUs) as part of their RPS solar energy requirements.

What is a Renewable Portfolio Standard?

The Massachusetts Department of Energy Resources (MDOER) developed the Massachusetts Renewable Portfolio Standard (MRPS) to require IOUs to purchase certain amounts of Green Energy as a percentage of their overall electricity sales. In doing so, the Commonwealth of Massachusetts encouraged the development of renewable energy in Massachusetts and New England. The percentages of renewable energy required by the MRPS are shown below.

- 5.0% of sales by 12/31/2010
- 6.0% of sales by 12/31/2011
- 7.0% of sales by 12/31/2012
- 8.0% of sales by 12/31/2013
- 9.0% of sales by 12/31/2014
- 10.0% of sales by 12/31/2015
- 11.0% of sales by 12/31/2016
- 12.0% of sales by 12/31/2017
- 13.0% of sales by 12/31/2018
- 14.0% of sales by 12/31/2019
- 15.0% of sales by 12/31/2020
and an additional 1% of sales each year thereafter.

Who needs to purchase RECs?

IOUs need to purchase RECs under the requirements of a MRPS outlined above. Other entities may purchase RECs in order to show their support for renewable energy development or to offset their carbon footprint.

How does the MRPS effect municipal electric utilities?

The municipal electric utilities in Massachusetts are exempt from the MRPS.

Does the RMLD have any interaction with the REC market in addition to the RECs they receive from the Swift River projects?

The RMLD has developed the Green Choice program, which offers customers the option to purchase RECs as part of their bill. The RMLD purchases RECs from the REC market in order to satisfy the requirements of the Green Choice Program. The RMLD could also use the RECs they receive from Swift River to satisfy the RECs needed for the Green Choice Program.

What is the RMLD's RECs worth?

As stated above, the RMLD has signed power supply agreements with two renewable energy suppliers. The RECs from the Swift River Project is worth about \$494,000 annually, at the present REC market rate.

The RMLD will also receive RECs associated with the electrical output from the Concord Steam Plant. When the Concord Steam Project comes on line in 2013 the RECs could be worth approximately \$1.6 million annually, based on normal operation of the plant and the present biomass REC market.

What is the relative worth of the RECs?

The RECs from Swift River have been forecast to have an annual worth of about \$494,000 in 2012 and the RMLD has estimates its overall revenue requirement in 2012 to be \$87,845,000. The Swift River RECs are approximately .56% of the RMLD annual revenues requirements.

With the addition of the Concord Steam RECs the total worth of the RMLD RECs, based on today's REC market, will be approximately \$1.6 million, which could represent 1.8% of the RMLD revenue requirements in 2013.

For the average residential customer, the \$494,000 of Swift River RECs equates to \$.56 per month or \$6.77 per year. In 2013, with the Concord Steam Plant coming on line, the total RMLD RECs may be worth approximately \$1.6 million at present market rates. In 2013, RECs may equate to \$1.82 per month or \$21.94 per year for an average residential customer.

What do other municipal electric utilities do with the RECs they receive?

I conducted a survey of municipals in Massachusetts concerning whether they have renewable energy in their portfolio and if they do; what do they do with the RECs they receive. Hull, West Boylston, Concord, Middleboro, Ipswich, Holden, Paxton, Templeton, and Wellesley, all responded that they sell their RECs.

Groveland responded that they don't have renewable energy presently but were in favor of selling them.

What is the difference between RECs and the RGGI (Regional Greenhouse Gas Initiative) program?

The REC market was developed to encourage the development of the renewable energy industry. As stated above, the IOUs have to purchase RECs to satisfy requirements of the MRPS. The RGGI program was developed to allow generating plants to purchase emission allowances that offset their air emissions. Generators cannot offset their air emissions with RECs.

Are RECs related to the Massachusetts Green Communities Act?

The two programs are mutually exclusive.

How do the RMLD customers feel about the RMLD acquiring renewable energy?

The Customer Survey the RMLD performed in 2010 said that a majority of the RMLD customers were in favor of the RMLD acquiring renewable energy. However, the survey did not ask the customers if they were in favor of paying a higher price for renewable energy.

The Town of Reading considered becoming a Green Community a few years ago. A city or town must meet six prongs to become a Green Community under the Massachusetts Green Community Act and be charged the Massachusetts Renewable Energy Trust Charge of \$.0025/kWh. At that time I met with the Town Managers of the four towns concerning this issue and they agreed that they did not want their constituents to pay higher costs due to Reading becoming a Green Community. The Town of Reading did not become a Green Community.

