

CITIZENS' ADVISORY BOARD
MEETING MINUTES
JOINT EXECUTIVE SESSION with the RMLD BOARD OF COMMISSIONERS

TIME: 6:30 P.M.
DATE: Wednesday, January 25, 2006
PLACE: Reading Municipal Light Department
PRESENT: CAB: Messrs. Lessard (Wilmington), Carakatsane (Lynnfield Center), Norton (North Reading), Vale (Wilmington), and Ms. O'Neill (Reading)
RMLD Board: Chairman Herlihy, Ms. Kearns, Messrs. Hahn, and Soli
RMLD Employees: Messrs. Cameron (General Manager) and Seldon and Meses. Parenteau, Foti, and O'Leary
RMLD Counsel: Kenneth Barna, Esq.

1. Call Meeting to Order – R. Lessard

Chairman Lessard called the meeting to order at 6:37 P.M.

2. Calpine Issue – V. Cameron

Note: For continued Minutes of the Meeting, see the *attached* RMLD Board Executive Session Board Minutes dated January 25, 2006, and approved by the RMLD Board of Commissioners on March 29, 2006

Mr. Carakatsane made the following motion:

MOVE that the Reading Municipal Light Department Citizens' Advisory Board (CAB) recommend to the Reading Municipal Light Department Board of Commissioners that the Board of Commissioners authorize the General Manager to take the necessary legal actions against Calpine Energy Services L.P. to obtain the money owed to the RMLD from the Escrow Fund in Mellon Bank.

Seconded by Mr. Norton
Discussion – None

Motion carried unanimously 5:0:0.

Mr. Lessard – Aye; Mr. Carakatsane – Aye; Mr. Norton – Aye; Ms. O'Neill – Aye; Mr. Vale – Aye

Note: Mr. Norton left at this time.

3. Adjournment

Mr. Vale made the following motion at 7:44 P.M.:

MOVE that the CAB return to Regular Session for the sole purpose of adjournment.
Mr. Carakatsane seconded the motion.

Motion carried by a poll of the Board: 4:0:0. (Mr. Norton was not present for adjournment.)
Mr. Lessard – Aye; Mr. Carakatsane – Aye; Ms. O'Neill – Aye; Mr. Vale – Aye

Respectfully submitted,


Arthur Carakatsane
Secretary

/pmo

Reading Municipal Light Board of Commissioners
Executive Session
230 Ash Street
Reading, MA 01867
January 25, 2006

Start Time of Executive Session: 6:37 p.m.

End Time of Executive Session: 7:46 p.m.

Attendees:

Commissioners: Herlihy, Soli, Kearns, and Hahn

CAB: Lessard, Carakatsane, Norton, O'Neill*, and Vale

RMLD Staff: Messrs. Cameron and Seldon
Ms. Parenteau and O'Leary

Guest: Attorney Ken Barna, Rubin and Rudman

Calpine Issue

Mr. Cameron stated that the Calpine issue has been brought to both the RMLD Board and the Citizens' Advisory Board three times within a three-week time span. Mr. Cameron said that Calpine did not file its methodology today in New York and the RMLD has not heard from Calpine. Mr. Cameron explained that Ms. Parenteau and Mr. Seldon have prepared a spreadsheet to analyze the effect on the ratepayer of various outcomes depending upon whether RMLD receives the funds from escrow or does not a planning tool, which has various models, based on no funds and funds being received from Calpine. Mr. Cameron explained that the analysis is not being distributed because it is of a highly sensitive nature. The scenarios include the amount of money the RMLD will get, how long the RMLD can use its Reserves without receiving any funds from Calpine, and how the RMLD will be affected after the new contracts lapse in 2007. Mr. Cameron said that the bottom line is how long can the RMLD mitigate costs by using its Reserves. The RMLD has done its homework in the analysis to cover the next six months with the increase in the Fuel Charge and using its reserves to help abate this. Mr. Cameron is seeking a motion from the Citizens' Advisory Board and the RMLD Board to authorize the General Manager to take the necessary legal actions to get the escrow money from the Mellon Bank. Mr. Cameron emphasized that based on Calpine's actions or lack thereof, the RMLD will either need to intervene or file a lawsuit.

Citizens' Advisory Board member Ms. O'Neill arrived at the meeting at this point.

Mr. Hahn was curious as a result of the scenarios and the increase in the Fuel of \$.005/kWh per month, how long can the RMLD hold out?

Ms. Parenteau replied that the \$.005/kWh per month at 55 million kWh is \$250,000 which would have a cumulative affect. This will help the RMLD to meet its fuel expenses for the six-month timeframe.

Mr. Hahn then asked that based on the past practice, how much can the Fuel Charge go up to based on this Board policy?

