

Reading Municipal Light Board of Commissioners

Regular Session

230 Ash Street
Reading, MA 01867
January 9, 2003

RECEIVED
TOWN CLERK
READING, MASS.

Start Time of Regular Session: 7:40 p.m.

End Time of Regular Session: 9:10 p.m.

2003 FEB 14 A 11: 56

Attendees:

Commissioners: Hughes, Pacino, Ames, Soli and Herlihy

RMLD Staff: Messrs. Cameron, Acting General Manager, Messrs. Blomley and Fournier
Meses. Antonio, Cavagnaro, Gottwald and Vaccaro

CAB: Mr. Lessard

Liaison: Mr. Venio

Guest: Mr. Peter Hechenbleikner

This meeting of the Reading Municipal Light Department (RMLD) Board of Commissioners January 9, 2003 is being broadcast live at the RMLD's office at 230 Ash Street, Reading, MA. Live broadcasts are available only in Reading due to technology constraints.

This meeting is being video taped for distribution to the community television stations in North Reading, Wilmington and Lynnfield.

Chairman Hughes called the meeting to order at 7:40 p.m.

Chairman Hughes apologized to the viewing public for late starting, but it being the time of year when it is budget crunch time, report time, Committees run a little tardy.

Minutes

November 26, 2002

Mr. Pacino made a motion seconded by Mr. Ames to approve the Regular Session minutes as presented.

Motion carried by a show of hands 5:0:0.

December 12, 2002

Mr. Pacino made a motion seconded by Mr. Ames to approve the Regular Session minutes as presented.

Motion carried by a show of hands 5:0:0.

December 19, 2002

Mr. Pacino made a motion seconded by Mr. Ames to approve the Regular Session minutes as presented.

Motion carried by a show of hands 4:0:1. Mr. Soli abstained, as he was not present at this meeting.

Report of the Chairman of the Board

Mr. Hughes stated the Capital and Operating Budget Subcommittee met prior to the meeting to discuss the 2003 Capital and Operating Budget. The Operating Budget this is still under discussion, however, they will be having further meetings. He would like an expeditious closing of the budgets.

Mr. Pacino suggested the Department look at increasing the discount. Mr. Pacino stated instead of the ten percent discount on rate payer's bills, the suggestion of the Department is a seventeen percent discount versus the current ten percent discount due the projected over recovery in the Operating Budget this year.

General Manager's Search Update

Mr. Hughes stated the General Manager's Search Committee held a meeting this morning, which lasted two and a half hours. Mr. Hughes noted it is now a matter of logistic support; the issues, which need to be addressed, are interview dates. Mr. Hughes stated one more meeting is needed to fully finalize the criteria for the General Manager.

Mr. Pacino stated there are four candidates. The four candidates are going to be contacted one last time at this point and their names will be become public after the next Search Committee meeting, which will be held next Tuesday.

General Manager's Search Update

Mr. Hughes stated the Search Committee will be meeting next Tuesday at 10:15 a.m. and the candidates will be made public at that time.

Mr. Pacino noted the meeting on Tuesday would be the final meeting. Mr. Pacino explained the next step in the process would be the Commission interviewing the candidates and making the final decision on a General Manager. Mr. Pacino stated the goal is to have a new General Manager on board by February 15th.

Mr. Ames informed the Chair and Mr. Pacino the Ad Hoc Committee did recommend an employment agreement but not a contract. Mr. Ames suggested they draft a skeletal agreement and have discussions on this. Mr. Ames is seeking Commission buy into the contract before it goes to the candidate, the order should be the agreement is submitted to the Commission then the candidate.

Mr. Hughes replied they are having discussions they are addressing along with HR.

Mr. Pacino replied he would insure the Commission has an opportunity to discuss this.

Discussion ensued relative to the General Manager's contract.

Mr. Hughes stated he would like to as Chair express his appreciation to those who have served in this atmosphere as they have been dedicated, thorough and competent. Mr. Hughes noted those on the Search Committee deserve an "attaboy" for all their efforts.

Selectmen Liaison, Citizen's Advisory Board and Customer Comments

Mr. Hughes polled those in attendance, noting Peter Hechenbleikner, Town Manager, Town of Reading, Roger Lessard, Chairman, Citizen's Advisory Board and Joe Veno, Selectmen Liaison, North Reading.

Mr. Lessard responded he had no comment from the Citizen's Advisory Board at this time.

