

Reading Municipal Light Board of Commissioners
Regular Session
230 Ash Street
Reading, MA 01867
August 6, 2003

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Start Time of Regular Session: 7:32 p.m.
End Time of Regular Session: 10:40 p.m.

Attendees:

Commissioners: Hughes, Pacino, Soli, Herlihy and Ensminger

RMLD Staff: Messrs. Cameron and Fournier
Messrs. Butler, Donahoe, Kazanjian
Meses. Gottwald, Cavagnaro and Webb

CAB: Mr. Van Magness

Chairman Pacino called the meeting to order at 7:32 p.m.

This meeting of the Reading Municipal Light Department (RMLD) Board of Commissioners August 6, 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.

Minutes

May 7, 2003

Mr. Ensminger made a motion seconded by Mr. Hughes to approve the Regular Session minutes as presented.

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

May 20, 2003

Mr. Ensminger made a motion seconded by Mr. Hughes to approve the Regular Session with the suggested corrections on page three by Mr. Soli.

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

May 28, 2003

Mr. Ensminger made a motion seconded by Mr. Hughes to approve the Regular Session minutes as presented.

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

June 11, 2003

Mr. Ensminger made a motion seconded by Mr. Hughes to approve the Regular Session minutes with the suggested correction on page seven by Messrs. Herlihy and Pacino.

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

Report of the Chairman of the Board

Mr. Ensminger asked for a moment of personal privilege. Mr. Ensminger wanted to extend his great thanks to the Department for a very worthwhile tour of the RMLD and the various locations where customers are. Mr. Ensminger spent three mornings two weeks ago out in the trucks as well as being in the building meeting folks and it was enormously eye opening and an educational experience for him. There are too many names to remember and thank so rather than try to mention them he wanted to thank the General Manager and the Department.

Mr. Cameron added the RMLD employees do a good job showing all facets and assets of the Department.

Report of the Chairman of the Board

Mr. Pacino commented the Department should consider having the public in perhaps this year for a tour of the Department's facilities.

Mr. Ensminger commented he was at the North Reading substation it was impressive and scary in light of an upcoming lightning storm.

Mr. Pacino added the Lynnfield substation impressed him, as it is well placed and landscaped.

Mr. Hughes had a question on the minutes of the meetings they just approved. How does the Commission stand to date now as far as minutes out there to be approved?

Mr. Ensminger replied we made a big leap forward here. There are one or two sets of meeting minutes missing at the most.

Mr. Cameron then replied July 9, is the only set of minutes outstanding.

Mr. Pacino pointed out he is reviewing and working on older years of Executive Minutes. It is an arduous task at this point. Mr. Pacino noted he is hoping to get these completed by the first meeting in September. This is his goal.

General Manager's Agreement

Mr. Soli gave a report of the General Manager's Agreement Subcommittee.

Mr. Pacino asked Mr. Soli to cover the process of how this will be released and how comments will be handled.

Mr. Soli added the General Manager Agreement Subcommittee had its final meeting this week. The Agreement was handed out to the Citizen's Advisory Board due to the thirty-day window to respond. It was given to the Commission this evening. Mr. Soli explained the way in which comments are going to be handled are in writing to Chairman Pacino. Comments will be addressed at the meeting thirty days after all input.

Mr. Pacino noted it would be the Subcommittee's intent that the Citizen Advisory Board speak to their individual towns in terms of bringing this information to them. Mr. Pacino inquired of those in attendance if there are any questions or comments. There were none.

Selectmen Liaison, Citizen's Advisory Board and Customer Comments

Mr. Pacino polled those in attendance if there were any Selectmen Liaison, Citizen's Advisory Board and Customer Comments. There were no comments.

CAB meeting notes from July 21, 2003

Mr. Fred Van Magness Reading's representative on the CAB wanted the CAB meeting notes included with this agenda.

Mr. Pacino stated he had one comment relative to Mr. Van Magness' e-mail, which has been included with the agenda per his request. In the future, these e-mails will not be put on as part of the agenda. These e-mails should go with the CAB. If the Commission wants a copy Board members can request them. They will not be part of the Board agenda.

Mr. Ensminger pointed out Policy 27 requires there be a set of repository for all e-mails sent to members of the Board or the General Manager available for anyone to look at any point and time. Mr. Ensminger inquired of Mr. Cameron if this has been established yet?

Mr. Cameron replied he has a huge book right now.

Mr. Ensminger further inquired of the General Manager that if anyone knows where it is if they want to look at it?

CAB meeting notes from July 21, 2003

Mr. Fred Van Magness Reading's representative on the CAB wanted the CAB meeting notes included with this agenda.

Mr. Cameron replied yes.

Mr. Pacino stated any e-mail he receives is saved. Mr. Pacino does not make a hard copy. If anyone wants a copy of any e-mails he has he would be happy to make them available based on a request at any time and any place.

Mr. Ensminger added in keeping with counsel's guidance on the Open Meeting Law, keeping a central repository is a sound concept.

Mr. Pacino reminded all the Commission that e-mails are public record. Anyone at any time and place can request a copy of the public record. People have the right to come in for them ask for them and get them. Mr. Pacino would be happy to provide a copy of any e-mail he has sent.

Presentation (Commissioner Soli)
Rate Stabilization Fund

Mr. Soli made a presentation on a predicted Rate Stabilization Fund (RSF) using a statistical model. A copy of this presentation is included with the meeting packet. His analysis supports a RSF of somewhere between \$6.5 and \$7.0 million.

Mr. Pacino inquired about the meaning of "...the Department loses 12% and 6.5 %" as well as the breakeven point.

Mr. Soli replied those mean the \$1,000,000 customer went away. Mr. Soli noted he has \$625,000 worth of power that he is contracted for with RMLD contracts they will not eat it they will resell it. These are on the resale of \$625,000 worth of power. How do we make out? Perhaps we lose 12%, 6.5% maybe we break even maybe we make a little bit of money. Mr. Soli noted he does not think it will be any worse than that.

Mr. Ensminger inquired if the million dollars is indicative of any particular cost such as Analog?

Mr. Soli replied no. Clearly that was made up with a round number.

Mr. Ensminger then asked his analysis is not dependent on that?

Mr. Soli replied no. The numbers in here are exactly the five biggest customers but Mr. Cameron said they might be sensitive to the power bill so you are getting kind of a net number. Messrs. Cameron and Soli did meet on a previous draft. Mr. Cameron gave him the numbers and being aware they might be a little sensitive he used them but there is a kind of a gross total in there. The \$1,000,000 number is conveniently easy to work with.

Mr. Pacino inquired if at the green line do you lose those customers and resell the 12% loss?

Mr. Soli replied when he loses the customers he resells their power at a 12% loss. This includes the eight items the two nuclear plants and storms.

Mr. Van Magness had a question: when Mr. Soli did the analysis and came up with the \$630,000 odd dollars did that include fuel?

Mr. Soli replied it is exclusive of fuel. Fuel is a wash. Fuel does not seem to matter, as it is a wash.

Mr. Pacino inquired does the Department want to add anything?

**Presentation (Commissioner Soli)
Rate Stabilization Fund**

Mr. Cameron noted when they met about this Mr. Cameron used some estimates on the percentages of the \$1,000,000. Mr. Cameron added the numbers could be refined a little more. The fact of the matter is in the energy market you have customers who use quite a bit of power. The RMLD service area has five large customers. They use a lot of power off peak but you might not be able to market all of it. The inputs Mr. Soli used here are probably not one hundred percent but they are close. Mr. Cameron noted what Mr. Soli has come up with, as far using 12.0%, 6.5% those parameters are good parameters. Again, if it happens a year from now you do not know what the market is going to bear and you might lose a lot more.

Mr. Pacino inquired if you lose 24% do you double the 12%?

Mr. Ensminger commented it looks linear.

Mr. Cameron replied it looks linear to him but may jump up to 7.5%.

Mr. Soli went over the 15% loss another chart 83% is about a 30% loss. You have that one in the handout he did not show this. Mr. Soli did 84, 83 and 63 so the 63 are a 10 % loss so this one is a 30%. This one goes out to \$7.5 to \$8.0 million.

Mr. Cameron commented at the last meeting he believes he had mentioned that the money in the Rate Stabilization Fund and the money that is in the Operations Fund is higher than its been at historic levels. This needs to be readdressed at the end of August when the August financials come out. That is when you get a feeling for what you are doing for the year. Mr. Cameron noted sometime in the fall he would come back to the Board and make some recommendations as to restructuring the balances in those accounts. It is prudent financial planning.

Mr. Pacino questioned Mr. Cameron if there were any black holes in Mr. Soli's presentation they are not seeing?