What can the RMLD do with the revenue if they sell the RECs?

A case can be made that any revenue from the sale of the RECs should be credited to the Fuel Charge since the RECs are purchased on \$/kWh basis. However, the RMLD could set aside an amount of money in the Capital Budget, similar to the revenue received from the REC sale, for development of renewable energy projects in its service territory. In doing so, the customers would be getting some value for the RECs.

Does the RMLD have a Sustainable Energy Policy in place?

The RMLD General Manager, Staff, and Power & Rate Committee have been working on a Sustainable Energy Policy for the past several months. The RMLD wants to work cooperatively with the RMLD Board to establish a policy that represents views of the Board with respect to purchasing renewable energy and minimizing the ongoing cost of renewable energy to its customers.

If you have questions concerning this issue please call me at 781-942-6415.



RENEWABLE ENERGY CERTIFICATES

- e. **COMMISSIONER SOLI'S PUBLIC DOCUMENT**



Upcoming RMLB Vote on RECs (Renewable Energy Certificates) & Rates

Tomorrow evening, December 7, the Reading Light Board will vote on what use to make of the RECs the RMLD receives from its sustainable power contracts. For the years 2011 and 2012 the value of these RECs averages \$495,000 per year — with the value increasing to nearly \$1.7 million per year for 2013 and after.

At its December 5 meeting, the RMLB's Power & Rate Committee voted 2 to 1 not to sell these RECs, but just to hold on to them and let them expire.

So I come before the Board of Selectmen these evening to inform you and the community of this upcoming vote in the hope that community pressure may convince the RMLB to overturn the committee's Monday vote and to sell these RECs.

The RMLB members who voted not to sell the RECs are Richard Hahn and Gina Snyder.

The two other RMLB members who will be voting on Wednesday are Mary Ellen O'Neill and Phillip Pacino.

Thank you,
Robert Soli, RMLB Commissioner

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RENEWABLE ENERGY CERTIFICATES

- f. CHAIRMAN HAHN'S PUBLIC DOCUMENT**



RMLD SHOULD NOT SELL ITS RENEWABLE ENERGY CERTIFICATES

Massachusetts' investor-owned electric utilities are required by state law to have a specified portion of their power supply from renewable resources. Municipally-owned electric utilities, such as the Reading Municipal Light Department ("RMLD"), are exempt from such requirements. However, the RMLD Board of Commissioners ("Board") believes that it is prudent and responsible to voluntarily include renewable resources in the RMLD's power supply portfolio. I know this because several years ago the Board unanimously adopted a policy direction to (a) implement an RMLD Green Choice program and (b) add renewable energy resources to the RMLD's electric supply portfolio. The desirability of having renewable energy was confirmed by a recent RMLD survey, where nearly 75% of our residential customers supported the inclusion of renewable energy in RMLD's supply portfolio. RMLD staff was directed to bring desirable projects to the Board and the Citizens Advisory Board ("CAB") for their review. The Board and the CAB reviewed several projects, and unanimously approved two projects, knowing that they would cost more than conventional power supplies. To prove that these sources of power are renewable, the output of each project is certified as renewable energy and is issued Renewable Energy Certificates ("RECs").

Some have suggested that the RMLD now sell the RECs associated with its renewable projects and use that money for other, unspecified purposes. **I oppose the sale of RMLD's RECs at this time for the following reasons.**

- Selling the RECs will cause our current renewable resources to no longer be renewable, as they will lose the certification that proves that their output qualifies as renewable energy. Such a move will undercut the policy direction unanimously adopted by the Board and the CAB and the preferences of our customers.
- RMLD staff has stated that the current value of these RECs is about \$500,000. RMLD's annual revenue is about \$89,000,000, so the value of the RECs is less than six tenths of one percent of RMLD's total revenue. For the typical residential customer, selling the RECs would save only \$0.50 per month. Such a small savings is not worth undercutting a sound policy to be environmentally responsible. If customers wish to save money on their electric bills, please call the RMLD and sign up for our energy conservation programs. You will save much more than \$0.50 per month.
- Renewable energy costs about \$0.10 per kilowatt-hour compared to \$0.05 per kilowatt hour for conventional non-renewable power supplies. If we sell the RECs for \$0.03 per kilowatt-hour, we will no longer be renewable but the net costs from these purchases will be \$0.07 per kilowatt-hour, or 40% more than conventional power supplies. Thus, if we buy renewable energy and sell the RECs, we will have raised our costs unnecessarily, and we won't have any renewable energy resources.
- There would be severe restrictions on what the RMLD could do with the revenue from the sale of RECs. The only proper use for such funds would be to offset purchased power costs. Such funds could not be used for other purposes, such as funding the construction of RMLD's own renewable projects.

