

Reading Municipal Light Board of Commissioners

Regular Session  
230 Ash Street  
Reading, MA 01867  
August 24, 2005

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TOWN CLERK  
READING, MASS.

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Start Time of Regular Session: 7:35 p.m.

End Time of Regular Session: 8:30 p.m.

Attendees:

Commissioners: Herlihy, Soli and Hahn

RMLD Staff: Messrs. Cameron, Fournier and Seldon  
Meses. Antonio, Cavagnaro, Parenteau and Benson

CAB: Messrs. Norton and Carakatsane

Liaisons: Mr. Duffy

Chairman Herlihy called the meeting to order at 7:35 p.m. He stated this meeting of the Reading Municipal Light Department (RMLD) Board of Commissioners August 24, 2005 is being broadcast 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 Herlihy appointed Commissioner Hahn as Secretary Pro Tem.

**Report of the Chairman of the Board**

**2005 RMLD Board of Commissioners Subcommittees**

Chairman Herlihy stated the Legal Services Subcommittee members vote was deferred from the July 13, 2005 meeting. Chairman Herlihy said this was being deferred until the next meeting given the lack of full participation.

Chairman Herlihy has nothing further to report at this time.

**Selectmen Liaison, Citizens' Advisory Board and Customer Comments**

Chairman Herlihy asked those in attendance if they had any comments.

Mr. Norton said he wanted to make a brief comment. Mr. Norton said the Town of North Reading had a thunderstorm earlier this month. There was extensive damage in certain areas of the community, which required response from the Reading Municipal Light Department (RMLD). Mr. Norton wanted to compliment the RMLD employees for the quick response. He has received a number of favorable comments by customers affected by the storm. They were pleased with the response and courtesy of the line crews. Customers were pleased with the ease and timeliness with which their power was restored. There were a few homes, which were beyond the scope of the RMLD, which could not be addressed immediately and the customers understood this.

Ms. Cavagnaro commented that she has received calls from customers complaining about high bills. Ms. Cavagnaro pointed out that the rates have not changed. The consumption is up for all customers because it has been a hot summer.

Mr. Herlihy pointed out the summer/winter differential rates had been eliminated a couple of years ago, which has resulted in lower rates.

**Action Item**

**500 MCM High Voltage Copper Power Cable, 2005-4**

Mr. Cameron stated that Arthur J. Hurley Company is not the lowest bidder however; they were the lowest qualified bidder because they did not take any exceptions to the bid requirements.

Mr. Soli asked what MCM stands for?

**Action Item**

**500 MCM High Voltage Copper Power Cable, 2005-4**

Mr. Hahn replied it stands for million circular mills. It is the measure of the area of the cable that is effectively carrying the power.

Mr. Soli mentioned the City Council in Concord, California has adopted an acronym abbreviation policy without explaining them there is a penalty assessed for using acronyms.

Chairman Herlihy agreed this is a good idea because he is striving for an "acronym free" Board.

Chairman Herlihy said that a low bid is disqualified. He is aware that there are different circumstances and cases for each bid. Chairman Herlihy is unsure why this happens as often as it does.

Mr. Cameron replied that vendors have different products. The characteristics of their products do not meet the Department's standard for what they want on the system.

Mr. Hahn asked if he should take any comfort in the two companies that bid which were disqualified had a price pretty close to each other?

Mr. Cameron replied they both bid the same manufacturer Okonite. It is interesting that one can bid a little lower than the manufacturer's bid, which is higher.

Mr. Hahn made a motion seconded by Mr. Soli that bid 2005-4 for 500 MCM High Voltage Copper Power Cable be awarded to Arthur J. Hurley Company for a total cost of \$65,241.00 as the lowest qualified bidder on the recommendation of the General Manager.

**Motion carried by a show of hands 3:0:0.**

The budget for this expenditure comes out of the operating budget. This cable will be going into inventory. The majority of it will be used for the 4W16 capital project under routine construction.

**Reading Municipal Light Department's Employees' Retirement Trust Fund**

**This is based on the Retirement Board's actuarial valuation for the period July 1, 2005 to June 30, 2006 in the amount of \$886,726.**

Chairman Herlihy said this is a routine matter.

Mr. Fournier stated this is based on the Reading Retirement Board's Actuarial Valuation, which it sends to the Department. It is RMLD's portion that needs to be transferred from the RMLD's Employees' Retirement Trust to the Town of Reading Contributory Retirement Board, which has been performed in previous years.

Chairman Herlihy pointed out the RMLD pension is fully funded.

Mr. Hahn made a motion seconded by Mr. Soli that the RMLD Board of Commissioners vote to approve the transfer of \$886,726 from the Reading Municipal Light Department's Employees' Retirement Trust Fund into the Town of Reading Contributory Retirement Board as trustees of the Pension Plan.

**Motion carried by a show of hands 3:0:0.**

**Report of RMLD Board Subcommittees**

**Power Contract, Rate Setting and Customer Choice Subcommittee (Vice Chair Soli)**

Mr. Soli stated the Subcommittee met regarding the Power Authority of the State of New York (PASNY) credit but the General Manager or the RMLD staff can give a background.

Mr. Cameron stated that back in the 1980's, there was a federal mandate that PASNY power, which is hydropower, that was built using federal funds, be allocated to the neighboring states of New York.

### **Report of RMLD Board Subcommittees**

#### **Power Contract, Rate Setting and Customer Choice Subcommittee (Vice Chair Soli)**

Mr. Cameron said this was done with allotments to New England, Ohio, Pennsylvania, and New York. In addition to this mandate based on the fact this power is inexpensive; the benefit of getting this power should go to the residential customers of the utility.