Acting General Manager's Report

RMLD Governance Ad Hoc Committee Meeting

Mr. Cameron informed the Commission last night himself and Mr. Fournier, Accounting Manager attended the RMLD Governance Ad Hoc Committee Meeting. The Department made its presentation at this meeting on how the change of the fiscal year would impact its operations. The presentation presented by the Ad Hoc Committee impacts the RMLD so its fiscal year coincides with the Town relative to the fiscal year change to June 30th. Mr. Cameron recapped the history relative to this item by pointing out the Commission in November made a motion to direct the Department to initiate the necessary steps needed to implement a June 30th fiscal year end for the Department and the caveats attached to this motion were to investigate the requirements at the federal and state levels (DTE and FERC), the thirty day notice to the Citizen's Advisory Board and the procedural requirements of the Town of Reading. The Commission charged the Department to find out what the impacts would be and report back to them on the findings.

Mr. Fournier commented he thought the meeting with the RMLD Governance Ad Hoc Committee, which he attended, was positive. Mr. Fournier stated there were four points relative to the change in the fiscal year. The first point is reporting, as the Department needs to submit the federal report on a fiscal year the other two reports are on a calendar year. The second point the calendar year numbers are not audited, and changing the fiscal year results in the cash audited twice. The third point is the depreciation rate, which is a mechanism for the RMLD to raise capital funds. The DTE will not have audited numbers, which may adversely affect the capital funding. The fourth point is the three municipalities in Massachusetts who have a June 30th fiscal year state it is painful and creates extra work as well as requiring two sets of books, June 30th and December 31st. Mr. Fournier further noted there is the need for more specific information required from the DTE in the event of a depreciation rate increase. The DTE would prefer audited numbers on a calendar year basis; the concern is if there is a depreciation rate change.

Mr. Cameron stated the three Towns, which report on June 30th, are Wakefield, Wellesley and Norwood.

Acting General Manager's Report
RMLD Governance Ad Hoc Committee Meeting

Mr. Cameron educated the Commission on the passage of the Chapter 164 section for municipal light plants sanctioning them to file on the same fiscal year as Towns. However, the problem with this legislation is the cities and towns had changed from a December 31st year to a June 30th year after this legislation was enacted.

Mr. Cameron stressed the issue of depreciation is the strongest point for questioning the changes. There are three ways the Department funds cash capital programs: 1. funding via the eight percent return 2. annual depreciation expense 3. bonding through the Town. Mr. Cameron noted bonding is always the last option if the RMLD needs to raise cash. Mr. Cameron pointed out over the last twenty years the depreciation rate was at three percent nine times. The new substation was funded one half by capital funds, and the other half was internally generated funds from a higher depreciation rate thus this resulted in less bonding the Town paid. Higher depreciation is a normal funding vehicle therefore from an operating point of view he does not recommend a change to the Department's fiscal year. Mr. Cameron believes the RMLD has a stronger case for this than the Town. Mr. Cameron will have a memo to the Commission at the next meeting.

Mr. Soli commented he would like to see the FERC and DTE responses in writing.

Mr. Pacino stated he attended the Ad Hoc meeting and is in agreement to the change in the fiscal year and is trying to be more open on this concept. Mr. Pacino noted he spoke with Bill Wallace, General Manager of Wakefield Light relative to the change in the fiscal year and its impact on the depreciation rate. Mr. Pacino does not visualize this as a problem. Mr. Pacino stated that the Department could perform a limited review in December if the DTE wants audited numbers. Mr. Pacino noted he is a strong advocate to go forward with the June change in the Department's fiscal year.

Mr. Herlihy echoed Mr. Pacino's comments, as he is fairly unmoved to keep the Department on a calendar year. Mr. Herlihy pointed out the new computer system will accommodate this depreciation.

The sense of the Commission is to go forward with the change in the Department's fiscal year from December 31st to June 30th.

Energy New England (ENE) Update

Mr. Cameron commented he stated in a meeting in December he informed the Commission he has the authority to send a termination letter to ENE. Mr. Cameron has the termination letter, he will sign and the Commission will sign as well.

Mr. Pacino replied if it is next week the Department needs to e-mail him.

2003 Operating Budget

The Citizen's Advisory Board (CAB) met at the Wilmington Town Hall on Tuesday, January 7, 2003 to discuss the 2003 Operating Budget.

Mr. Lessard stated at the Citizen's Advisory Board (CAB) meeting, professional services were addressed. Mr. Lessard noted there would be a subsequent meeting on January 15th and this will continue for a few more meetings, and they are looking at it very carefully.

Mr. Cameron pointed out there were data requests from the CAB on the 2003 Operating Budget and these were answered.

Request for Proposals for a Cost of Service Study and Rate Analysis

Vermont Energy Ventures has been selected to perform the Cost of Service Study and Rate Analysis for a total cost of \$12,000 as the lowest qualified firm.

Mr. Cameron stated this went out for bid in early December to perform the Cost of Service Study and it was sent to quite a few vendors in addition to being posted on the website. Mr. Cameron projected the cost of the COSS to be around \$50,000. Mr. Cameron pointed out the individuals associated with Vermont Energy Ventures are a known entity they have solid references and have a good track record.

