CITIZENS' ADVISORY BOARD (CAB) MEETING
JOINT MEETING WITH
RMLD BOARD OF COMMISSIONERS

MINUTES
Regular Session

Time: 7:00 P.M.
Date: Wednesday, April 3, 2013
Place: North Reading Town Hall, Room 14, 235 North Street, North Reading, MA

CAB Members Present:
Mr. Tony Capobianco (Reading), Mr. George Hooper, Vice Chairman (Wilmington), Mr. David Nelson (Lynnfield), Mr. John Norton, Chairman (North Reading), Mr. Thomas Ollila, Secretary (Wilmington)

RMLD Commissioner(s) Present:
Mr. Philip Pacino, Chairman, Mr. Robert Soli, Mr. John Stempeck, Mr. David Talbot, Ms. Marsie West

RMLD Staff Present:
Ms. Beth Ellen Antonio, Ms. Jeanne Foti, Mr. Robert Fournier, Ms. Jane Parenteau, Mr. David Polson, Ms. Kathleen Rybak, Mr. William Seldon, Mr. Kevin Sullivan

1. Call Meeting to Order – J. Norton, Chairman

Chairman Norton called the meeting of the Citizens' Advisory Board to order at 7:00 p.m.

Chairman Pacino called the RMLD Board of Commissioners meeting to order at 7:01 p.m.

2. Fiscal Year 2014 (FY14) Operating Budget – K. Sullivan

Mr. Sullivan reviewed the highlights of the FY14 Operating Budget as outlined in his March 29, 2013, memo included with the Board packet. For the entire Budget, there is an increase of 2.2% bringing the Operating Budget to $81.4 million. There is a base increase of 1.19% within Power Supply, and a Fuel increase of 2.18% within Purchase Power. Combined divisions increase by a sum total of 3.7%. There is an addition of one tree crew and one Apprentice Lineman.

Mr. Fournier then distributed and reviewed a one page summary sheet of the FY14 Operating Budget. Upon review of the "detail of total," Mr. Fournier noted that as per FERC (Federal Energy Regulatory Commission) accounting regulations, included in Office Supplies are credit card and bank charges (approximately $240,000).

Mr. Fournier pointed out that although the budget does have separate line items, it is not a line-item budget. The Budget is prepared based on our best estimate; however, we must provide services to our ratepayers and may exceed budget based on unforeseen circumstances such as storms. Throughout the year, monthly financials are presented (to the Board and CAB) which summarize year-to-date (YTD) actual versus budget.

Mr. Fournier noted that there were some minor adjustments made to the Budget distributed with the Board packet which resulted in a net increase of approximately $2,000. A summary of these changes will be distributed at the end of the presentation.

Chairman Norton entertained questions. As there were no questions, Mr. Fournier continued with a review of the budget documents that were included in the Board packet. Mr. Soli requested edits to Page 4 to show the information in a columnar format showing the project and columns for the capacity, transmission and energy numbers. It was also noted that PASNY should be changed to NYPA (New York Power Authority). Mr. Talbot asked if the average annual rates paid to the peaking plants could be included on the report.

Mr. Stempeck noted (on Page 1) that there have been some fairly substantial swings in the purchase power adjustments (PPA) in the past, and asked what is expected in the future. Ms. Parenteau stated that the purchase power adjustments are in place to make any adjustments with the capacity and transmission portions of our overall costs. When we look at the six-year plan, we track those costs and as they increase, rather than keeping them in the PPA, we do a cost of service study and roll those into the base rate. It is a mechanism that allows us to make adjustments rather than do rate increases or decreases every year.

Mr. Stempeck questioned the percentage increase in the maintenance expense. Mr. Fournier replied that a portion of the increase is for an additional tree trimming crew (rolled into account 593). Mr. Sullivan added that maintenance expense will fluctuate year to year based on the split between the capital and operating work (budgets). Mr. Stempeck requested more detail on the projected split for FY14.