Mr. Cameron replied what Mr. Soli has used is a canned probabilistic model. It depends on your inputs and assumptions. It is going to fluctuate based on what you put in for probabilities of different occurrences. It is an issue of confidence levels, i.e., how many "nines" do you want. Some people may say no more than three nines. It just depends on how conservative or liberal you want to run the Light Department. It is pretty simple. If the money is not there to pay for certain things that occur there are going to be rate increases. Mr. Cameron thinks that to use the Rate Stabilization Fund to abate some of those increases or to be able to spread them out is good financial planning.

Mr. Cameron stated however, if the policy of the Board is to run the company less conservatively it would lower the Rate Stabilization Fund to some other meaningful level. Meaningful means there should be some sense to it as laid out in this presentation or what he has laid out before. Then other management controls have to be put in place so you can react because other than doing rate increases, you can cut costs. Mr. Cameron noted there is going to be pain with the customers paying higher rates or there is going to be pain inside the Department by cutting costs.

Mr. Pacino inquired where is the Rate Stabilization Fund level right now?

Mr. Cameron replied \$8,500,000.

Mr. Pacino asked hypothetically, if we picked a number of \$7,000,000, what would that in essence do? Would it result in one-time rebates to the customers, or reduce rates? How would that be accomplished?

Mr. Cameron replied the problem with reducing the rates is once you get to that certain level now you then need to raise the rates again. Mr. Cameron noted he and the Board have gone through a spirited battle over the last year or so concerning rebating money to customers, the form in which to do it, and how it is done.

**Presentation (Commissioner Soli)
Rate Stabilization Fund**

Mr. Cameron noted it was not the easiest thing to do from an operational standpoint but the Department got it done. The Department rebated \$3,000,000 last November. Mr. Cameron would recommend that the Board pick the best number but not get into the haggling the way it was done the last time. The employees are going to have to deal with the type of methodology used to do the rebates. Given the fact the Department is in the middle of the CIBFMS training in the fall and winter of this year, the Department will have to kick it up another notch. The way you have to do it is by a refund. Mr. Cameron cautions to wait for the August financials.

Mr. Van Magness pointed out one of things, which is important, and Mr. Cameron just touched upon it is the fact while the Rate Stabilization Fund being reported in the financials is at \$8,800,000. The operating fund cash is at unprecedented levels at about \$8,500,000. Mr. Van Magness added it was not too many months ago we were talking here that the Rate Stabilization Fund was in the range of \$14,000,000. Mr. Van Magness noted when you blend those two accounts together and have the Operating Fund not be at \$8,500,000, Rate Stabilization Fund would be a significantly higher number than the \$8,800,000 shown on the financial records. Mr. Van Magness added that the Board should carefully consider the amalgamation of those two numbers together in terms of how much excess money the Department is actually sitting on which in theory is being overpaid by ratepayers into the Department.

Mr. Cameron commented one of things he might mention in the financials is \$8,500,000 in the Operating Fund. There is a correction that needs to be made to the June statement and it happens to be in the operations fund. It is overstated and it is probably in the \$7,200,000 range.

Mr. Pacino suggested having Mr. Fournier address the correction at this point in the meeting so it is not lost.

Mr. Van Magness interjected to the Chair before that Section is addressed when you look at the Rate Stabilization Fund over the past thirteen years in terms of what the actual balances have been and there have been numerous activities both positive and negative that have impacted the fund. On average the fund is not been more than \$6,200,000 with thirteen years of actual performance statistics in back of it. What you see here graphically is in the last couple of years that fund is dramatically increased because of the rate situation that has been in place in here which has been corrected with the new rates.

Mr. Pacino added he was one Board member who was looking to get money back to the ratepayers for years but the other members of the Board would not go along with this. Mr. Pacino commented the concern was nuclear disasters.

Mr. Van Magness stated the point is not lost in the fact that history is a good barometer when you look at history and the number of transactions. In the thirteen years the Rate Stabilization Fund has never been at zero. In the first year it was established at \$1,700,000 but in general if you look across the years it floats somewhere in the \$4.0, \$5.0 or \$6.0 million level. On average if you take an arithmetical average of everything \$6,200,000 million also fits the bill. If you look at that versus if the fund was normalized, if the accounting was normalized, such that the Operating Fund did not have the balances that were in there now you would have a substantial adjustment potentially going forward on the side of rates. Mr. Pacino then turned to addressing the problem in the Operating Fund.

Mr. Fournier stated that June was the first month the Department closed on the new accounting system. Mr. Fournier noted when they closed off the Gemini system we made sure the balances came over correctly. Mr. Fournier was referring to the beginning balances on the new Great Plains software. Everything came over clean although it had to be manually input. When they closed off fiscal May two payable warrants that were invoices were booked in May. The checks were subsequently cut in the first two weeks in June and still ran for the month of June. No other activity went through because everything else was closed off. In doing the financials he came across it unfortunately the financials went out. First the amounts of those two payable warrants in June were \$1,300,000. It was not booked during the conversion from the old system to the new system.

**Presentation (Commissioner Soli)
Rate Stabilization Fund**

Mr. Fournier noted the effect of it is that the Operating Fund is overstated by \$1,300,000 so the actual Operating Fund balance is \$7,200,000 million the offset is to the payable account, which goes down to approximately \$2,800,000 million from the \$4,100,000. It was something Mr. Fournier should have caught during the conversion it was not caught timely. The two warrants total approximately \$1,328,000.

Mr. Hughes pointed out Mr. Fournier is telling the Board that his department detected this glitch, error on his own it was not pointed out by another activity. You pointed this out on your own with the change over.

Mr. Fournier replied yes.

Mr. Hughes stated you determined it, you addressed it and you corrected it.

Mr. Fournier replied he did not correct it in time for the financials, but it was caught, unfortunately not in a timely manner.

Mr. Hughes noted as one Board member it is commendable that you do recheck your homework etcetera and it was possible to be picked up on this level here within the Department here instead of some audit team down the road. You and your staff ought to be commended.

Mr. Pacino inquired of Mr. Cameron as to his timetable to come back to them on the Rate Stabilization Fund?

Mr. Cameron replied he wants to wait until at least the August, financials which will be done by the end of September. Mr. Cameron pointed out one of the things you have to look at in the budget is the actual profit and loss statement or income statement versus the budgeted. The budget revenues will have for the rest of the year the summer/winter rate differential. Mr. Cameron noted what you are going to see is a loss of actual net income versus the budgeted through the summer months. What it will do is catch up when we get into the winter months. The levelized rate is higher within the summer/winter differential rate. Mr. Cameron has looked at a projection of income using the bill frequency used for the 2003 budget and he has applied the levelized rates to that bill frequency. It looks like the difference between what we have budgeted in 2003 for base revenues and what we are going to have for the levelized rates is probably a difference of \$1.6 million which means the levelized rates will be lower than what we have forecast for the end of the year under the summer/winter rates.

Mr. Cameron noted however, if you look at the base expenses they are down \$774,000 versus the budget. If that trend continues we could be \$1.3 to \$1.4 million under budget as far as base expenses goes. The base expenses may catch up to the base revenues. The long and short of it the Department is keeping an eye on it every month because of the new rates.

Mr. Herlihy had one question: is this a human error, which is fine and totally understandable, or was it a process error?

Mr. Fournier replied my error.

Mr. Herlihy then asked if it has to do with the implementation team or our high paid consultant for the implementation of the computer system?

Mr. Fournier commented he is not trying to make excuses. It was the first month they were closing and are training on new modules and there were vacations. There have been a myriad of things happening. He should have caught it before issuing the financials. It was caught subsequently.

**Presentation (Commissioner Soli)
Rate Stabilization Fund**

Mr. Herlihy has no problem with human error. Mr. Herlihy added the Department has a consultant bringing the system on line he just wanted to ensure it was something they should have caught however; it was not the case.

Mr. Fournier replied no, it is internal to him.

Mr. Soli commented this sounds like this was a transitional glitch. The Department was on the old system trying to get as seamlessly as we could to the new system and there was a glitch on the transition. Now we are on the new system and do not transition again.

Mr. Fournier added once this entry is made in July all the data from Gemini will have been successfully brought over to the new system.

Action Items

Policy 19, Revision #9, Board of Commissioners

Mr. Ensminger inquired if at this point the Chair would like the Secretary to make an opening announcement about the public hearing?

Mr. Pacino replied we do not need to. Mr. Pacino then asked for the Subcommittee report.

Mr. Herlihy commented the Policy Subcommittee met immediately prior to this meeting at a posted meeting held at 6:30 p.m. this evening. At that meeting they reviewed Policy 19. They reviewed the revision that was duly posted for two consecutive weeks in our local newspapers and it is the recommendation of the Subcommittee to approve the recommendations.

