

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

TIME: 7:05 P.M.
DATE: Tuesday, March 28, 2006
PLACE: Reading Municipal Light Department
PRESENT: CAB: Messrs. Lessard (Wilmington), Carakatsane (Lynnfield Center), and Ms. O'Neill
(Reading)
RMLD Board: Chairman Herlihy, Ms. Kearns, Messrs. Hahn and Soli
RMLD Employees: Messr. Cameron (General Manager) and Seldon, Mses. Parenteau,
Foti, and O'Leary
RMLD Counsel: Kenneth Barna
Absent: Mr. Vale (Wilmington) and Mr. Norton (North Reading)

1. Call Meeting to Order – R. Lessard

Chairman Lessard called the meeting to order at 7:04 P.M.

2. Calpine Issue – V. Cameron

Note: For continued Minutes of the Meeting, see the attached RMLD Board Executive Session Board Minutes dated March 28, 2006.


3. Adjournment

Mr. Norton made the following motion at 7:56 P.M.:

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

Motion carried by a poll of the Board: 3:0:0.
Mr. Lessard – Aye; Mr. Carakatsane – Aye; Ms. O'Neill – Aye

Respectfully submitted,


Arthur Carakatsane
Secretary
Minutes Approved on: 8/28/06

/pmo

Reading Municipal Light Board of Commissioners
Executive Session
230 Ash Street
Reading, MA 01867
March 28, 2006

Start Time of Executive Session: 7:07 p.m.
End Time of Executive Session: 7:57 p.m.

Attendees:

Commissioners: Herlihy, Soli, Kearns, and Hahn

CAB: Lessard, Carakatsane, O'Neill

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

Guest: Attorney Ken Barna, Rubin and Rudman

Calpine Issue

Mr. Cameron stated that as discussed at the March 16, RMLD Board meeting, the RMLD filed suit in Bankruptcy Court in late February. Mr. Cameron said that Calpine had contacted the Department, over a week ago. Mr. Cameron said that he, Ms. Parenteau and Attorney Barna met on Monday, March 27, in New York with Calpine's attorneys, Kirkland and Ellis, LLP. Mr. Cameron stated that they also met with Calpine's legal counsel and Calpine's trading desk employee. Negotiations went back and forth on how best to settle the RMLD lawsuit.

Mr. Cameron then handed a settlement figure that he and his team had agreed to on March 27. He stressed the settlement information was extremely confidential, and should not be discussed outside of the room.

The following is what Mr. Cameron handed out to all those in attendance.

| | |
|--|---------------------|
| Escrow Amount as of December 28, 2005 | \$49,836,000 |
| Discount Rate of 2% | |

| | |
|--|---------------------|
| Settlement Amount as of December 28, 2005 | \$48,073,476 |
| Discount Rate of 2% | |

| | |
|---|---------------------|
| Cover Amount as of January 6, 2006 | \$43,369,433 |
| Discount Rate of 4.45% | |
| MMDT interest rate as of February 2006 | |

Calpine Issue

| | |
|---|---------------------|
| Calpine Initial Settlement Offer | \$41,500,000 |
| Discount Rate 10% | |

| | |
|---|---------------------|
| Agreed Upon Settlement | \$42,549,683 |
| Equivalent Discount Rate of 6.585% | |

| | |
|---|--------------|
| Settlement Amount vs. Cover Amount | 98.1% |
|---|--------------|

Chairman Herlihy asked why was the RMLD using the 2% factor?

Mr. Cameron replied that the 2% represents the time value of money. Mr. Cameron explained this is the methodology the RMLD utilized with Calpine.

Mr. Cameron then explained that the \$43,369,433 Cover Amount as of January 6, 2006. The RMLD covered the Calpine contract with power supply from Dominion, Constellation from February, 2006 through October, 2007, and Wisconsin Public Service (WPS) for the remainder of January, 2006. Mr. Cameron stated that the current Discount Rate is in the vicinity of 4.45% based on the Massachusetts Municipal Deposit Trust (MMDT).

Calpine Issue

Ms. Kearns wanted clarification on the new power contracts.

Mr. Cameron said that Constellation is an off peak contract and Dominion is on peak and WPS was purchased to cover the remainder of the month in January. Mr. Cameron pointed out that the cover amount represents the difference between the Calpine contract and the amount expended to cover this contract for twenty months.

Ms. Parenteau said that the Settlement Amount will be enough to cover the Calpine contract so the ratepayers should be indifferent to the termination of the Calpine contract.

Mr. Cameron added that the Department did not cover the Calpine contract on December 28, 2005, but it was covered as of January 6, 2006.

Attorney Barna stated the escrow amount of \$49,836,000 was greater than the damages of \$43,369,433.

Ms. Kearns asked, "Why"?

Mr. Cameron replied that the escrow account was based on covering the contract the day of termination and the cover amount is based on the actual damages of covering the contract.

Attorney Barna said that Ms. Parenteau and Mr. Seldon used an intricate analysis to come up with the cover amount. It involved the bid and the ask pricing which was provided by brokers through the CMARS program. Attorney Barna said that it is a complex formula but involved what market prices were in New England and available to the RMLD.

Attorney Barna commented that the damages are based on the Calpine contract no longer being in effect and the cost of Dominion on peak, Constellation off peak and WPS to cover the month of January. When the prices from suppliers are compared that is how the \$43 million was derived.