Mr. Soli questioned the increase in the underground line expense (page 5). Mr. Sullivan reported that a portion of the increase is due to the expense portion of work (excavation at $400,000) anticipated for the two Capital projects related to the Lynnfield URD.

Mr. Stempeck questioned the increase in property insurance (up 12.42%). Mr. Polson replied that we actually anticipate an overall decrease in premiums from the budgeted amount in FY13 to FY14. However, based on the 7/5 projected figure it appears as an increase. Mr. Sullivan noted that for FY13 we budgeted $471,000 for insurance. The 2013 YTD projection is only at $409,703. Therefore, we may have overlooked (in our projection) an invoice which we can expect to receive.

Mr. Stempeck questioned the increase in maintenance of the garage and stockroom (up 24%). Mr. Polson replied that YTD is higher than anticipated due to snow removal expenses. Next year we anticipate an increase in radio costs, HVAC and other miscellaneous costs.

Mr. Nelson asked about miscellaneous general expense (up 31.86%). Mr. Fournier reported that this includes anything that does not fall within other FERC accounts such as upper management expenses (APPA dues, NEPPA dues, community relations activities, education and training, CAB and Board expenses, etc.)

Mr. Talbot asked about the budget process. Chairman Pacino gave a brief overview of the current budget process. Discussion included the current process, the role of the CAB, and the budget and purchase of power from peaking plants.

Mr. Soli asked about the NYPA credit variance as reported on Page 2. He noted a disparity between these figures and the figures in the Department of Public Utilities (DPU) Report (Page 55, Line 18) (not included in attachments for this meeting). As the DPU report was not available at the meeting, Mr. Fournier agreed to follow-up on this issue.

Mr. Fournier continued with his review of the summary documents; Page 5 shows expenses, and Page 6 is a further breakout of the maintenance expenses. Review then moved into divisional detail.

Energy Services Division (Page 2):
Ms. Parenteau reviewed the detail for Energy Services Division (Page 2). Energy Services, based on FY13 seven-month actuals, is projected to come in at $1.3 million, and the FY14 Budget is $1.1 million. The decrease is due to elimination of positions within the department.

Chairman Norton entertained questions. Mr. Stempeck questioned what positions were eliminated. Mr. Sullivan noted that the position eliminated was the Key Accounts Manager. This need would be looked at once a permanent General Manager is in place and would be discussed at that time. Mr. Stempeck questioned why we would not want to include the position in the Budget. Mr. Sullivan noted that for the past two and half years we have had one Key Account Manager. The need would really represent whether or not that position should be in the Budget, and that would be done by the permanent General Manager. Mr. Stempeck asked if that would be a Board recommendation. Mr. Sullivan stated that it is an operational issue and that the General Manager would make that recommendation. Ms. West asked if that Key Account position has not been there, how is the number going down. Mr. Sullivan stated, that a replacement Key Account Manager was hired mid-2013, so that salary is represented in the 7/5 budget projection for FY13. The senior of the two current positions will be retiring in June, so moving into FY14 we have a less senior staff to fill the position. Therefore, the delta between the salaries is evident in the numerical values. Mr. Soli wanted to clarify that the head count does not change. Mr. Sullivan confirmed.

Ms. Parenteau stated that in the FY13 Budget there were two (2) Key Account Managers. In the FY14 Budget, there is one Key Account Manager so there is a reduction of one. Mr. Sullivan noted that in the FY13 Budget there were two (2) Key Account Managers, but only one was present in the position for six (6) months to get up to speed to fill the position. Ms. Parenteau stated that she submitted a budget that had two positions, and one was removed. Mr. Stempeck stated that the question is whether there is a need for one or two account managers; management needs to determine the needs of the communities. Mr. Sullivan agreed, and if there is a need the position will be filled. It is an operational issue, one with which the General Manager should weigh in on. Mr. Stempeck questioned if once a General Manager starts, will the GM be able to influence the budget if he/she believes there is a need. Mr. Sullivan stated that he believes so.

