

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

TIME: 7:35 P.M.
DATE: Friday, March 9, 2007
PLACE: Reading Municipal Light Department, General Manager's Conference Room
PRESENT: CAB: Messrs. Lessard (Wilmington), Carakatsane (Lynnfield Center), Mr. Herlihy
(Reading), and Mr. Vale (Wilmington)
RMLD Board: Chairman Pacino, Mr. Soli, Ms. O'Neill
RMLD Employees: Messr. Cameron (General Manager) and Seldon, Mses. Parenteau,
Foti, and O'Leary

1. Call Meeting to Order – R. Lessard

Chairman Lessard called the meeting to order at 7:36 P.M.

2. Power Supply Update – V. Cameron, J. Parenteau

Note: For continued Minutes of the Meeting, see the attached RMLD Board Executive Session Minutes dated March 9, 2007.

3. Adjournment

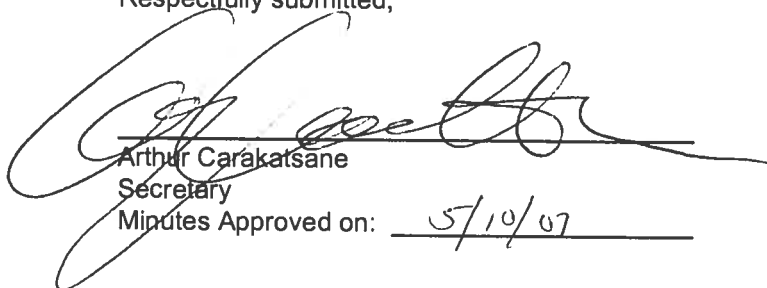
Mr. Carakatsane made the following motion at 8:06 P.M.:

MOVE that the CAB return to Regular Session to discuss Power Supply and for adjournment.
Mr. Herlihy seconded the motion.

Motion carried by a poll of the Board: 4:0:0.

Mr. Lessard – Aye; Mr. Carakatsane – Aye; Mr. Vale; Mr. Herlihy – Aye.

Respectfully submitted,



Arthur Carakatsane
Secretary
Minutes Approved on: 5/10/07

Attachment

/pmo

Reading Municipal Light Board of Commissioners
Joint Meeting with the Citizens' Advisory Board
Executive Session
230 Ash Street
Reading, MA 01867
March 9, 2007

Start Time of Executive Session: 7:36 p.m.

End Time of Executive Session: 8:06 p.m.

Attendees:

Commissioners: Messrs. Pacino, Soli and Ms. O'Neill

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

CAB: Messrs. Lessard, Carakatsane, Vale and Herlihy

Power Supply Update

Mr. Cameron said that at the last joint meeting of the RMLD Board of Commissioners and Citizen's Advisory Board on January 17, 2007, RMLD's strategic power supply plan was presented and discussed. Mr. Cameron explained that in order to provide more detailed information, tables and graphs have been supplied in addition to the negotiated power supply contracts. Mr. Cameron stressed that the Department needs to move forward and put this plan in place. Mr. Cameron explained that at the last Executive Session meeting, the RMLD Board received the power supply contract matrix. Information is also being provided to the RMLD Board and the Citizens' Advisory Board relative to the Fuel Charge, indicative pricing, and natural gas futures.

Ms. Parenteau said that since the joint meeting on January 17, 2007, she, Messrs. Cameron and Seldon met with Attorneys Barna and Pollart. In this meeting, they went over the FP&L contract in which there were minor issues that needed addressing. Subsequently, they have received a redrafted contract, which is close to being finalized. They do not have the JP Morgan contract rated because negotiations need to be completed with them. They are waiting for comments back from JP Morgan. Ms. Parenteau stated that there are five other strong contracts, which have been negotiated, and they will proceed with the power supply plan even if there is no response from JP Morgan.

Ms. Parenteau stated that she and Mr. Seldon came up with the power supply contract matrix that lists contract criteria that Attorney Barna had addressed at the joint meeting on January 17, 2007. The contract matrix looks at eight contract criteria, which were assigned a weighting and then ranked for each supplier. Ms. Parenteau explained given the Calpine experience, and the nature of the industry itself, credit support was considered one of the major issues thus given a forty percent weighting. Ms. Parenteau said that Rubin and Rudman had reviewed the matrix and commented on the matrix ratings and weightings and the results were consistent with what they would expect. Ms. Parenteau said that currently there are five strong suppliers and they would like to go out for a RFP. Although price is a major factor in the selection of the power suppliers, the power supply contract matrix is a tool that will be used as a guide in the selection process. Ms. Parenteau reminded both Boards that because of the laddering and layering approach they will be entering into contracts with two suppliers.