Acting General Manager's Report

Request for Proposals for a Cost of Service Study and Rate Analysis

Vermont Energy Ventures has been selected to perform the Cost of Service Study and Rate Analysis for a total cost of \$12,000 as the lowest qualified firm.

Mr. Pacino was concerned relative to the discrepancy in the numbers, the cost differentials. Mr. Pacino pointed out the figures range from \$12,000, \$47,000, and \$49,000 to \$75,000.

Mr. Cameron replied Vermont Energy Ventures is a subsidiary of Vermont Public Power Supply Authority (VPPSA). Mr. Cameron pointed out the savings are represented in the hourly cost of \$75 per hour whereas the other bidders are in the \$120-\$185 range. Mr. Cameron informed the Commission VPPSA performs this service for other municipalities in Vermont.

Mr. Ames suggested the Commission read in the January/February 2003 American Public Power Association, Public Power magazine article Assembling The Cost of the Puzzle.

Mr. Hechenbleikner, Town Manager, Town of Reading suggested incorporating a "municipal rate" providing a different rate for schools and the library as part of the study.

Mr. Cameron replied in the Cost of Service RFP, the successful bidder would be attentive to rates. Mr. Cameron believes he has the data, which makes it a lot easier, however, he will talk to them about this rate.

Request For Qualifications For Tier II Energy Audits

River Energy Consultants was selected as their service meets the needs of the Department and DOER.

Ms. Vaccaro stated ENE was performing this service for the Department at a cost of \$3,000 month with an additional cost of \$150 per month for each audit. Ms. Vaccaro researched the contract with ENE and the \$3,000 represents administrative costs only. Ms. Vaccaro pointed out the Department still paid \$3,000 even if an audit was not performed. Ms. Vaccaro then proceeded to research what audit vendors provide this service.

Ms. Vaccaro added River Energy Consultants had recommendations from other municipalities. Ms. Vaccaro noted in this RFQ four companies responded for similar services, there was also a difference in price. Ms. Vaccaro pointed out the DOER is the residential conservation plan with the state. Ms. Vaccaro stated the owner of River Energy Consultants worked for Mass Save; it is a good choice at a reasonable price.

Mr. Herlihy commented this contract is one year, if five audits are performed per year this is a cost of approximately \$8,000. Mr. Herlihy then questioned if it is feasible to train someone in house?

Ms. Vaccaro replied it is a consideration.

Ms. Cavagnaro explained Tier I issues involve high bill complaints the Department handles these complaints. Ms. Cavagnaro clarified Tier II involves a residential energy house audit. Ms. Cavagnaro gave an example of a high bill complaint where the staff within house went out to the resident's home and performed a walk around by looking at the existing appliances and was given suggestion to reduce their bill. Ms. Cavagnaro stated in order to perform a residential energy audit it is necessary to be certified. Ms. Cavagnaro noted there is an upcoming certified residential energy audit course coming up and the Department is looking into it.

Mr. Herlihy inquired if the Department promotes this program?

Ms. Cavagnaro replied the Department should develop a press release, which could be used as a vehicle to promote this program.

Mr. Hughes stated he would like to give "kudos" for their work to get this information together for the quality job within the Department, there are good employees this represents a vast cost reduction.

Mr. Cameron replied the Department saves \$36,000 right off the top.

Acting General Manager's Report
Cost of APPA Legislative Rally

The cost estimate of this conference is \$1,129 per attendee, which includes air, hotel and conference cost.

Mr. Cameron noted a meeting in December he misspoke, as the cost is \$1,129 each for attendance at the APPA Legislative Rally.

Update on Streetlight Contracts

Mr. Pacino inquired about the status of the street lighting contracts.

Mr. Cameron replied the Citizen's Advisory Board (CAB) sent a letter to the Board, which the CAB made the motion the Department should not sign up anymore streetlight contracts the RMLD should endeavor in order to mitigate the losses on the present streetlight program. Mr. Cameron stated in response to this he sent a letter on January 6th to Mr. Baker, Purchasing Agent, City of Haverhill the contract will expire on March 1, 2003 and the Department has completed the contract however, would not extend it at the end of February.

Mr. Pacino inquired if there are other streetlight contracts?

Mr. Cameron replied Lexington there is contract PO, which expires in June 2003. Arlington expires in October 2003 with an option. Brookline, Winchester and Framingham expire in 2004 with options.

Mr. Pacino inquired if the Department has the option of obtaining a higher rate?

Mr. Cameron replied the option is with the Town and would be at a higher rate.

Mr. Pacino suggested settling the contracts; giving the money and going away to save the Department money.

Mr. Cameron replied all he can say he is not talking with the Towns themselves about whether they will take the contract over. However, there have been some discussions to see if there is any interest of assignment of the contracts to a third party.

Board Discussion

Update on search for Law Firms (Commissioner Herlihy)

The Department is looking at using the services of other law firms.