Mr. Stempeck stated that he understands that any new General Manager will want to build the team in whatever way he/she wishes, but he hopes it is not doing a disservice to the organization by waiting. Mr. Sullivan reiterated that we have not had a Key Account Manager for two and a half years; the need has to be vetted.

Hearing no further questions on Energy Services, Mr. Sullivan began the presentation of the General Manager Division (Page 3).

General Manager Division (Page 3):
Mr. Sullivan reported that for Cost Center 51, there is an increase of 7% due largely to an increase in outside services necessary for legal counsel and consultants in the Massachusetts Municipal Wholesale Electric Company (MMWEC) matter. Mr. Sullivan gave a brief overview of the issue involving MMWEC.

Ms. Antonio presented the budget for Human Resources (Cost Center 52). There is a 4.84% reduction from the FY13 budgeted amount with most of the savings in outside services for legal costs. As negotiations should be complete, this expense should decrease.

Ms. Antonio reported that Community Relations (Cost Center 54) has a 3% increase due to increases for membership and participation fees for chamber and rotary clubs, as well as an increase in fees for the children's website that we sponsor through CULVER.

Mr. Talbot asked if there is a way of assessing the success of the public relations activities. Ms. Antonio reviewed the various programs sponsored by the RMLD. Discussion ensued. Mr. Talbot offered his assistance in this area as it is of particular interest to him. Chairman Pacino stated that it is his hope that we would review the public relations area over the next year.

Mr. Sullivan reviewed the CAB (Cost Center 56) and Board (Cost Center 58) budgets. The budgeted amounts for FY13 and FY14 remain the same. YTD (FY13) is tracking lower than budget for both the CAB and the Board.

Mr. Stempeck questioned why the CAB is budgeted at double the Board. Chairman Pacino explained that the budgeted amount for the CAB is set by the 20-Year Agreement. Funds (miscellaneous general) are available in these budgets for conference and seminars for board members (both CAB and BOC). Mr. Nelson asked about the labor expense charged against the CAB budget. Mr. Fournier stated that this is for the Operational Assistant support to the CAB.

Facility Manager Division (Page 4):
Mr. Polson reported on General Benefits (Cost Center 53). General Benefits is tracking at 0.47% under budget compared to the FY13 Budget. *Labor Regular* appears to be higher, but that is because of the allocation of certain salaries that need to be broken out into different areas. *Employee Education* is increased to accommodate tuition reimbursement for one employee. *Outside Services* has been increased for legal counsel related to any bid or contract management issues. *Property Insurance* was discussed earlier. For the most part, premiums remain the same with slight increases in fiduciary liability and employee practices liability, but overall, we are trending to be under budget. *Injuries and Damages* will be increased by $1,587 between the FY13 and FY14 budgets. *Pension and Benefits* is trending under budget. *Miscellaneous General Expenses* shows a slight increase for dues and licenses, code manuals, etc. *Rent* is trending close to budget.

Mr. Soli questioned how *Pension and Benefits* is decreasing. Mr. Fournier reported that part of that number is our loaded hourly rate for employees (working on Capital projects). There is an overhead credit that flows though that account (926); we increase our capital and reduce the expense for the loaded rate. For FY14, that figure is $581,000, and last year it was $625,000. Other Post Employment Contributions dropped approximately $35,000 to $115,000 per the actuarial that was done; we are holding the pension contribution at $1 million. Mr. Fournier agreed to provide additional detail on this item.

Mr. Talbot asked what the plans are for the storage garage. Mr. Polson reported that we would ultimately like to move out of the leased storage facility and transition to our own building. Additional information regarding plans for facilities and storage will be included as part of the Capital Budget presentation.

Moving onto Transportation (Cost Center 63), Mr. Polson reported that this account is essentially a holding account which is why you see a zero subtotal. Charges go into the account and then get allocated to other departments that have vehicles, labor, or supplies, in their areas. It is a dynamic number, but overall we are on budget with the Transportation account; some is capitalized and some is allocated to different groups.