Mr. Herlihy made a motion seconded by Mr. Hughes that the Reading Municipal Light Department Board of Commissioners approve RMLD Policy 19, Revision Number 9 based on the recommendations of the Policy Subcommittee. The vote on this was deferred until after discussion. No vote was taken at this point.

Mr. Pacino added just for clarification it was posted and there were two legal notices.

Mr. Ensminger commented it was in the *Lynnfield Villager*, *North Reading Transcript*, *Reading Chronicle* and *Wilmington Town Crier*.

Mr. Pacino polled all those in attendance to see if there were any comments to this. There were none.

Mr. Ensminger moved for an amendment seconded by Mr. Herlihy and distributed copies to the Board and the audience. Mr. Ensminger would like this amendment be inserted under Section 3C Responsibilities of the Commission and it could be number thirteen. Mr. Ensminger's amendment would have the Board review and approve any proposed changes to the RMLD table of organization. Mr. Ensminger believes it is an important role of this Commission under its direction and control clause of Section 56 to scrutinize carefully any planned changes in organization.

Mr. Ensminger noted the model he is proposing has been used for a number of years in the Town of Reading where the Town Manager proposes an organizational chart that must go for a straight up and down vote by the Board of Selectmen before it can be enacted. Mr. Ensminger read the wording of his suggested amendment to the Board. Mr. Ensminger's amendment is as follows: "the General Manager shall present for submission to the RMLD Board any proposed changes to the RMLD table of organization. The proposed changes shall become effective unless rejected by the RMLD Board within thirty days following its date of submission." This gives the Board adequate time to give its scrutiny and review to any such changes in the plan. Mr. Ensminger would like to offer that for consideration.

Action Items

Policy 19, Revision #9, Board of Commissioners

Mr. Pacino inquired of Mr. Ensminger as to where he would like that to go into Policy 19.

Mr. Ensminger replied he would like that in Section 3C Responsibilities Commission by Board as a majority vote.

Mr. Cameron pointed out the way the RMLD is run including the structure of the RMLD is up to the General Manager. This seems like Mr. Cameron has to have this (referring to a change in the organizational structure of the RMLD) okayed by the Board. This is an operational issue. He does not see this as a policy issue.

Mr. Cameron added it states in Section 56 that the General Manager hires the employees. If Mr. Cameron has to go to the Board to say how this place is going to be run it is not going to work.

Mr. Ensminger replied this is not an attempt to infringe in any way in his ability to hire people. It is the ability of this Board to review a proposed organizational structure if you are going to put in Assistant General Managers in a particular place in the hierarchy. It is an okay thing and within the purview of this Board, Section 56.

Mr. Pacino interjected the legal notice that the Board has out there listed what the changes were.

Mr. Ensminger agreed.

Mr. Pacino does not believe this was listed anywhere in the legal notices. He is unsure if this amendment is appropriate. It should be referred to the Subcommittee and let the Subcommittee discuss it. If they want to bring it forward they will need to put out another legal notice. It does not meet conformity of Policy 19 because the subject matter was not advertised in a legal notice before going forward.

Mr. Ensminger replied the legal notice is to advertise there are changes being made and to allow the public to have input. If a member of the public had come in tonight with a suggested change that would fall under the four corners of what this policy deals with, the Board would probably consider that change. Mr. Ensminger is offering his amendment in that spirit.

Mr. Pacino commented that we would need to list as part of the legal notice what each change is. Mr. Pacino is unsure if this change is within the parameters of what was advertised. We have gone a bit beyond here.

Mr. Ensminger noted that Mr. Pacino is taking a strict Town Meeting type constructionalist approach, similar to the way Warrant Article amendments are considered by the Moderator at Town Meeting. This process is generally stricter than that used for bylaw or policy amendments.

Mr. Pacino replied what we intended to do is let the public know exactly what the proposed changes are. At this point and time we are coming up with a whole suggested amendment that is being presented for the first time. It is outside of the scope of the hearing. It should be referred to the Policy Subcommittee and let them have their recommendation and bring it back if they so choose.

Mr. Ensminger offered that it would be very seldom when Policy 19 gets brought back again based on the onerous nature of having to advertise. We have a very timely situation here with the proposed reorganization, which has far reaching changes. He is unsure if this Board has had a lot visibility into those changes. Mr. Ensminger believes putting this particular clause into Policy 19 will not hamstring the General Manager. It will give the Board the kind of oversight they need to exercise. The Board might find great favor with that organization. There is an issue of timeliness here and the issue that Policy 19 is not being opened again. He would urge him to reconsider.

Action Items

Policy 19, Revision #9, Board of Commissioners

Mr. Herlihy added if he could speak for the Policy Subcommittee for a second. Mr. Herlihy respects what both gentlemen are saying. Mr. Herlihy felt that Policy 19 was so important that the Board must advertise any changes to it before the Board could consider enacting them. Mr. Herlihy added in that spirit we ought to consider having this amendment sent back to the Subcommittee. Concerning the timeliness issue, Mr. Herlihy does consider Policy 19 something the Policy Subcommittee will revisit. He does not intend to put this on the shelf for a long period of time. Mr. Herlihy added they are in the middle of a process where the Subcommittee will need to review and revise a lot of policies. Mr. Herlihy noted there would be a lot of Policy Subcommittee meetings. If this amendment were sent to the Policy Subcommittee he would try to make every effort to meet on this quickly and to advertise these changes as quickly as possible.

Mr. Hughes pointed out he as one Board member and listening to Mr. Ensminger giving off this echo of the Town, the Town Manager etcetera, etcetera. He totally disagrees with any influence that is being tasked or administered as far as getting a comparison with the policy of the people on the Hill, and how they run their administrative sections. The Department has run for over one hundred years with independent policies with highs and lows. Mr. Hughes totally objects to the intrusion on the part of the General Manager. That is why he was selected on many articles of competency. That is why he should do the hiring and placement. Mr. Hughes holds the General Manager accountable for keeping the lights burning.

Mr. Cameron responded the reason that the restructuring/reorganization memo and chart are in the Board book is so the Commission can understand what he is doing. It is not in the book for a vote.

Mr. Hughes interjected that the organizational chart is just an "fyi" for the Board, correct?

Mr. Cameron added there is no motion with it.

Mr. Ensminger inquired what if the Board has issues with that? What is the proper process?

Mr. Cameron replied they should talk to me.

Mr. Ensminger asked under what venue and under what authority?

Mr. Cameron replied over the phone or in person. Mr. Cameron added the Board has the authority to hire and fire the General Manager. If the reorganization is so tenuous to the Board that they can't get the message across to the General Manager that they just don't like it then they should take some action.

Mr. Ensminger stated the proper venue is not by individual phone calls but full discussion in an open public meeting. Mr. Ensminger is trying to enable that.

Mr. Cameron replied that is fine. Mr. Cameron added that what Mr. Ensminger is stating is that the GM cannot put reorganization into effect if the Board votes to reject it.

Mr. Ensminger replied correct.

Mr. Cameron noted this goes against Chapter 164.

Mr. Ensminger replied he would beg to differ because there is a direction and control clause in Section 56 that is quite empowering to the Board. It is all a question of how much power the Board wants to take on this. It is under state law that the General Manager and the Board share power.

Action Items

Policy 19, Revision #9, Board of Commissioners

Mr. Ensminger is using the Town's as one model how to go. Mr. Ensminger added the Commission is enabled by Chapter 164 to have direction and control over the GM. It is good to exercise that when it is positively done for direction of the Manager that is what we are here to do.

Mr. Hughes replied the only thing he can think of is an intrusion by the Town of Reading to get administratively into this Department.

Mr. Ensminger replied he disagrees. Mr. Ensminger added it is about the Board getting included in managing the Manager.

Mr. Hughes added we did not need it for one hundred and four years why do we need it now.

Mr. Ensminger replied he begs to differ based on the recent past has given us plenty of examples.

Mr. Pacino stated one of the things it needs to be sent to the Subcommittee and have the Subcommittee review it. Mr. Pacino noted the appropriate thing if it is the desire of the Commission would be to move to table and refer it to the Subcommittee.

Mr. Ensminger noted it can be tabled without a re advertising if the Subcommittee then has time to look at it.

Mr. Pacino replied yes.

Mr. Ensminger replied he could be quite amenable to that. Mr. Ensminger asked of the Chair if he can make that motion.

Mr. Pacino replied he agreed with this however Mr. Ensminger made the main motion. Mr. Pacino was looking for a motion to table the motion at this point and refer it to the Subcommittee.

Mr. Herlihy made a motion. He inquired if he could table it?

Mr. Pacino replied yes.

Mr. Herlihy made a motion to table the recommendations of the Policy Subcommittee at this time. It is important and worthy of discussion and clarification.