Mr. Cameron replied that \$.025/kWh over a five month period.

Mr. Hahn inquired how much will be in the Reserves to cover this expense?

Mr. Cameron replied that between the Rate Stabilization Fund and the Deferred Fuel Reserve Fund there is approximately \$8.4 million.

Mr. Hahn suggested financially waiting out Calpine, stabilizing this increase by collection versus costs.

Mr. Cameron added that the RMLD has a six-month buffer and the Fuel would be \$.0890/kWh.

Ms. Parenteau stated that in a six month period the ratepayers will see an increase in the Fuel Charge up to \$.03/kWh.

Secretary Kearns arrived at the meeting at this point.

Calpine Issue

Mr. Hahn commented that the collections will offset the Dominion and Constellation contracts. Mr. Hahn suggested that after this ramp up timeframe RMLD should give the money back by dropping the Fuel Charge.

Mr. Cameron agreed that this be done.

Ms. Parenteau said that the Board has the ability to do this.

Mr. Soli noted that the Fuel Charge is ballooning. He asked where the \$.03/kWh came from?

Mr. Cameron replied that it comes from the replacement costs due to the new higher cost contracts secured to cover the Calpine contract.

Mr. Soli asked in the new energy contract is it Fuel and electricity?

Ms. Parenteau replied that it is just like the Calpine contract with the Firm Energy Cost.

Mr. Soli inquired why not increase the base rate?

Mr. Cameron replied because this is a Fuel Charge increase.

Discussion ensued as to how long the increase in the Fuel Charge shall continue, and the parameters set by the Board to deal with this.

Mr. Soli reiterated that the Fuel Charge will go up but will the base cost increase?

Mr. Cameron replied "no".

Mr. Hahn asked what is a reasonable time to initiate the litigation?

Attorney Barna said that they have done their research, but need to secure an affidavit. Attorney Barna said that in the next week or two they will file a motion in bankruptcy court.

Mr. Hahn clarified, two weeks from today?

Attorney Barna replied that it could be less than that timeframe.

Chairman Herlihy addressed the sharing of the legal costs. Chairman Herlihy wanted to know if RMLD would be sharing the legal costs with the other two municipalities?

Attorney Barna replied that the legal expenses would be equally distributed among all three plaintiffs.

CAB Chairman Lessard inquired how much was the Fuel Charge this month?

Ms. Parenteau replied that the Fuel Charge was \$.0641/kWh in January.

Mr. Cameron said that in the next five months it is expected to increase and it may be \$.0890/kWh by June.

Mr. Soli suggested changing the \$.005/kWh per month to a higher limit.

Mr. Cameron replied the \$.005/kWh has been Board policy. Mr. Cameron would prefer not to spend all the Reserves of \$6.8 million by June. Mr. Cameron said that there is \$1.4 million in the Deferred Fuel Reserve Fund and he prefers to utilize that first.

Mr. Hahn asked what communication plan did the RMLD have in place to address the Calpine issue?

Mr. Cameron replied that there would be press releases and other avenues.

Mr. Hahn commented that there should be more than press releases. Mr. Hahn suggested meeting with Town Managers and community organizations.

Calpine Issue

Mr. Norton pointed out that the budget process is starting in all the towns the RMLD services. Mr. Norton said that the Town Managers of each respective town have to be notified. This will enable the Town Managers to present this information to their respective Boards.

Mr. Carakatsane suggested that not only to inform the Town Managers of the increase in the Fuel Charge, but also to apprise them that in October 2007, that rate increases would follow. Mr. Carakatsane suggested that a presentation be made at each Selectmen's meeting.

Mr. Hahn also suggested that RMLD employees who are Rotary and Chamber members should deliver this message.

Mr. Carakatsane pointed out that after six months the Reserves will put the RMLD in a precarious position. Mr. Carakatsane noted that in budget deliberation Mr. Cameron had wanted the Rate Stabilization Fund to be at a \$9 million to \$11 million level, but was urged to go to a \$6.5 million level.

Discussion then turned to whether it would be three separate filings for each utility or in tandem for the filing of the motion in bankruptcy court.

Attorney Barna said that all three would be filed at the same time. Attorney Barna referenced Article 12, in the contract makes the matter in dispute outside of the bankruptcy stay as a forward contract merchant and Article 18, which refer to the Escrow Agreement of the Calpine contract.

Ms. Kearns noted that this could cause irreparable harm to the RMLD's customers. Ms. Kearns said that the customer should not bear the cost of the money not being released. She said that in some cases the RMLD's customers' choice may be between food and heat.

Attorney Barna said that the "irreparable harm" standard is used outside of the bankruptcy stay.