Mr. Polson reviewed Building Maintenance (Cost Center 64). The increase of 20% is based on the FY13 actual projection. However, comparing the FY13 budgeted amount to the FY14 budgeted amount, we are actually projecting to be under budget by $42,000. Items that will be adjusted are *Outside Services* and *Labor*. *Overtime Labor* is increased for storm costs and snow removal. *General Supplies* is reduced by $30,000.

Mr. Stempeck pointed out that *Supplies* has increased each year by a fairly significant amount; and questioned why that is happening? Mr. Polson replied that there are some costs that we have been able to keep down; heating fuel is one. However, increases have been seen in HVAC costs, as well as contract services for electric and plumbing work which have been necessary. Mr. Polson noted that he continues to work to drive these costs down.

Mr. Talbot asked what sites were included in Building Maintenance. Mr. Polson reported that all facilities owned by RMLD including the Ash Street campus, substations, (in Reading, North Reading and Wilmington), and land in Lynnfield. Mr. Talbot asked how much of the expense is attributed to Ash Street. Mr. Polson said more than half is for the Ash Street property. Discussion ensued about the efficiency of the Ash Street building. Mr. Polson stated that he is very focused on making the Ash Street facility more energy efficient. Mr. Talbot stated that he feels that the RMLD should be setting an example for energy efficiency with the Ash Street facility.

Mr. Polson reported on Materials Management (Cost Center 60) which increased 17.95%. Drivers on this increase include a plan to centralize our copier and printer costs; rather than budgeting it in each individual department, costs have been moved into Materials Management to centralized management of purchases and to ensure the best pricing. Additionally, *Office Supplies* will be centralized and managed in Materials Management rather than within the individual departments.

Mr. Soli asked for clarification on Miscellaneous Distribution Expense. Mr. Fournier stated that this is a FERC account associated with materials management and distribution. Mr. Sullivan reported that this category includes phone expenses, copier leasing and maintenance, toner, etc.

Business Division (Page 5):
Mr. Fournier reported on the Business Division. There have been no major changes in the Division. Of note, the purchase order with Melanson Health & Company (the auditors) has expired. The Town has renewed with Melanson Heath for three more years, and as per the Town Charter we must use the same auditors as the Town. Therefore, Melanson Health will be our auditors for the next three years.

Mr. Fournier reported that Accounting (Cost Center 59) went up 0.25%; no real change. Mr. Stempeck asked for clarification on the difference between *Supplies* and *Office Supplies*. Mr. Fournier explained that per FERC, Account 921-*Office Supplies*, is used to capture all banking charges and expenses as well as credit card fees, which are budgeted in the Accounting department. The *Office Supplies* account will be centralize within Materials Management for the purchase and management of office supplies for all departments.

Mr. Fournier continued with Customer Service (Cost Center 62). Significant changes include an increase in labor due to some part-time employees moving to full-time. Additionally, we have reclassed some energy conservation activity. Some of Customer Service labor was previously charged to the Energy Conservation Fund for calls related to energy conservation. However, this year we are not allocating as many hours to Energy Conservation.

Bad debt (*Uncollected Accounts*) has been increased by $26,000; this is very subjective. Credit and collections has been very good to date, however, one bad commercial account can be significant.

Mr. Capobianco asked if the discount for early payment is available to credit card customers. Mr. Fournier noted that auto payments are set-up for credit card customers so that they can take advantage of the discount. Discussion ensued.

Mr. Fournier continued with MIS (Cost Center 61) which basically remains the same. However, labor does show an increase due to the Capital split. One MIS staff member had most of his time allocated to the Capital Budget for the GIS project in FY13. Most of the project has been completed so that labor is being expensed in FY14.