Mr. Pacino clarified of Mr. Herlihy that they are tabling the suggested amendment.

Mr. Herlihy replied yes.

Mr. Pacino again clarified this is your intent. Mr. Pacino stated the motion the Commission moves to table the suggested amendment and refer it to the Subcommittee for further review.

Mr. Ensminger asked point of clarification to the Chair. Is it his intent to continue the hearing or close the hearing and vote on the remainder of Policy 19?

Mr. Pacino added he thinks the changes should be voted upon tonight since the advertising has been done. Mr. Pacino asked the Commission and the Subcommittee if they wanted to keep the hearing open?

Action Items

Policy 19, Revision #9, Board of Commissioners

Mr. Soli replied he would like to have the vote. Mr. Soli added they have general agreement on these changes and are good ones. Mr. Soli noted there is a new proposal in the Policy it states if you have a change you have to advertise. Mr. Soli added they did it in this case and in the Procurement Policy.

Mr. Pacino reread the motion. Mr. Pacino stated the motion on the table the Commission move to table the suggested amendment and such amendment to be referred to the Policy Subcommittee for further discussion and action.

Mr. Herlihy made a motion seconded by Mr. Ensminger to table the suggested amendment and refer this Policy Subcommittee for further discussion and action.

Motion carried 4:1:0 by a show of hands. Mr. Hughes voted against this motion.

Mr. Herlihy made a motion seconded by Mr. Hughes that the Reading Municipal Light Department Board of Commissioners approve RMLD Policy Number 19, Revision #9 based on the recommendations of the Policy Subcommittee.

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

Action Items

Indemnification of General Manager

Mr. Ensminger made a motion seconded by Mr. Hughes that the Reading Municipal Light Board votes to indemnify Vincent F. Cameron, Jr., for all costs, to a limit of one million dollars per occurrence including, but not limited to, all attorney fees and expenses, judgments or damage awards, settlements or compromises incurred as a result of any claim, suit or action under any theory of law that may be brought against Mr. Cameron as a result of Mr. Cameron exercising responsibilities as General Manager effective February 7, 2003 through November 21, 2003, (pending the execution of the General Manager's Agreement, whichever comes first) which responsibilities include, but are not limited to, serving as the Massachusetts General Laws Chapter 164, Section 56, Manager.

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

Mr. Soli wanted the following change to the motion after the first line after costs to say " to a limit of one million dollars per occurrence" because that is the law.

Mr. Ensminger inquired about the wording is the intent of this to serve as an interim indemnification until the General Manager's Agreement?

Mr. Pacino replied yes.

Mr. Ensminger asked for clarification on the wording whichever comes first.

Mr. Pacino noted the intent is to have this serve as an interim measure until the thirty-day review by the CAB.

Mr. Cameron added his current indemnification expires on August 21, 2003.

Mr. Ensminger noted that the General Manager's Agreement addresses indemnification. Mr. Ensminger and Mr. Hughes agreed to include Mr. Soli's change into the motion.

Action Items

Single Phase Pad Mounted Transformers Bid #2003-11

Mr. Cameron pointed out this is the pad mounted transformer bid. Mr. Cameron noted what the Department has done is it has broken up the bids into the different types of transformers, pad mounted and pole mounted. There are six different bids. Mr. Cameron noted in the Capital Budget there is \$372,500 allocated. The value of the five sets of transformers totaled \$371,587. The Department has come just under budget as far as the Capital Budget.

Mr. Ensminger made a motion seconded by Mr. Hughes to accept the motion as presented on the agenda for Section 6c that bid 2003-11 for Single Phase Pole Mounted Transformers be awarded to Power Sales for a total cost of \$32,480 as the only qualified bidder on the recommendation of the General Manager.

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

Mr. Ensminger inquired he has a general question which applies to all these bids can you explain the process for selecting the lowest bidder as it seems to be done on a life cycle costing exercise the Department goes through?

Mr. Cameron replied the Department has a program that takes into consideration losses and life cycle costs. The Department has load forecasts so they know how much energy they are talking about if they put a certain transformer in at a certain area. Basically, it does a life cycle analysis of the transformer because you have prices for transformers. If they are low load transformers some of them might be a little more expensive than regular transformers. On a life cycle cost basis they might be less expensive. Mr. Cameron noted the Department looks at them on life cycle basis to say are these really the lowest costs. You could have a higher cost transformer but the life cycle cost could be lower. It is really because of losses. Some transformers are more efficient than others. It is the same program it has to do with the losses per the specs of the transformer.

Mr. Ensminger added this is industry standard life cycle costing.

Single Phase Pole Mounted Transformers Bid #2003-9

Mr. Ensminger made a motion seconded by Mr. Soli to accept the motions as presented on the agenda for Section 6d that bid 2003-9 for Single Phase Pole Mounted Transformers be awarded to WESCO for a total cost of \$87,675.00 as the lowest qualified bidder on the recommendation of the General Manager.

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

Mr. Van Magness inquired when these Sections are bid is there any advantage of having all these contracts lumped together to see if there is an economy of scale because each one of these sub bids were individual groups of transformers although the bids were solicited from the same group of companies? With an amalgamated purchase it is okay in his mind to ask for individual bids but there is also a place to ask for a consolidated bid for everything. A winner takes all situation.

Mr. Cameron replied no because you have to bid these Sections because of the way the analysis is done. You have to bid these Sections based on the size of the transformer. That is the way the bids have to be analyzed. There is nothing that says that if I get all the bids I will cut the bid by that much. The bids come in that is what the bids are.

Mr. Van Magness added if he knew Reading was going to potentially buy seventy-five transformers across a bigger span because instead of the five bids they might in fact leverage their pricing in a different way than bidding on a specific slice of the pie without the whole thing as well.

Action Items

Single Phase Pole Mounted Transformers Bid #2003-9

Mr. Cameron replied then he would be over the Capital Budget allotted amount.

Mr. Van Magness does not know how Mr. Cameron can say that you do not know. Mr. Van Magness added you do not amalgamate the bids.

Mr. Cameron replied there is \$372,500 to spend on transformers. The bid came in at \$371,000. Mr. Cameron added if he wanted to buy more transformers what Mr. Ensminger is saying could they come back and give me a bid lower.

Mr. Pacino replied this is not the question.

Mr. Cameron replied then he is confused. Are you talking about buying more transformers than we need?

Mr. Pacino commented if you took Sections 6.c., 6.d., 6.e., 6.f. and 6.g. and were all one bid. The possibility exists if all those Sections were put together as one RFP. Would someone come in and do a bid for all those Sections combined would there a potential savings is it a possibility?

Mr. Van Magness was suggesting was if you bid them as pieces and also bid them as total group of everything winner take all. There may be a leverage situation some company might be willing to modify their pricing knowing they will get the volume.

Mr. Pacino added it may be an answer Mr. Cameron does not have this evening.

Mr. Van Magness replied he may not have the answer but it is something you could look at.

Mr. Cameron noted he will get back to Mr. Van Magness on this he is confused. Mr. Cameron added they saw all these bids and they could bid on this as one slice.

Mr. Van Magness replied he did not understand how they would they were sent out individually.

Mr. Cameron stated he would get back to Mr. Van Magness on this.

Three Phase Pad Mounted Transformers Bid #2003-12

Mr. Ensminger made a motion seconded by Mr. Hughes to accept the motion as presented on the agenda for Section 6e that bid 2003-12 for Three Phase Pad Mounted Transformers be awarded to Hughes for a total cost of \$127,801.02 as the lowest qualified bidder on the recommendation of the General Manager.

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

Mr. Hughes added there is no conflict of interest referring to his last name in the bid.

Three Phase Pole Mounted Transformers Bid #2003-10

Mr. Ensminger made a motion seconded by Mr. Hughes to accept the motion as presented on the agenda for Section 6f that bid 2003-10 for Three Phase Pole Mounted Transformers be awarded to WESCO for a total cost of \$47,513.00 as the only qualified bidder on the recommendation of the General Manager.

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

Action Items

Solid Dielectric Transformers Bid #2003-13

Mr. Ensminger made a motion seconded by Mr. Hughes to accept the motion as presented on the agenda for Section 6 g. that bid 2003-13 for Solid Dielectric Transformers be awarded to WESCO for a total cost of \$61,290.00 as the only qualified bidder on the recommendation of the General Manager.

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

Mr. Soli inquired after the oil spill that was in last week's warrant it seems a good idea. Mr. Soli has a question there was only one bid is this proven product?

Mr. Cameron replied yes. They are not used much because the unit cost is higher. These transformers are effective in areas that have high water tables.

Mr. Soli added remediation costs are awful.

Mr. Cameron agreed with this.