Mr. Carakatsane urged expediting the litigation quicker to assure some sense of leverage.

Ms. Kearns stated that she would like to see an article in *The Boston Globe* showing that the RMLD customer is suffering because of the lack of action on Calpine's behalf.

CAB Chairman Lessard said that going before the Board of Selectmen in the four towns that RMLD serves is a good idea because those meetings are televised and it will get the word out to a broad base of the RMLD's customers.

Attorney Barna said that once the filing occurs, the next step would be to produce expert testimony and affidavits.

Discussion then ensued about getting the filing done as expeditiously as possible.

Ms. O'Neill clarified the increase in the Fuel Charge would be \$.005/kWh.

Mr. Cameron stated that it would be \$.005/kWh.

Ms. O'Neill asked what were the average kilowatt hour usages for residential customers?

Ms. Parenteau replied that it is 700 kilowatt hours for residential customers.

Ms. O'Neill asked if there were any monies in the Deferred Fuel Fund?

Ms. Parenteau replied that the Deferred Fuel Fund was used up in the fall.

Mr. Cameron went over the components of the Deferred Fuel Fund. Mr. Cameron said the Deferred Fuel Fund includes such items as: the MMWEC Flush of Funds, the over recovery on the RMLD's eight percent return, law suits won in the 90's and other issues.

Ms. O'Neill commented that it would take some time to replenish the Deferred Fuel Fund.

CAB Chairman Lessard added that the RMLD could stay afloat for six months.

Calpine Issue

Mr. Carakatsane made a motion seconded by Mr. Norton that the Reading Municipal Light Department Citizens' Advisory Board (CAB) recommend to the Reading Municipal Light Department Board of Commissioners that the Board of Commissioners authorize the General Manager to take the necessary legal actions against Calpine Energy Services L.P. to obtain the money owed to the RMLD from the Escrow Fund in Mellon Bank.

Motion carried unanimously 5:0:0.

Ms. Kearns made a motion seconded by Mr. Soli that the Reading Municipal Light Department Board of Commissioners authorize the General Manager to take the necessary legal actions against Calpine Energy Services, L.P., to obtain the money owed to the RMLD from the Escrow Fund in Mellon Bank and to apprise the Reading Municipal Light Department Board of Commissioners regarding the litigation process on a monthly basis.

Motion carried 4:0:0.

Mr. Cameron stated that historically, the Citizens' Advisory Board has not been involved with settlement discussions.

CAB Chairman Lessard said that he would like the Citizens' Advisory Board to be involved because that is part of doing business.

Mr. Soli said that the RMLD should get some publicity and media out there.

Ms. Kearns suggested utilizing a media consultant.

Mr. Carakatsane said that the RMLD has a department, which can handle that function.

Ms. O'Neill stated that the message should be fair and understandable.

Mr. Cameron said that the Citizens' Advisory Board should start scheduling meetings with their respective Selectmen in order that the RMLD can make its presentation. Mr. Cameron stated that Ms. O'Leary could coordinate with the Citizens' Advisory Board on scheduling of the Selectmen's meetings.

Discussion ensued on what the content of the material that will be presented to each Town Manager.

Mr. Hahn suggested that for the sake of uniformity, a one page written script should be informational and adequate.

Mr. Norton asked that Ms. Parenteau to draft talking points.

Discussion then turned to having motions in place for the transfer of funds out of the Rate Stabilization Fund. The general concern was that the timing of meetings might impede the Department from making timely transfers. The sense was to leave this up to the Department to handle and if it was deemed necessary to hold an emergency meeting if warranted.

Mr. Norton left the meeting at this point.

Attorney Barna explained that Calpine might do one of the three things as a result of litigation (1) Calpine might not come up with a methodology, (2) they could file their methodology; or (3) they could give the RMLD its money undisputed.

Motion to Adjourn

At 7:44 p.m. Mr. Vale made a motion seconded by Mr. Carakatsane that the CAB return to Regular Session for the sole purpose of adjournment.

Motion carried 4:0:0.

CAB Chairman Lessard called for a poll of the vote:

Mr. Lessard, Aye; Mr. Carakatsane, Aye; Ms. O'Neill, Aye; and Mr. Vale, Aye.

Motion to Adjourn

At 7:46 p.m. Mr. Hahn made a motion seconded by Ms. Kearns to return to Regular Session for the sole purpose of adjournment.

Motion carried 4:0:0.

Chairman Herlihy called for a poll of the vote:

Ms. Kearns, Aye; Mr. Soli, Aye; Mr. Herlihy, Aye; and Mr. Hahn, Aye.

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

Ellen C. Kearns, Secretary, RMLD Board of Commissioners