Mr. Fournier reviewed Miscellaneous Deductions (Cost Centers 57/77). Depreciation is set at 3% which is the standard that the Department of Public Utilities allows. *Voluntary Payments* represents the payments to the four towns as set by the 20-Year Agreement. *Other Deductions* represents the return on investment to the Town of Reading. The amount ($2.3 million), based on the Consumer Price Index, has been confirmed with the Town. Also included in *Depreciation* is $150,000 for loss on disposal of assets that are not fully-depreciated.

Chairman Pacino stated that the 3% in depreciation is what is being used to fund the capital improvements. Mr. Fournier confirmed.

E&O Division (Page 6-7):
Mr. Sullivan presented the E&O Division beginning with E&O Manager (Cost Center 55). Drivers for the 20.9% increase include staffing changes. The E&O Assistant moved to the Materials Manager position in June which impacts the value in the 7/5 projection. *Employee Education* is trending low, but does not include recent expenses. Also, the E&O Assistant is new, requiring additional education.

Engineering (Cost Center 65) shows a negative 2.82% between the 7/5 projection and the FY14 Budget. *Labor Regular* is negative 5% between the 7/5 actual budget due to the capital/operating split in the projects. *Labor OT* is less due to a reduction in projects requiring OT on the expense side. *Employee Education* is being increased to accommodate training for a new engineering analysis system.

Mr. Stempeck noted that the labor over-time costs (for both Engineering and the Line Department) are routinely questioned when published in the Reading Patch and wondered if there was a way to explain this in a coherent way to people, because it is a big number. Discussion ensued. Mr. Sullivan agreed that we to should find a way to defuse this issue.

Mr. Sullivan reported on the Line Department (Cost Center 66) which is up 16.2%. Drivers for this increase include a new Apprentice Lineman and the addition of a tree crew ($204,000 for one crew and a truck). *Maintenance of Lines* at negative 27.3% (as well as *Labor Regular Maintenance* and *Labor OT Maintenance)* is again due to the capital/operating split. Vehicle maintenance is increased; the Department has decided to maintain, rather than replace, for this year which is why there is an uptick in those costs. *Maintenance of Underground Lines* represents the additional underground project expense discussed earlier.

Mr. Stempeck commented that in this particular category, regular labor versus overtime is trending down (89% two years ago, to 84% projected this year, and down to projected 58%) which shows that the trend is going in the right direction.

Mr. Sullivan moved onto (Page 7) for Technical Services (Cost Center 80), which is part of the Line Meter Station group. The driver in this negative 30% is *Labor Regular* which reflects less time necessary for reading meters due to the implementation of the fixed network system.

Meter Technical (Cost Center 67) shows an increase of 4%. The increase is spread throughout the various line items. Of note is the reduction in *Labor OT*.

Mr. Soli asked if there were any head count changes. Mr. Sullivan answered no.

For Station (Cost Center 68), Mr. Sullivan reported a decrease of 7%. Drivers include *Labor Regular* for the supervisor which is reduced; 75% of the labor of the supervisor is in the Operating Budget. In FY12, 100% of the salary was in Operating. For *Labor Regular*, in the fall, we hired a couple of new staff to backstop for employees who had retired from that particular department, so there is a reduction in the 7/5 projection *in Labor Regular*. Conversely, there was an increase in the overtime during the training and transition period and to fill open shifts.

The next section (also Cost Center 68) increased by almost 4%. Drivers include an increase to *Transformer Maintenance*. There is an additional $20,000 between what has been spent 7/5 and what has been budgeted for FY14. However, in FY13, we had budgeted almost $189,000; for FY14 we will reduce that amount to $160,000 due to low spending.

Mr. Soli asked for an explanation of what is done for transformer maintenance. Mr. Sullivan gave a brief overview of the various testing performed on transformers in the field and resulting maintenance.

Chairman Norton asked for additional questions.

Mr. Fournier, as reported earlier in the evening, noted that there had been some minor changes to the budget which increase the net income by $2,190. He distributed a brief summary of the changes and agreed to create a Draft 2 which would reflect these changes.