General Manager's Report

RMLD Reorganization

Mr. Cameron stated he put in a memo and a related organization chart for information to the Board on how he plans to reorganize the RMLD. Mr. Cameron added the change has to do with the line manager's people who report to him. The difference is the Assistant General Manager's have been eliminated, the Business Manager, Manager of Projects, Engineering and Operations Manager and Energy Services are the four main functions of this Department. It also has the Human Resources Manager reporting to him. Mr. Cameron feels this type of organization gives each functional area a single point of management. Mr. Cameron pointed out over the last eighteen months he has had everyone reporting to him. There are in his opinion four functional areas that need that single point of management. Mr. Cameron offered to go through the four areas. Mr. Cameron pointed out as he has heard from one Commissioner is a concern about the Business Manager. The Business Manager would be the manager of the back office functions of the Department, which would include the Customer Service Manager, MIS and Accounting Manager. This person may not be a nuts and bolts type manager. Mr. Cameron does expect all these managers to be working managers to a certain extent but he does not expect this manager to be involved in the financial operations of the Department as much as the Accounting Manager.

Mr. Cameron noted his intention was not to circumvent Article 7. He also noted that Article 7 has not yet gone before the Reading voters for a final vote. There is also an Accounting Manager in this reorganization. Mr. Cameron added there is still a dotted line in this reorganization as the Accounting Manager reporting to the Board. However under this reorganization the Business Managers job is to manage three separate functions. The Accounting Manager is going to be more involved in the day-to-day accounting within the Department than the Business Manager would. That being the case he would imagine that the Board would want reporting to them the person who performs the numbers as Mr. Fournier does now as Accounting Manager. Mr. Cameron added whether this Accounting Manager directly reports to the General Manager or Business Manager that reports to the General Manager he does not see that as an impediment.

Mr. Cameron added the fact is you need somebody who is going to be involved in the day-to-day operations of accounting. It is more important that the Board has someone who reports to them that knows what is going on in accounting. Mr. Cameron is comfortable with the fact that the Accountant would report to the Business Manager who would report to him. He is also comfortable that the Accounting Manager would report to the Board on a dotted line basis as in the reorganization. Mr. Cameron said that this is not the same structure as the Town. Moreover, the Town Manager does not have fifteen or sixteen people reporting directly to him. The Business Manager will have three direct reports under this structure.

General Manager's Report
RMLD Reorganization

Mr. Cameron noted the Accounting Manager only has a couple of people to manage. Mr. Cameron wants to get comments from the Board. He wants to put this in place, as it is necessary. Mr. Cameron noted we need to work on this together as far as Article 7. Let us not forget the only mousetrap you are going to put in place to take care of the ills of the past is vigilance. Mr. Cameron reiterated the Accountant looks at the warrant, the Business Manager, the General Manager, the Board, the Town Accountant and the Town Manager. Let us not forget those two had our bills too in the past. The bills went through five or six sets of eyes and got paid.

Mr. Ensminger inquired he is not sure of the relevance of that to this discussion?

Mr. Cameron replied what he has heard from the Board tonight is the problem is that the Accounting Manager does not report directly to him as the Town Accountant reports to the Town Manager.

Mr. Ensminger replied he believes Article 7 as passed by Town Meeting adopted by the Attorney General requires that he report directly to you.

Mr. Cameron replied then the Attorney General is telling him to restructure the RMLD.

Mr. Ensminger responded Town Meeting passed Article 7.

Mr. Cameron noted then what he has to do is change the Business Manager's title to the Accounting Manager's title.

Mr. Ensminger replied no. Mr. Ensminger agrees totally that the Board wants to be dealing with the Accounting Manager. Mr. Ensminger does not think it is a good idea to put a buffer between you and the Accounting Manager he needs to report to the General Manager.

Mr. Cameron asked of Mr. Ensminger he needs to know why.

Mr. Ensminger replied it is a very important key role. This was all debated at Town Meeting why. There is a clear line not a just a dotted line relationship to you but a direct supervisory relationship which is clearly stated in Article 7. Mr. Ensminger noted it did not say Business Manager it said Accounting Manager. Mr. Ensminger read the literal language which was adopted the Municipal Light Board shall appoint the Accounting Manager or Chief Accountant of the RMLD and appoint counsel. The Accounting Manager or Chief Accountant as the case may be shall be subject to the supervision of the General Manager. It sounds like you are putting it a level below you.

Mr. Cameron inquired what shall "subject to" mean?

Mr. Ensminger replied to him it means direct report.

Mr. Cameron added why did they not put directly report and not shall be subject to?

Mr. Ensminger replied his suggestion Accounting Manager report directly to you and continues to do that. Mr. Ensminger has other questions relative to the reorganization.

Mr. Pacino added he wanted to address this. Mr. Pacino noted as he remembers the discussion of supervision maybe he misunderstood. Basically, it was the Board that would do the hiring but wanted this individual not to run as a separate manager all by himself. That is why it was suggested that some sort of supervision by the Manager. Mr. Pacino does not remember any discussion directly report and maybe he was not there.

General Manager's Report
RMLD Reorganization

Mr. Hughes commented his interpretation in laymen's language was left out of that meeting. Verbiage etcetera was that the Accountant for Reading Municipal Light Department would come under jurisdiction of the General Manager and control of the General Manager. If the Accountant was dissatisfied with a determination the General Manager was making or approval or disapproval then that Accountant can say I want an audience with Board of Light Commissioners because I am unhappy and am not going to get slapped by the IG for wrongdoings. That is the only thing we have put in place. The Accountant has a grievance with the General Manager he can take it to the Light Board. It was his interpretation.

Mr. Ensminger added that is something that the Board enacted by policy and it was a good positive step. Mr. Ensminger noted that Article 7 empowers the Board and further states the General Manager shall supervise that individual. Mr. Ensminger clarified shall be subject to the supervision of the General Manager.

Mr. Cameron commented then you have created another division, the Accounting Division.

Mr. Ensminger is open to discussion. He is not going to tell the General Manager what to do. Mr. Ensminger believes he is interpreting Article 7 the way it is written.

Mr. Cameron replied he thought there would be enough work for the Business Manager position to be somewhat of a working manager to have the Accounting Manager under him.

Mr. Ensminger inquired if he could back up and ask if a job description has been written for this?

Mr. Cameron replied yes.

Mr. Ensminger asked if it has been provided to the Commission?

Mr. Cameron replied no he could get it.

Mr. Ensminger added this would be an important step in helping to understand your thinking. Mr. Ensminger has another general question. You are not staffed up to the level you were when you had four Assistant General Managers.

Mr. Cameron corrected Mr. Ensminger in that there were two Assistant General Managers.

Mr. Ensminger noted you are down two in the headcount right now. Can Mr. Cameron explain to him what work has not gotten done by not filling those positions?

Mr. Cameron replied the work has gotten done.

Mr. Ensminger inquired what is the rationale for creating these new positions?

Mr. Cameron replied that he currently has fifteen people reporting to him. These people do not all need to have the General Manager as a single point of contact. So far in this reorganization he has not created additional positions. There may be management positions but he has not hired anyone else. He is trying to get four out of the fifteen to try to fill management positions and manage the different divisions. Mr. Cameron noted he is unsure if anyone present has done reorganization or if this is the first one he has been involved with. You post it because you want to give the opportunity for people to fill within the Department. There maybe some opportunity, however, if he has to go outside he will. Mr. Cameron has some money available to pay this individual under this budget. What he is trying to do is get these management positions together and not make an extra position. In reorganization you are trying to get consolidation.

General Manager's Report
RMLD Reorganization

Mr. Ensminger agreed on the concept of consolidation.

Mr. Herlihy asked if you were to fill these management positions from within this organization do you plan to backfill those lower positions?

Mr. Cameron replied no he is trying not to. Mr. Cameron commented no one but the people that work here are going to understand what they went through the last eighteen months. Mr. Cameron added these people have been doing the job. Mr. Cameron pointed out, as he stated in the beginning, the employees were committed to make sure this place ran the way it should be run.

Mr. Ensminger added without a doubt.

Mr. Cameron noted he has fifteen people wanting to be managed and that is not classic. What Mr. Cameron is trying to do is get this place reorganized without additional employees to be hired and more correct from a management style.

Mr. Pacino added more efficient.

Mr. Ensminger has no quibble with that it is a good rule.

Mr. Cameron commented only time would tell how many people could get positions from inside. Mr. Cameron noted the Accounting Manager he is unsure. The subject of the supervision of the General Manager there are words there and he does not know what they mean "shall be subject to the supervision." Mr. Cameron feels any employee is subject to his supervision they all ultimately work for him. Mr. Cameron has the right to go to any employee and ask them to do things.