Mr. Herlihy stated it is pretty self explanatory, at a previous meeting there was discussion about obtaining cheaper counsel.

Mr. Cameron stated two employees are working to determine if there are firms that do certain types of work and what their rates would be. Mr. Cameron noted what the Department has found is there is a lot of employee related firms in the area there are not many employer related firms. The firms that represent employers are found in Boston and this research is ongoing. Mr. Cameron pointed out the Department has been in conversations with the current labor law firm to see if junior lawyers can be utilized for menial tasks as a mechanism to try to lower the rates.

Mr. Hughes voiced a concern that a prerequisite is a reliable law firm handles these cases and its potential.

Mr. Cameron replied the long and short of it, is you get what you pay for. Mr. Cameron stated he would like to get legal tasks funneled down to lawyers not partners, and there are tasks you need to call in firepower. Mr. Cameron noted this has to do with big money situations, power supply contracts is the best example because there is millions of dollars if the package is not tied up tight with respect to performance. When the performance starts to break down, there needs to avenues to recoup monies lost. Mr. Cameron emphasized trying to identify what types of issues can be referred to more junior or lower paid people in a law firm. Mr. Cameron reiterated there sometimes facilitates the need to call in the "big guns" and in the end you will save money. Mr. Cameron will keep Mr. Herlihy updated on this matter.

Board Discussion

Update on search for Law Firms (Commissioner Herlihy)

The Department is looking at using the services of other law firms.

Mr. Hechenbleikner noted on the subject of law firms there are three areas far as law firms are concerned he sees but the issues the Acting General Manager has to deal with such as power supply, this is a big money issue. Mr. Hechenbleikner has not heard any comment or criticism in regards to the monies paid out for power supply, as the power supply needs to be protected. Mr. Hechenbleikner pointed out he has concerns their Boston attorney is \$125 versus \$390 the Department pays for a Boston firm is a competent is firm which represents employers and not employees. Mr. Hechenbleikner noted as far as a municipal legal firm, the general legal work performed at Haven Street by the RMLD was four times more expensive than the Town of Reading's Town Attorney. The Town's Attorney did most of the work and perhaps is more familiar with this type of routine work. Mr. Hechenbleikner is not sure what percentage of legal services is of the general kind what work. Mr. Hechenbleikner's would suggest not shying away from the Boston firms.

Change in the Department's Budget Process (Commissioner Herlihy)

The Department's Budget Process would be changed to a six-month budget as opposed to the current annual budget.

Mr. Herlihy stated he would like to table this item as this point in the meantime was discussed and agreed to a transitional period of adjustment the change over would occur in June 2004 at the RMLD Ad Hoc Governance meeting held last evening.

Mr. Hughes noted this item would be table indefinitely.

Board Discussion

2003 Capital Budget

Mr. Cameron noted at its last meeting the RMLD Board of Commissioners Capital Budget Subcommittee reviewed and accepted the 2003 Capital Budget. Mr. Cameron is not making any formal recommendation to the Commission because Commissioner Soli was not present at this meeting and had questions. Messrs. Fournier and Cameron will answer any questions on the Capital Budget and bring their recommendation to the next meeting with a motion.

Next Meeting Dates

Thursday, January 23rd and Thursday, February 6th.

Mr. Cameron stated at the meeting on Thursday, January 23rd, John Coyle, RMLD's Washington legal counsel will update the Commission on energy issues on the federal level. Mr. Cameron mentioned Ms. Parenteau and Mr. Seldon also would present the changes to the ISO standard market design scheduled to take place on March 1st.

Mr. Cameron noted quickly on the federal level the FERC is trying to put together a standard market design for the United States. Mr. Cameron pointed out the New England power pool is mature; the FERC wants to have a seamless national market without economic restrictions.

Mr. Hughes wanted an update on the Halpin bid protest.

Mr. Cameron replied the Halpin Line Construction Company did not submit a bid to the Department's recent bid for line construction, because they did not receive the e-mail. Mr. Cameron noted Halpin referred this issue to the Attorney General's Office Fair Labor Practice Division, Patrick Flaherty, and they are looking into this issue and the Department has notified the other two bidders. The Department will not award this bid until they hear from the Mr. Faherty.

Executive Session

At 8:45 p.m. Mr. Pacino made a motion seconded by Mr. Ames to enter into Executive Session to discuss strategy with respect to litigation, and to return to Regular Session for the sole purpose of adjournment.

Mr. Pacino called for a poll of the vote:

Mr. Soli Aye; Mr. Herlihy Aye; Mr. Ames Aye; Mr. Pacino Aye and Mr. Hughes Aye.

Motion to Adjourn

At 9:10 p.m. Mr. Ames made a motion seconded by Mr. Herlihy to adjourn the Regular Session.

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

Philip B. Pacino, Secretary
RMLD Board of Commissioners