Chairman Norton stated that traditionally the CAB votes on the draft and forwards the vote to the Board for their deliberation. If there are any substantial changes to the draft approved by the CAB, it would need to be returned to the CAB for reconsideration and revote.

Chairman Pacino noted that the Board of Commissioners was not prepared to take a vote on the Budget.

Chairman Norton asked for a motion on the proposed Operating Budget of $2,474,100 to be passed onto the Board.

Motion to recommend to the RMLD Board of Commissioners the FY14 Operating Budget with an Adjusted Net Income of $2,474,100, as presented, made by Mr. Hooper, seconded by Mr. Capobianco. Hearing no further discussion, ***Motion carried 5:0 (5 in favor, 0 opposed).***

Chairman Norton stated that the CAB had concluded Agenda item two and asked if there was any further discussion before calling for adjournment.

Prior to adjournment, Ms. West asked to address the meeting. Ms. West stated that she had been elected to the Board of Selectmen and is not able to continue as Commissioner. Ms. West will submit her resignation and a new Commissioner will be appointed. Ms. West stated that she has really enjoyed participating in the Commission and working with the staff at Reading Light Department who are very knowledgeable and committed to providing the communities with reliable energy. Ms. West noted regret that the staff are not always treated with the respect they deserve. This does not mean there should never be any questions for the staff but the way they are phrased may not be ideal.

Ms. West went on to note that she was concerned about the last Board meeting. While she was not present at the meeting last week, she did watch a broadcast of the meeting and was concerned with the process of the final motion. Ms. West stated that it did not appear to be consistent with open and transparent government to propose a major change in the final minutes as a member of a board without any advance notice of the topic. She noted that the Commissioners did not appear to have a full, open discussion of the proposed change to the interim general manager at the meeting with a very short period of time between the proposal and the vote. There was no discussion about the reason for the change or potential impact to the Light Department.

Chairman Pacino added that he was dismayed with what took place at the end of the last meeting. He stated that he has some questions about whether it was even legal or not. Chairman Pacino further stated that we are not here to discuss this issue tonight and he did not want to go any further with it. Mr. Stempeck stated that he needed to speak up; for both Ms. West and Mr. Pacino to speak without any rebuttal is totally inappropriate. Chairman Pacino agreed. Mr. Stempeck stated that he thinks this discussion is inappropriate for this particular meeting. Mr. Stempeck stated that he thought what happened was absolutely appropriate, and certainly within the purview of the Board. Mr. Stempeck stated, feel whatever you may, but it still is a democracy and people will go by votes, and that is exactly what happened. Mr. Stempeck stated that he feels it is unfortunate that others feel the way they do, but he feels differently and thinks other members of the Board feel differently as well.

Mr. Hooper asked to address the meeting. Mr. Hooper stated that as a member of the CAB we all need to be totally transparent; we do what is best for our community and the ratepayers in our communities The Board has a job that they do very well, but we need to be fully transparent and that is something that needs to be brought out and discussed. Mr. Hooper stated that he agrees with Ms. West. Mr. Hooper oversaw the meeting where it came in at the very last minute by someone who was leaving, on her very last day. It was unexpected, thrown out there, and he did not think that it was done correctly, in his opinion.

3. **Motion to Adjourn – J. Norton, Chairman**
Motion to Adjourn the Citizens' Advisory Board meeting made by Mr. Nelson, seconded by Mr. Hooper. Hearing no further discussion, ***Motion carried 5:0 (5 in favor, 0 opposed).***

Motion to Adjourn the RMLD Board of Commissioners meeting made by Ms. West, seconded, by Mr. Stempeck. Hearing no further discussion, ***Motion carried 5:0 (5 in favor, 0 opposed).***

Meeting adjourned at 8:52 p.m.

Respectfully submitted,

John Norton, Chairman

Minutes approved on: 5/15/13