Some have suggested that RMLD should purchase the output from renewable sources now, and annually sell RECs until municipal electric systems are required to have renewable sources. The specter of very high prices for renewable energy projects due to a sudden demand for renewable energy by Massachusetts municipally-owned electric companies is offered as a rationale for such a strategy. Such an argument should be rejected for the following reasons.

- All of Massachusetts' municipally-owned electric utilities account for less than 10% of the state's total electricity sales. Imposing requirements for renewable sources for these utilities would not represent a huge increase in the demand for renewable energy.
- Even if requirements for renewable sources of electricity were imposed, such a requirement would be accompanied by advance notice and would be phased in starting at a very low level. Municipal electric systems will not see a large sudden increase in state-imposed requirements.
- Massachusetts law establishes caps or limits on how much RECs will cost, thus limiting RMLD's exposure to the cost of compliance with any future renewable energy requirements.

Be environmentally and fiscally responsible. Keep the RECs.

Dick Hahn, Chairman
RMLD Board of Commissioners



RENEWABLE ENERGY CERTIFICATES

g. MEMO DATED DECEMBER 28, 2011



To: RMLD Board of Commissioners ("RMLB")
RMLD Citizens Advisory Board ("CAB")

From: Dick Hahn

Date: December 28, 2011

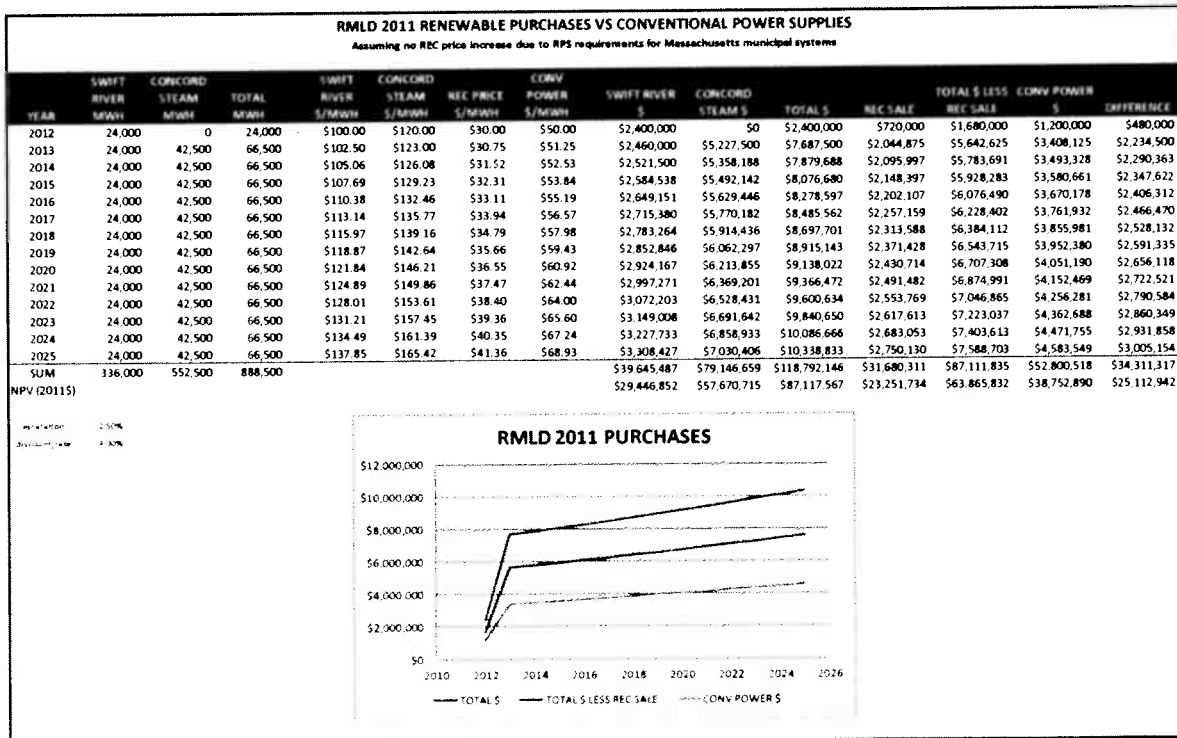
RE: Renewable Energy Strategies

Over the last several weeks, considerable discussion has taken place regarding Renewable Energy Certificates ("RECs") and whether to sell RECs that the RMLD receives from its renewable energy purchases or whether to keep these RECs. During this debate, a claim has been made that a strategy of (a) entering into long-term contracts to buy the output of renewable energy projects including RECs now and (b) selling those RECs until such time as the RMLD is required to comply with Massachusetts' Renewable Portfolio Standards ("RPS") represents the preferred option for RMLD ratepayers. I have performed a detailed pro forma analysis and have concluded that such a strategy is not the preferred option. If the RMLD wishes to sell RECs now, and therefore not be renewable or green, the RMLD ratepayers would have been better off if the RMLD did not buy the output of renewable energy projects now, but rather wait until, if ever, the RMLD is required to comply with Massachusetts RPS. This memo describes the analysis that I performed.

The RMLD currently has long-term contracts with two renewable energy projects, Swift River and Concord Steam. The Swift River Project consists of several existing, small hydro-electric generators built many years ago located in Massachusetts, and is estimated to provide about 24,000 MWH per year. Concord Steam is a wood-fired cogeneration plant located in Concord, NH. When completed and placed in-service in 2013, RMLD's purchased share of the output of Concord Steam is expected to be about 42,500 MWH annually. The RMLD buys energy, capacity, and RECs from these two projects. Because the RMLD buys the RECs, it can claim that these projects provide renewable energy, consist with RMLB policy and direction given to RMLD staff.