Ms. Parenteau said that price is one major factor. Ms. Parenteau noted that in January, 2006, the Dominion, Constellation and WPS contracts were all negotiated without such a tool, with price driving the decision. Ms. Parenteau said they did not have a tool to utilize, but because two of the contracts came in within \$10,000 of each other the RMLD elected to diversify.

Ms. Parenteau said that with the heat rate contract you lock into heat rate and the prices of fuel fluctuate with the market. The contract also allows locking in a percentage of the contract at certain times. Ms. Parenteau did note that the Department will be diversifying with the two suppliers it selects.

Ms. Parenteau said that this RFP will diversify by at least two suppliers. Ms. Parenteau noted that as explained at the joint meeting on January 17, 2007, it is anticipated that the new contracts will be for a period of fifty months depending on pricing. The strategy is to procure power sales agreements in increments of 2007 to 2008, 100%, 2009, 75%, 2010, 50% and 25% in 2011 as a means of laddering and layering the future power supply contracts.

Ms. O'Neill said that she is concerned that at the next RMLD Board of Commissioners meeting she would like to see a public statement made in support of renewable energy and would like the RFP for Conservation/Demand Side Management publicized.

Power Supply Update

Ms. Parenteau said that she has talked to the developer of the Russell biomass and the indicative pricing is considerably more. Ms. Parenteau said that it would be based on the indicative pricing. She cannot make a statement about pricing because she needs to have pricing information. She will provide the Boards with some indicative pricing for the renewable (biomass) project being developed in Russell, MA.

Ms. Parenteau addressed the last criterion, which is corporate philosophy towards the environment, and they are obtaining this information from the suppliers and on the Internet. Ms. Parenteau explained that before the RFP is sent out they will be rating all the potential suppliers. Ms. Parenteau said that FP&L seems to be the greenest power supplier.

Ms. Parenteau explained that the eighteen-month energy cost projections are based on indicative pricing as of March 8, 2007, and represents a snapshot in time. Ms. Parenteau said that gas futures change on a fifteen minutes basis and if they were to sign contracts as of March 8, pricing would be at 6¢ to 8¢ a kilowatt-hour by June, 2008. Ms. Parenteau commented that weather and storage affect these prices. Ms. Parenteau said that the Deferred Fuel Cash Reserve was high in October, but that will be declining to about \$2 million by March.

Mr. Seldon said that there are three graphs in his handout. The first graph represents the NYMEX gas futures in 2006, Graph 2 the NYMEX gas futures from 2007 to 2012 in which 2008 represents the highest pricing for the six-year period and Graph 3 shows the current trend of the NYMEX natural gas price.

Discussion ensued.

Mr. Carakatsane made a motion seconded by Mr. Vale that the Citizens' Advisory Board (CAB) recommends to the Reading Municipal Light Department Board of Commissioners (RMLB) that the RMLB take the necessary actions to finalize negotiations and execute one or more Power Sales Agreements in accordance with the RMLD's Strategic Power Supply Plan presented to the CAB on January 17, 2007.

Motion carried 4:0:0.

Mr. Soli made a motion seconded by Ms. O'Neill that the Reading Municipal Light Department Board of Commissioners (RMLB) authorizes the Reading Municipal Light Department's (RMLD) General Manager to finalize the negotiations and execute one or more Power Sales Agreements in accordance with the RMLD's Strategic Power Supply Plan presented to the RMLB on January 17, 2007 and the General Manager will inform the RMLB of the timing of the RFP and the parameters used to determine the timing of the RFP and the General Manager will notify the RMLB of the successful bidder(s) to the RFP.

Motion carried 3:0:0.

Motion to Adjourn

At 8:06 p.m. Mr. Soli made a motion seconded by Ms. O'Neill to adjourn the Regular Session to discuss Power Supply and adjournment.

Motion carried 3:0:0.

Motion to Adjourn

Chairman Pacino called for a poll of the vote:

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

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

Robert Soli, Secretary
RMLD Board of Commissioners