Mr. Hahn used the following hypothetical analysis. Mr. Hahn said that if the cost of power was 4¢ per kilowatt hour, the replacement cost was 9¢ per kilowatt hour for twenty months at 50,000 megawatt hours, the \$2.5 million charge represents a \$50 million charge. Mr. Hahn said that the net present value is less than the \$50 million higher because the amounts are discounted over the period, which represents the lower net present value. Mr. Hahn commented that on the second scenario listed the discount rate went from 2% to 4.45% would reduce the net present value; therefore the market price is less. Mr. Hahn said that the third number, referring to \$43,369,433 should make the RMLD whole.

Ms. Kearns asked why the December 28 figure warranted a discount rate of 2% and the cover amount number it a discount rate of 4.45%?

Mr. Cameron said the Department used the 2% figure for the duration of the contract.

Mr. Carakatsane said it was a conservative number.

Mr. Parenteau pointed out that in 2003 they used a 2% discount rate.

Mr. Carakatsane said the low number was beneficial to the RMLD.

Attorney Barna said that the basis for the 2% figure three years ago was fine, but twenty-year GO bonds are now at 4.335% whereas the MMDT is at 4.45%.

Ms. Parenteau said that Mr. Fournier called and checked that this is the interest that would be earned on RMLD's MMDT Account.

Mr. Cameron explained the negotiations. Mr. Cameron said that Calpine came up \$1 million and the RMLD came down \$800,000. The end result is that the Settlement Amount will cover 98.1% of the Cover Amount. This is the number for the CAB and the Board to consider. Mr. Cameron said that this is the third month without the Calpine contract and the Department has carried the ratepayers. The Department did tap into some of the reserves to abate this differential and the fuel market did a turnaround therefore, the 4.45% rate for twenty months will cover the agreement.

Calpine Issue

Chairman Herlihy said he would have liked to see 100% to make the ratepayers whole.

Mr. Cameron reiterated that the Department carried the ratepayers for the last three months using reserves coupled with the fuel market changing.

Discussion of the Settlement Amount ensued.

Mr. Carakatsane made a motion seconded by Ms. O'Neill that the Citizens' Advisory Board recommend to the Reading Municipal Light Board that the Reading Municipal Light Board accepts the Calpine Settlement Amount of \$42,549,683 relative to the Calpine bankruptcy and the termination of the Calpine Contract by the RMLD on December 28, 2005.

Motion carried 3:0:0.

Mr. Hahn made a motion seconded by Mr. Soli that the Reading Municipal Light Board accepts the Calpine Settlement Amount of \$42,549,683 relative to the Calpine bankruptcy and the termination of the Calpine Contract by the RMLD on December 28, 2005 on the recommendation of the Citizens' Advisory Board.

Motion carried 4:0:0.

Mr. Carakatsane thanked Mr. Cameron and the staff for their professional assistance on a job well done. Mr. Carakatsane said that the CAB Board was totally included in the process and it afforded for better business making decisions.

Mr. Cameron thanked Mr. Seldon and Ms. Parenteau for their efforts on the Calpine matter as well as their efforts in securing new power supply. Mr. Cameron also thanked the very solid legal support provided by Ken Barna, David Fixler, John Coyle, Thomas Mayer and Jack Hazan.

CAB Chairman Lessard said that the general public and ratepayers should know what went on behind the scenes what really did transpire and the efforts of the RMLD employees. CAB Chairman Lessard echoed his appreciation. He said he will bring all the efforts to bring this to fruition to the attention of the Wilmington Town Manager and the Wilmington Board of Selectmen.

Mr. Soli pointed out that the APPA legislative effort to make municipals forward contract merchants was instrumental for the RMLD's success.

Motion to Adjourn

At 7:55 p.m. Mr. Carakatsane made a motion seconded by Ms. O'Neill that the CAB return to Regular Session for the sole purpose of adjournment.

Motion carried 3:0:0.

CAB Chairman Lessard called for a poll of the vote:

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

Motion to Adjourn

At 7:57 p.m. Mr. Soli made a motion seconded by Mr. Hahn 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:

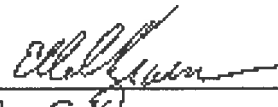
Ms. Kearns, Aye; Mr. Soli, Aye; Mr. Hahn Aye; and Mr. Herlihy, Aye.

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

RMLD Board of Commissioners Meeting, March 28, 2006
Certificate of Vote

On March 28, 2006, Commissioner Hahn made a motion seconded by Commissioner Soli that the Reading Municipal Light Department (RMLD) Board accepts the Calpine settlement amount \$42,549,683 relative to the Calpine bankruptcy and the termination of the Calpine Contract by the RMLD on December 28, 2005 on the recommendation of the Citizens' Advisory Board. Motion carried 4:0:0.



Ellen C. Kearns
Secretary

Middlesex, ss

On this the ^{28th} day of May 2006, before me, the undersigned notary public personally appeared Ellen C. Kearns, the Secretary of the Reading Municipal Light Department Board of Commissioners, proved to me through satisfactory evidence which was personal knowledge, to be the person whose name is signed on this document, and acknowledged to me that she signed it voluntarily for its stated purpose as the Secretary of the Reading Municipal Light Board of Commissioners.



Notary Public

April 12, 2007
My Commission Expires