Mr. Pacino asked Mr. Ensminger to help him understand under the reorganization Accounting Manager under the Business Manager do you see this inhibiting the Accounting Manager coming forward to the Board if there should be a problem?

Mr. Ensminger replied it removes the Accounting Manager one layer more from the Board. That person will be hired by the Board but dotted lined directly to the General Manager. It enables the Accounting Manager to give his advice and consent without going through an intermediary. Depending on the management style of the Business Manager, he may not want to foster that kind of direct communication to the GM.

Mr. Pacino inquired can there be some sort of reporting mechanism that the Accounting Manager could have to the General Manager and still be under the Business Manager?

Mr. Ensminger replied it is possible and he would like to hear more discussion on how we can make sure that happens if we keep that structure.

Mr. Pacino commented it seems logical to him being from the financial side combining Customer Service, MIS and Accounting under one umbrella.

Mr. Ensminger added functionally speaking he does not have a problem. It is a key set of roles that need to interact closely but he does not want to see a buffer that may inhibit communication with the Accounting Manager, given that he is going to be a direct report to the Board. The Board hires both the Accounting Manager and the General Manager but you are going to put the Accounting Manager down one level.

General Manager's Report
RMLD Reorganization

Mr. Pacino wants to make sure as that we avoid the major problems of the past. The Accounting Manager was inhibited from coming to the Board.

Mr. Ensminger understands there is a policy in place now to facilitate such interaction.

Mr. Cameron added one of the things, which is important with this whole thing, is that there should be no inhibition of the Accountant to go to the General Manager or to anybody. There should be no inhibition because his fate is with the Board. He is hired and fired by the Board. The General Manager could toss him out the door and he would say I am coming back in because the Board is the body that hires and fires him. Mr. Cameron does not understand where the inhibition is for the Accounting Manager to say to the Business Manager I do not like this I am going to the General Manager. If there is any problem then he will go to the Board. Mr. Cameron added you want to handle your problems internally before they get to be a Board problem.

Mr. Pacino commented I think we are more concerned about the level of the individual. If you have someone who is a bookkeeper and give them the title of Accounting Manager they may not have the experience and knowledge to come forward. That is the real issue we are trying to address here.

Mr. Ensminger noted there was some wording that concerned him. The Business Manager is not a nuts and bolts manager. He or she is not involved in the financial operation. To put an important position like the Accounting Manager under that person concerns him.

Mr. Soli added a possibility and he will explain it along with the rationale. Mr. Soli noted we already talked about the Accounting Manager a dotted line to the Board. Could there be an additional dotted line to the General Manager? Policy 19 says one member of the Audit Subcommittee meets at least quarterly with the Accounting Manager and the Town Accountant. We did that today and talked with the Town Accountant, Richard Foley. Mr. Soli was curious what he did and what was his reporting. Mr. Soli noted that Mr. Foley wears several hats because he also works for the School Committee and works for the Town. Generally, when Mr. Foley is working for the Town he reports to the Town Manager but if there is a problem he can go to the Board of Selectmen. When he is wearing the School Committee hat he generally interfaces with the Superintendent but if there is a problem he can go to the School Committee. Mr. Soli asked Mr. Foley how often has he had to do this and it was classic Teddy Roosevelt walk softly and carry a big stick. Everybody knows he carries a big stick and has never had to use it. Dotted lines, if everybody knows there around, seem to work in Richard Foley's case. He has never had to use the two sticks he has.

Mr. Van Magness commented he has a number of concerns relative to the organizational design relative to the Accounting Manager particularly. As a Town Meeting member he sat and listened to the debate and the problems of the Department for the time he has been on the CAB. The implementation of a broad manager to cover Customer Service, Information Systems and Accounting including in accounting it deals with issues of compliance with not only the laws of the Commonwealth for accounting but also Federal Regulatory Commission. It adds another filter placed in the organizational chain covering three dissimilar functions. This really never made any sense to him whatsoever.

Mr. Van Magness added in the same vein Human Resources, which is also a backroom activity by many classic organizational designs today, becomes a direct report to the General Manager in the new plan. Mr. Van Magness noted part of the discussion is that the number of people reporting to the General Manager (fifteen) is an unbearable situation. One of the things you need to look at is, quite frankly, a flatter organization that allows improved and clear communications to people in the organization. Many organizations have moved to flatter organizations with multiple reports rather than the hierarchal type of organization here with few reports. That is where the Department is regressing. The concern of the Department, the Board, Ad Hoc Committee and Town Meeting dealt with accountability and responsibility.

General Manager's Report
RMLD Reorganization

Clearly in his mind placing another filter in the system and a filter that would have to have exceptionally broad based skills, interpersonal skills to deal with customer service issues, technical skills in the area of systems to be able to deal with systems issues and accounting professional skills to deal with the accuracy in the record keeping of the books and the issues to him it does not make a lot of sense. Mr. Van Magness then addressed what he had heard earlier in the discussion this evening the intent was to try and hire from within so there would be no change in head count. There would not be additional amount of people but if the skills do not exist internally then it would be an external hire. Mr. Van Magness' concern is this an internal reorganization or it is going to potentially increase to what has been budgeted for headcount. That aside you are placing another filter placing the Accountant further down in the chain. He does not know if there is any magic number of how many reports a person has to have to manage an organization effectively.

Mr. Herlihy commented that he agrees the Business Manager on top of having all these different skills has to be an extraordinary human being. If I were the Business Manager in this scenario and I had an Accounting Manager underneath me who could at any time go completely around me straight to the Board I would see this as a tough person to manage. Mr. Herlihy noted the Town is concerned with and Town Meeting has spoken about if there was ever a situation again where the General Manager were to squelch the efforts of an Accounting Manager for bringing something to light that General Manager would be fired for that offense. We have set up a possibility where the Business Manager could carry out this work the Board can't touch that person. It may be hard to prove the General Manager did or didn't do this. We want to know that the General Manager is responsible in that situation if a situation ever arises where the Accounting Manager could not get the truth out on some matter bring some concern forward then that would be a fire able offense for the General Manager. It would be crystal clear if there were a direct report what the situation was there. This murk's it up a little bit. The last thing we need to do right is not get into a legal hair splitting wrangle over language issues with the Town over what Article 7 says or does not say. Mr. Herlihy does not want to go there. Mr. Herlihy wants something that is straightforward that is not going to create a lot of controversy and he thinks this an important issue the Board needs to discuss. Mr. Herlihy has asked for this in the minutes before. Mr. Herlihy noted, as a Board we need to consider Board protocol here very carefully. This should not be about human beings and names and individual people. We need to step back from that. We should not be down in the weeds. The General Manager has the right to hire and fire the personalities here it is not about personnel. We need to look from an operational standpoint and in most organizations public and private an oversight board has the ability does have an ability to weigh in on organizational design. Mr. Herlihy does think that is why they will be discussing that in the Policy Subcommittee.

Mr. Hughes sought clarification from Mr. Cameron the management employees are now unionized correct?

Mr. Cameron replied yes there is a professional union.

Mr. Hughes then inquired out of the group of management employees you will have four people not authorized to join that union the HR person, who else?

Mr. Cameron replied the Human Resources Assistant, Accounting Manager and the two AGM's.

Mr. Cameron replied what he is doing now is trying to reorganize. Mr. Cameron noted the job descriptions include for the Business Manager, E&O Manager, and the Energy Services Manager their job responsibilities would include filling in for the General Manager from time to time and they would be involved in union negotiations. The professional union and Mr. Cameron have not spoken on that issue. Mr. Cameron added to Mr. Hughes it is a question he cannot answer.

Mr. Hughes asked that this information be furnished to him. Mr. Hughes would like to see what protection the four people will have. Mr. Hughes added the four employees would not be part of the union. What recourse do they have?

Mr. Cameron added he has some things in mind. Does he have the ability to sign an employment agreement?

General Manager's Report
RMLD Reorganization

Mr. Soli interrupted some of the phrasing goes a little too far and you may not want to answer. Mr. Soli explained to Mr. Cameron you might not want to give one answer and you should not answer the specific question.

Mr. Pacino agreed with Mr. Soli.

Mr. Hughes questioned will it be discussed openly as to what the availabilities might be afforded to them?

Mr. Cameron replied yes.

Mr. Pacino noted there has been lengthy discussion about the Business Manager is there any other part of the reorganization anyone wants to discuss?

Mr. Herlihy stated he would like to state for the record he has found some very positive things in the reorganization but there are some fatal flaws too.

Mr. Pacino asked of Mr. Herlihy in what way do you mean fatal flaws?

Mr. Herlihy replied what we have already talked about.

Mr. Cameron inquired there is some or is there one?

Mr. Herlihy replied there is one big flaw that would have to be worked out.

Mr. Ensminger asked of the Chair where does he see the process of the Board's involvement on this moving forward with the General Manager on this reorganization?

