



The Leader in Public Sector Law

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By Electronic Mail

To: John Stempeck, Chairman of the Board of Commissioners, Reading Municipal Light Department
Coleen O'Brien, General Manager, Reading Municipal Light Department

From: Christopher Pollart

Re: Liability Issues Concerning Town of Reading

Date: April 30, 2020

Pursuant to our discussions, below please find some short bullet points that generally address the fact that the Town of Reading is protected from liability related to the RMLD's operations.

If you have any questions or need any additional detail, please let me know.

I. General Points

- Pursuant to applicable law, the Town of Reading is protected from liability for the costs of operating RMLD, including the repayment of amounts borrowed through the Town.
- Because RMLD is the exclusive electric service provider in its service territory and RMLD's rates must cover its above-the-line costs and debt obligations, the Town can be assured that RMLD, and not the Town, would repay debt for repairing or rebuilding its system from ratepayer revenues.
- Thus, as long RMLD owns and operates the electric system, the Town would not be liable for any costs or debt associated with the plant.
- Moreover, RMLD is an excellent credit risk because it is not rate regulated; it must set rates that are high enough to cover production costs, which, among other things, includes the debt and other costs owed to its host municipality; and it is fiscally independent from the Town of Reading and RMLD's expenditures are not subject to second-guessing by other Town of Reading officials.

- RMLD does not have the legal authority to raise or set rates to cover voluntary below-the-line payments to the Town of Reading. Except for certain above-the-line payments to the Town of Reading (and the Towns of North Reading, Wilmington and Lynnfield) that are authorized by Special Legislation, applicable law makes it clear that the RMLD and its ratepayers from its four-town service territory are not a tax revenue source for the Town of Reading.

II. Example of sophisticated business entities that consider RMLD to be a great credit risk:

- RMLD is such a great credit risk, that its wholesale power suppliers, who sell RMLD millions of dollars of wholesale energy each year, have never required credit support in the form of collateral from RMLD to secure those purchases.