Purchases from these projects cost significantly more than conventional power suppliers. This fact was known when the RMLB and the CAB unanimously voted to authorize the RMLD to execute these contracts. Figure 1 below compares the annual cost of the Swift River and Concord Steam project purchases to an equivalent purchase from conventional, non-renewable resources. Figure 1 also shows the cost of the Swift River and Concord Steam project purchases assuming the RMLD sells the RECs. As shown in Figure 1, if the RMLD keeps the RECs, it will legitimately have a portion of its power supply portfolio from renewable energy resources, albeit at a higher cost than if it has purchased from conventional resources. If the RECs are sold, the RMLD will not have any renewable energy resources in its portfolio but it will still pay considerably more than conventional power supplies. Thus, if the RECs are sold, the RMLD will have unnecessarily increased its power supply costs without any benefit.

Figure 1



The next step in the analysis is to examine what would happen if the RMLD (and other municipal electric systems in Massachusetts) were mandated to comply with a RPS. When the

RPS were imposed on the Massachusetts investor-owned utilities, advance notice was given, and the percentage of each utility’s supply portfolio that must be from renewable energy resources began at a very low level (i.e., 1%) and was gradually increased over time (i.e., at 1% per year). I have assumed a similar approach for any RPS that might be mandated for Massachusetts municipal systems. Specifically, I have assumed that the RPS commences in 2015 at 1% and increases at 1% per year thereafter. Figure 2 below depicts the assumed RPS that would apply to the RMLD in this analysis.

Figure 2

ASSUMED RMLD RPS			
YEAR	RMLD MWH	% RPS	MWH RPS
2015	760,563	1.00%	7,606
2016	771,971	2.00%	15,439
2017	783,551	3.00%	23,507
2018	795,304	4.00%	31,812
2019	807,233	5.00%	40,362
2020	819,342	6.00%	49,161
2021	831,632	7.00%	58,214
2022	844,106	8.00%	67,529
2023	856,768	9.00%	77,109
2024	869,620	10.00%	86,962
2025	882,664	11.00%	97,093

Massachusetts RPS also contains a provision that caps the cost of compliance. Entities subject to a RPS can opt to pay an Alternative Compliance Payment (“ACP”), based upon a known rate per MWH. If REC prices, either those embodied in long-term renewable power contracts or market prices for RECs sold separately, exceed the ACP rate, utilities that are subject to the RPS can opt to make a payment to the Commonwealth of Massachusetts Clean Energy Center (“CEC”) equal to the ACP rate multiplied by the number of RECs possessed that fall short of the RPS. Thus, the ACP serves as a cap on RPS compliance costs. Utilities will not be required to pay prices for renewable projects such as Cape Wind, which costs about \$190 per MWH escalating at a high rate. Figure 3 below shows the ACPs assumed in this analysis. The 2011 ACP is set at \$62.13 per MWH.¹ I have assumed that this payment will escalate at 2.5% per year.