Mr. Pacino replied the General Manager has some comments tonight in terms of the Business Manager, which requires more thought as to where the Board is going on this. Mr. Pacino noted the General Manager needs to think about this and needs to go on the agenda for the next meeting in September. Mr. Pacino noted we are talking the Business Manager he does not have any other concerns of any part of the reorganization.

Quarterly Financial Update (Bob Fournier)

Mr. Fournier discussed the June financials.

Mr. Herlihy had a question on page 11 of the report under municipal sales, municipal buildings the Department is actually collecting more in revenues from municipal buildings this year than we were last year, is that correct?

Mr. Fournier replied yes.

Mr. Herlihy then added the Department is collecting almost 11% more from total municipal customers.

Mr. Fournier replied yes.

Mr. Herlihy pointed out he is not sure if that is a good thing is there a reason why the Department is collecting more money from cash strapped towns?

Mr. Cameron replied he will look into this but the Department is not charging them anymore than they are using.

General Manager's Report
Quarterly Financial Update (Bob Fournier)

Mr. Herlihy replied this also not a good thing for them.

Mr. Cameron replied the Wilmington police department has a big brand new building.

Mr. Herlihy replied big brand new energy efficient building.

Mr. Cameron added it is up to Wilmington. Mr. Cameron noted the Town of Reading is going to build a big brand new high school. Is it going to be a big brand new energy efficient high school?

Mr. Herlihy replied I hope it is.

Mr. Cameron noted he would look into it.

Mr. Herlihy replied it is more a phenomenon. It may not be our fault at all.

Mr. Pacino inquired of Mr. Cameron a school or building wouldn't they come into the Department for direction for energy savings?

Mr. Cameron answered the Department sends a letter to all four towns ever year. They were sent this year to the school departments asking if you need any assistance or analysis for new facilities the Department will help. The Department has not received any responses.

Mr. Soli pointed out to page 5 kilowatt-hours for municipal buildings they were up seven percent just as comparable to residential sales. They are using more.

Mr. Cameron pointed out with the municipal buildings there was the weather in January and February it was a big factor. Mr. Cameron had addressed this in May or June there were 25% higher heating degree-days.

Mr. Soli had a question on 12E employee pension and benefits are surprisingly under running 28% is that real? Mr. Soli is surprised.

Mr. Fournier has a schedule breaking out the expenses. Mr. Fournier can e-mail this and has account details on this as they maintain this monthly.

Mr. Van Magness noted as a follow up on that particular account from the previous year the Rate Stabilization Fund that is \$13,300,000 it came down \$3,000,000 to allow the Department to earn the eight percent. This is a bookkeeping transaction it was taken out of the Rate Stabilization Fund and put it in the Operating Fund.

Mr. Fournier replied correct.

Mr. Van Magness inquired if the Operation Fund is at the \$7.0 million and stays that way would it go back to the Rate Stabilization Fund?

Mr. Fournier replied it has never happened since he has been at the Department. Mr. Fournier added Mr. Cameron noted they will be addressing this and it will be revisited.

Mr. Cameron added if you give a refund why would you transfer it to the Rate Stabilization then have to transfer it back to operations.

General Manager's Report
Quarterly Financial Update (Bob Fournier)
Mr. Van Magness agreed.

Mr. Cameron reiterated to wait until the August financials.

Mr. Van Magness inquired on page 1 cash customer deposit accounts on the asset side there is \$916,000 and on the liability side customer deposit \$692,000 there is about a \$250,000 difference. Mr. Van Magness did not understand why the asset and liability weren't pure accounts.

Mr. Fournier explained customer deposits come out of restricted funds in which the RMLD earns interest and gets to keep it. Mr. Fournier pointed out on April 30 he made a transfer based on the year-end numbers of \$31,000 to get the liability and the cash to be the same. Mr. Fournier noted you will not see it as such December 31 numbers because the Department knew what its liabilities were and the transfer was made in April to get those two accounts to balance. Technically every month he could send a transfer letter to the Town Treasurer to move the money back and forth therefore getting our Restricted Fund Account to truly reflect it, however, we would be losing interest income on that account. Mr. Fournier does not do transfers on a monthly basis.

Mr. Van Magness inquired at the end of the year do you balance those out or do they true up at the end of the year?

Mr. Fournier replied December 31 they square it away on the books. It is not reflected in the interim internal financial statements. Mr. Fournier stated the transfer was made in April once the Department had its final numbers. He could do it monthly but chooses not to.

Mr. Van Magness inquired what are the truer numbers? Is the liability the right number?

Mr. Fournier replied correct. Mr. Fournier had two more points to make. Mr. Fournier added Larry Stone from Stone Consulting would present to the Board an Actuarial Valuation on the Pension Trust and the Sick Leave Buy Back, which will help to determine what our level contribution will be and how the funds are doing.

Mr. Pacino noted if anyone has questions they can get to Mr. Fournier separately via e-mail or through the General Manager's office.

Ratepayer Compliment

Mr. Cameron noted Florence Wilson of 11 Le Clair Street, North Reading called after she noticed the reduction in her bill, she is happy the rates have been leveled.

Article 7 and Power Purchase

Mr. Cameron noted this is a letter relative to Article 7 from Peter Hechenbleikner attached is the legal opinion from Town Counsel on Article 7 concerning being able to perform purchase power under 30B. Mr. Cameron will use this for the mean time.

Mr. Ensminger asked do we have clarification that the language will hold up from legal counsel so we do not have to tinker with it further?

Mr. Cameron replied there are bigger things in the purchase power market now than worrying about breaking 30B. Mr. Cameron noted the Department has an escrow account with Calpine now for a considerable amount of money, which is a lot of protection.

General Manager's Report
Article 7 and Power Purchase

Mr. Soli inquired if the Department has a letter, which is signed?

Mr. Cameron replied he would obtain a signed copy.

ENE Management Update
May, 2003 Management Report

Mr. Cameron stated the May, 2003 Management Report is in the Board Books.

Letter to Leo Swift requesting information relative to ENE

Mr. Cameron noted there is a letter sent by the Department requesting information relative to ENE.

Notice of Filing by the Department of Telecommunications and Energy relative to ENE

Mr. Cameron noted there is a notice of filing for the Department of Telecommunications and Energy relative to ENE. Mr. Cameron noted ENE has filed with the DTE for a broker's license to be able to buy and sell power as a broker not a marketer. Mr. Cameron pointed out ENE would not take title to the power. Mr. Cameron added what ENE has done is they have gone to the DTE to see if this will it cause reciprocity. Mr. Cameron defined reciprocity as the RMLD or someone related to the RMLD sold power on a retail level to another city and town, which would be a city, or town an investor own utility serves and that would trigger the fact that our service territory would be open and people could come in and pick off our customers. Mr. Cameron noted this is a very sensitive issue. Mr. Cameron added the DTE wanted comments by Friday, August 8. The Department is going to comment on that as we are very concerned about what they are doing and how they are doing it will it trigger reciprocity. Mr. Cameron did note he did get the letter to Leo Swift requesting information. Mr. Cameron was at a Board of Director's meeting today most of which was held in Executive Session.

ENE Management Update
Legal Review

Mr. Cameron has had suggestions from Mr. Van Magness that he hire such firms as Hale & Dorr, which are very high priced lawyers. Mr. Cameron also had a recommendation from the Chairman for other legal representation and they were very expensive as well. Mr. Cameron had staff looking at credentials of legal representation in the area and the Department has spreadsheets with this information. Mr. Cameron contracted a local attorney Robert Shor who has an office on Main Street has quite a bit of expertise. Mr. Cameron noted he has a vast background in contracts and bankruptcies in formation of corporations. Mr. Cameron commented that he does not have expertise in power supply but he doesn't need to. Mr. Cameron added what he needs to determine is what the Department's risk is concerning the make up of ENE. Mr. Cameron noted Mr. Shor's rates are very favorable; he has information and is looking at it. Mr. Cameron and Mr. Shor will go to ENE to review ENE contracts on file. Mr. Cameron has not signed any ENE contracts. Mr. Cameron added if there is anything from the former General Manager they would find out. If the RMLD can be enjoined by Braintree, Taunton or CMEEC he will find this out too. Mr. Cameron noted there would be a response to the letter and he will go with Mr. Shor to ENE.

Mr. Soli inquired in your letter to the DTE does it make any sense to include something that says if this causes reciprocity the RMLD objects to their petition.

Mr. Cameron agreed this is the way he would respond.

Mr. Soli added the notion of reciprocity is scary.

Mr. Cameron agreed and this was always a concern.