¹ The 2011 ACP of \$62.13 per MWH is for Massachusetts Class I RECs. The ACP for Class II RECs, such as hydro facilities that were in service prior to 1997, is \$25.00 per MWH. For the purposes of this analysis, I have assumed that the Class I ACP applies to all RECs purchased by the RMLD.

Figure 3

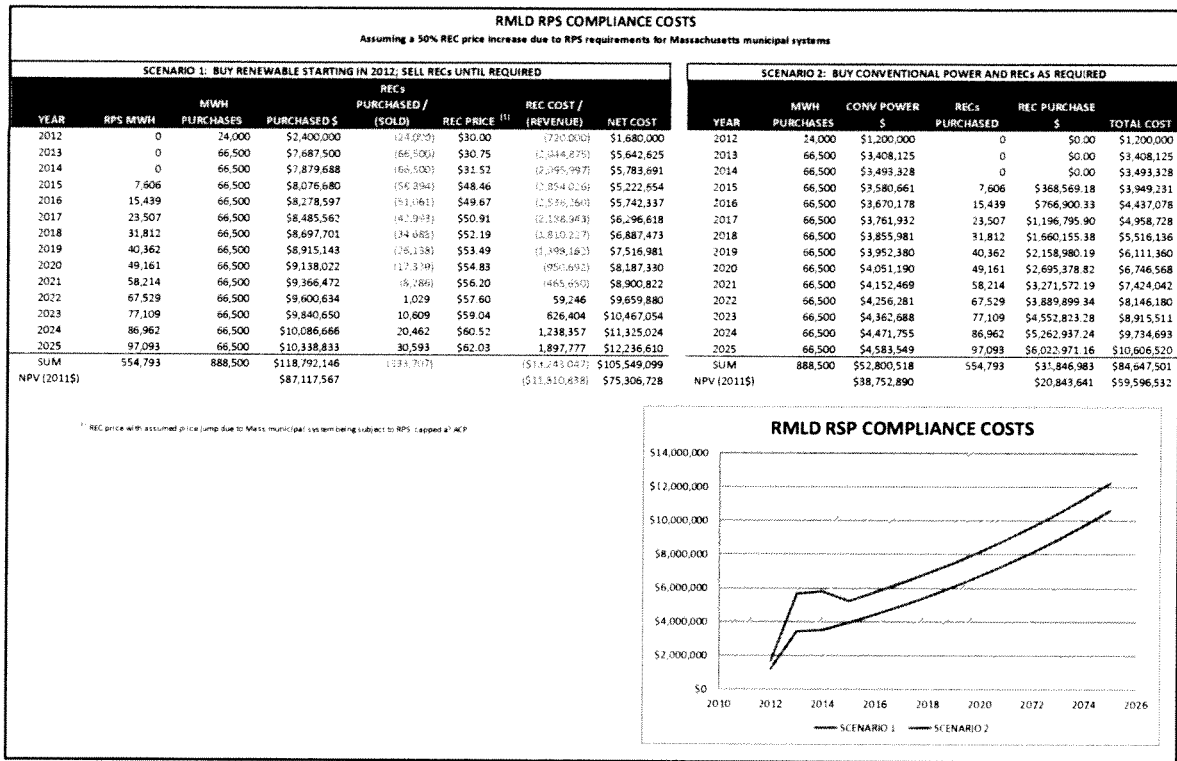
ALTERNATIVE COMPLIANCE PAYMENT	
YEAR	ACP \$/MWH
2012	\$63.68
2013	\$65.28
2014	\$66.91
2015	\$68.58
2016	\$70.29
2017	\$72.05
2018	\$73.85
2019	\$75.70
2020	\$77.59
2021	\$79.53
2022	\$81.52
2023	\$83.56
2024	\$85.65
2025	\$87.79