General Manager's Report
ENE Management Update

Legal Review

Mr. Van Magness wanted to add a clarification on record when the discussion was relative to pursuing a law firm. Hale & Dorr was not the only firm he had mentioned. What Mr. Van Magness was suggesting that whomever the Department picks to give the Department the legal opinion on the limitations of liability under LLC has sufficient professional liability insurance should there be a breach of their decision. Mr. Van Magness noted they could render an opinion to the Light Board and at some future point find their opinion was not valid. Mr. Van Magness wants to ensure the Department has some substantial recourse. Mr. Van Magness does not care whom the Department uses it is up to the Department. It is a point of trying to get to a place where the Board can be comfortable around the whole limitation of liability.

Mr. Cameron replied this is not black and white. Mr. Cameron is trying to hold down the outside services costs.

Mr. Van Magness on another ENE related matter then asked relative to commercial energy service account for Reading?

Mr. Cameron replied he believes this for water services.

Mr. Van Magness stated it appears in two places and he was surprised.

Mr. Cameron said this is for water conservation.

Mr. Van Magness added it also says commercial energy services.

Mr. Cameron replied this is for the Light Department. Mr. Cameron added ENE has someone who performs commercial energy audits and is pretty good.

Mr. Van Magness stated Mr. Cameron did in fact mention this before.

Mr. Cameron added the customers were satisfied with them and they were the cheapest around. Mr. Cameron noted the Town is doing the water conservation program and he has not talked to the Town Manager about it.

Twenty-Year Agreement Update

Mr. Cameron noted this has to do with the signing the extension of the Twenty Year Agreement to make everything proper.

Mr. Cameron commented that the Town of Wilmington deferred signing until they could get a legal review.

Mr. Ensminger noted they were concerned that the current Board of Selectmen who is now in power can sign. What is the basis of this concern?

Mr. Cameron replied the concern was back in 2000 Town Meeting had said that they would direct the Board to sign the extension. Mr. Cameron added the Board never signed any extension they just sent the Department the minutes of Town Meeting. Now there is only one member left on the Board from 2000, Selectman McCoy. They wanted legal counsel to look at it but what they said is they did not want to hold up the process so it was given to Lynnfield. The RMLD and Town of Reading Selectmen have signed it. It will go to Lynnfield then North Reading.

On another matter Mr. Cameron updated the Commission that the Town Manager, Town of Reading is having a cookout on August 14 in the afternoon and he cannot have the whole RMLD attend. Mr. Cameron asked if there were any Commissioners who want to attend.

Board Discussion

Rate Comparisons, June, 2003

Mr. Cameron updated the Commission that with the new levelized rates the only town in our contiguous area lower than the RMLD is Middleton by less 2.5% on the residential side. The Middleton residential time of use is .2% lower than the RMLD. Mr. Cameron added as far as the annualized rates for commercials the RMLD is the lowest. In the Industrial time of use the RMLD is the lowest. That is the good news however the bad news is the rates are 3.75¢ per kilowatt-hour. Mr. Cameron had stated in the past that be 4¢ per kilowatt-hour would be where the fuel charge should be. Mr. Cameron thinks it will stay there because of protection with fixed price contracts. Mr. Cameron added the good news is the natural gas levels have come down from \$6 to \$4.60. This should help with the NEPOOL prices and Stony Brook.

Mr. Hughes has been reading about electric rates going up at NSTAR from the information provided by the Department and wants to know if this will impact the Department.

Mr. Cameron added there is no effect to the Department. There is upward pressure on NSTAR rates due to their standard offer service and some transmission charges.

Mutual Assistance to all four RMLD service towns (Vice Chairman Hughes)

This discussion is relative to a meeting the General Manager had with the Town Administrator of Lynnfield.

Mr. Hughes noted he Mr. Herlihy and Ms. Gottwald serve on the Public Relations Subcommittee along with her Assistant. Back when the policy was put out to stop cash payment funds scholarship and science programs for Sections of this nature. Mr. Hughes agreed based on Mr. Soli's input about monies used to the four towns for public relations. Mr. Hughes noted they were in agreement they should be curtailed but assist the towns within the service area in other community projects. Mr. Hughes received a copy of a letter from the Town Manager of Lynnfield seeking assistance in lighting of a football field. Mr. Hughes noted the General Manager responded stating it was not in the Department's purview. Mr. Hughes added Braintree has committed \$60,000 in lighting a football field. The Town of Lynnfield has asked for assistance and the Department is saying it cannot be done. Mr. Hughes feels this is a good community relations project in assisting in their request.

Mr. Cameron replied that he has a work team working on a contributions and gifts outline. Mr. Cameron is unsure if this going to be a policy, or separate policy, part of an existing policy. Mr. Cameron pointed out the Department has used guidelines from our general counsel with respect to cost of service. What that means is what you have the customers pay for should be related to your production cost. Mr. Gustus, Lynnfield Town Manager, said he was willing to pay for the service and he thought the Department could do this cheaper. Mr. Cameron added there is a lot of liability there. It is not a normal job the Department would perform. Mr. Cameron looks at what was done at Wilmington. There are contractors who specialize in this work and to assume the liability if something should happen to the lights. The Department does not have the time to do this work and he informed Mr. Gustus. As far as giving that away absolutely not because Braintree is doing it does not make it right for the RMLD. People get around that by saying if they put up the lights they will use more electricity. What is the payback on that? Mr. Cameron added using two or three days of crew time to have a payback of electricity of eleven Friday nights a year, the payback is not there.

Mr. Hughes replied these individual requests would be addressed individually as they come in.

Mr. Cameron replied he is addressing them.

Mr. Hughes pointed out before the Department has drilled the holes and set the poles for the lighting.

Mr. Cameron replied he has no problem as long as it is on the employee's time.

Mr. Hughes commented that we should not say we would not do anything with the community supporting them.

Board Discussion

Mutual Assistance to all four RMLD service towns (Vice Chairman Hughes)

This discussion is relative to a meeting the General Manager had with the Town Administrator of Lynnfield.

Mr. Pacino added the policy is being worked on will come to the Commission at a future meeting.

Legislative Changes State Budgets (Commissioner Herlihy)

Mr. Pacino noted Mr. Herlihy would like to have this deferred to the next meeting.

Board Attendance at CAB Meeting

Mr. Herlihy had requested this Section on the agenda. Mr. Herlihy knows that the attendance of the Board at CAB meetings in the past has not been prevalent or encouraged. Mr. Herlihy noted the Board does not get enough notice of CAB meetings. As a show of good faith and understanding of the issues discussed at the meetings he proposes a Board rotating schedule to attend their meetings as the CAB does for the Board. Mr. Herlihy is volunteering to attend the CAB meetings as often as he can. The lack of attendance at their meetings is not conducive to good communication.

Mr. Ensminger added he would be amenable to attending on a rotating basis. This is an oversight board and the reciprocity may pay some dividends in building bonds with the CAB.

Mr. Pacino cautioned the only concern he has a relationship of the Commission going would be as an observer not be a full participant.

Mr. Van Magness added he had an off line conversation with the CAB Chair, Roger Lessard and mentioned this particular issue to him. Mr. Van Magness noted that Mr. Lessard thought it would be a good idea. There was no discussion what the type of involvement would be. Mr. Van Magness will not speak for the CAB he thinks the thought process is getting a representative there so there could be some dialogue with a Board member on particular issues.

Mr. Van Magness noted just like there would be dialogue with with a CAB member and it would not be a passive role of just observing. There could be a role for dialogue and input to carry that back to the Board.

Mr. Ensminger pointed out it is always up to the Chairman how he wants to conduct the meeting.

Mr. Van Magness noted they might forward with a formal request when they have their next meeting to the Board. The intent is there would be better feeling of work if a there were attendance by an RMLB member.

Mr. Pacino asked Mr. Van Magness to take the message back that the Department is actually interested in having a liaison.

Mr. Van Magness agreed to do this.

E-mail relative to Open Meeting Laws (Commissioner Ensminger)

Mr. Ensminger made his points earlier in the meeting regarding the e-mail we need to have a public available repository.

Next Meeting Dates

Thursday, September 11, 2003

NEPPA Conference, August 17 to 20 Groton, CT has been posted.

Mr. Ensminger pointed out he cannot attend the NEPPA Conference it is clear that there will be no business conducted.

Executive Session (General Manager's Conference Room)

At 10:20 p.m. Mr. Ensminger made a motion seconded by Mr. Herlihy that the Board go into Executive Session to discuss strategy with respect to litigation, and to return to Regular Session for the sole purpose of adjournment.

Motion to Adjourn

At 10:40 p.m. Mr. Soli made a motion seconded by Mr. Hughes to adjourn the Regular Session.

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

Mr. Pacino called for a poll of the vote:

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

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

Daniel A. Ensminger, Secretary
RMLD Board of Commissioners