To address the claim that REC prices would dramatically increase when and if Massachusetts municipal systems become subject to mandatory RPS, I initially assumed that REC prices would increase by 50% in 2015, the first year of the assumed RMLD RPS. Under the assumptions described above, I determined the power supply costs for complying with a RPS for two scenarios. The first scenario uses the Swift River and Concord Steam contracts as the compliance strategy, with any available RECs being sold starting in 2012 and revenues from the sale of these RECs used to reduce power supply costs until they are needed for RPS compliance. To the extent that the Swift River / Concord Steam purchases do not provide sufficient RECs to comply with the RPS, additional RECs are purchased separately. Any surplus of RECs is assumed to be sold at the higher REC prices (i.e., plus 50% in this scenario). The second scenario assumes no renewable energy purchases, but complies with the RPS using a strategy of buying RECs as needed. Figure 4 below provides the results of this comparison over the 14 year study period from 2012 to 2025, which are also summarized as follows.

- Costs for Swift River / Concord Steam without REC sale: \$118.8 million
- Costs for Swift River / Concord Steam with REC sale: \$105.5 million
- Conventional power purchases plus REC purchases: \$84.6 million
- Conventional power purchases; no REC purchases: \$52.8 million

It's important to put these numbers in perspective. The RMLD total annual power supply costs are currently about \$75 million. If this amount were to escalate at 2.5% per year (the same assumption made above), total power supply costs over the 2012 to 2015 period would be approximately \$1,270 million. The rec compliance costs estimated here, while a large dollar amount, represent a small portion of RMLD's total power supply costs.

Figure 4



This analysis clearly shows that buying the output of renewable projects now and selling the RECs until needed results in significantly higher costs than a strategy of buying conventional power supplies and buying RECs as needed.

To test the robustness of this conclusion, I analyzed other assumed increases in REC prices once Massachusetts' municipal electric systems become subject to a RPS. Figure 5 below provides a summary of the results. Assumed price increases in these sensitivity analyses ranged from 0% to 200%. In my opinion, such large prices are unlikely to occur because Massachusetts' municipal

electric systems sell less than 10% of the electricity state-wide. I also note that at price increases above 100%, the ACP serves to cap RPS compliance costs. So, while a higher assumed REC price increase does narrow the difference between the two strategies analyzed, the strategy of buying RECs now before they are needed” them and “banking always results in higher RPS compliance costs.

I conclude from this analysis that a strategy of buying renewable power now and selling the RECs until needed will result in higher costs to RMLD customers, and we will not have any true renewable energy in our power supply portfolio. If we want to truly have a renewable energy strategy, as endorsed by the RMLB, we should keep the RECs that the RMLD has purchased from Swift River and Concord Steam.

Figure 5

SUMMARY OF RMLD RPS COMPLIANCE COSTS						
SCENARIO 1: BUY RENEWABLE STARTING IN 2012; SELL RECs UNTIL REQUIRED						
SCENARIO 2: BUY CONVENTIONAL POWER AND RECs AS REQUIRED						
REC PRICE JUMP	SUM		NPV (2011\$)		% SAVINGS WITH SCENARIO 2	
	SCENARIO 1	SCENARIO 2	SCENARIO 1	SCENARIO 2	SUM	NPV
0.00%	\$108,343,157	\$74,031,840	\$77,761,593	\$52,648,651	46%	48%
25.00%	\$106,946,128	\$79,339,671	\$76,534,161	\$56,122,592	35%	36%
50.00%	\$105,549,099	\$84,647,501	\$75,306,728	\$59,596,532	25%	26%
75.00%	\$104,152,070	\$89,955,332	\$74,079,296	\$63,070,472	16%	17%
100.00%	\$102,755,040	\$95,263,162	\$72,851,863	\$66,544,412	8%	9%
125.00%	\$102,068,959	\$97,869,838	\$72,249,071	\$68,250,464	4%	6%
150.00%	\$102,068,959	\$97,869,838	\$72,249,071	\$68,250,464	4%	6%
175.00%	\$102,068,959	\$97,869,838	\$72,249,071	\$68,250,464	4%	6%
200.00%	\$102,068,959	\$97,869,838	\$72,249,071	\$68,250,464	4%	6%

SCENARIO 1 - BUYING AND BANKING RECs - IS ALWAYS MORE EXPENSIVE