Mr. Cameron commented that the municipalities in Massachusetts perform a calculation monthly, which uses the cost of the PASNY power and compares it to the cost of the hypothetical unit (what the power would cost if the Department did not have the hydropower from the Power Authority). The Department takes the difference between the two and that is the savings that should go to the residential customers. Presently, the Department divides that savings by the number of residential customer. Mr. Cameron pointed out that the hypothetical unit has changed from time to time, but currently is the Locational Marginal Price in the Northeast Massachusetts Load Zone (NEMA). The cost of this hypothetical unit has become so high the PASNY credit is higher than three hundred customer bills in the month of August. In August the PASNY credit was \$5.24. What happens is when the computer sees a negative bill it will not print the bill. It becomes a problem because the Department is not collecting revenues that should normally be collected.

Mr. Cameron said that Ms. Parenteau, Energy Services Manager sent him a memo explaining the situation, which was brought to the Power Contract, Rate Setting and Customer Choice Subcommittee and informed them of such.

Mr. Soli explained he and Mr. Hahn met on this issue at the Subcommittee level. They had a thorough explanation of the issue and consequent discussion. They met for an hour and half on this issue. The first item that was pointed out to them was in many cases low bills are garages or shops, which use practically no electricity. These customers were being provided a credit even though they used practically no electricity. The Subcommittee agreed this was not a good idea. The Subcommittee agreed that within a year, the method of allocating the PASNY credit should be changed from a "per customer" basis to a "per kilowatt hour used" basis. There was a minor disagreement. One Subcommittee member thought this should be phased out over a twelve-month period, the other thought it should go to a per kWh credit immediately. Both Subcommittee members had good reasons. The Subcommittee has brought forward two recommendations. The first option is to phase in the transition over a year. The second option is to transition immediately. The Citizens' Advisory Board met this evening and were given the two options. The CAB voted to recommend the transition to the per kilowatt hour credit immediately.

Mr. Hahn stated this was an excellent summary. He is in agreement with Mr. Soli that the discussion was very thorough on this issue and was debated for a while. In the end this is best outcome for the Department and its customers.

Chairman Herlihy stated the CAB vote is a little different in its wording on this and would like to defer voting on the PASNY credit this evening in the absence of other Board members.

Mr. Cameron stated he strongly recommends voting on this tonight. This needs to be addressed by the Board this evening. There are recommendations from the Power Contract, Rate Setting and Customer Choice Subcommittee even though it is a split recommendation and a unanimous vote from the CAB to go to the per kilowatt charge immediately. He strongly recommends the Board take this up tonight and vote on it.

Mr. Soli added when the Subcommittee met it was intended to give the Board an option. Each Subcommittee member felt that both were viable options based on the way they felt about this. Mr. Soli stated the CAB did vote on the second option.

Mr. Hahn pointed out that the Subcommittee agreed that some action should be taken. Clearly, the status quo presents an undesirable situation from a couple of viewpoints. Through the Subcommittee they came up with two alternatives, each of which would begin to solve the problem immediately or in one year. There was not any disagreement that both alternatives be presented to the Board. Whichever one gets voted in will get the job done.

Mr. Norton stated it was his understanding as a CAB member, when they were asked to convene this evening; it was in preference to doing this because the Board was going to take this up tonight.

**Report of RMLD Board Subcommittees**

**Power Contract, Rate Setting and Customer Choice Subcommittee (Vice Chair Soli)**

Mr. Norton said he was told the Board wanted to take up this action tonight. The CAB did not have a scheduled meeting and it was something that was urged. In fairness to the staff, they made an excellent presentation and that is what they based their recommending vote on. Mr. Norton concurs with Mr. Cameron that this should be taken up this evening to prohibit losing another month of non-billing.

Chairman Herlihy is receptive to this feedback. He has a couple of questions as to why the Department receives this credit.

Mr. Cameron referenced the page out of the 1985 Annual Report for the Town of Reading relative to this issue. The Board took this issue up in July 1985. The Board voted that the benefit should be spread equally to all customers. This is where the per customer credit started. Mr. Cameron added the staff came to the Board as part of the Cost of Service Study and recommended the change. Mr. Cameron remembers during the 1990's coming to the Board twice recommending the change. The reason for coming to the Board is because the PASNY power is not received on a customer basis and was not allocated based on customers but on the RMLD's kWh sales. It should be returned to the customers on how it is allocated; on a kilowatt hour basis. Mr. Cameron added Mr. Fournier can speak about the impact on the billing.

Chairman Herlihy commented he sees this arising because it was originally a creature of a technology limitation.

Ms. Cavagnaro stated it was only because of the technology constraints of the computer system at that time. This is the reason this it has been calculated in this manner.

Chairman Herlihy is dismayed that with paying \$2.2 million on a new computer system they cannot generate bills for these customers.

Mr. Cameron explained that in the utility industry unless you are final billing customers, you should not be giving customers money back in this manner. It is the nature of the billing system because it has a hard time looking at negative bills unless it is a final bill. The methodology in the PASNY credit is flawed, not the billing system.

Chairman Herlihy added each customer is assessed the Customer Charge and this should be caught by the computers.

Mr. Fournier replied the system does capture this. The PASNY credit exceeds the Customer Charge because of the lack of customer energy usage. There is nothing wrong with the computer system; it is a good computer system. The Department is not in the business to give our customers money back for doing nothing on our system.

Chairman Herlihy reiterated this was a creature of a technology limitation.

Mr. Cameron explained times have changed in NEPOOL. The prices in the hypothetical unit have become so high something needs to be done.

Mr. Hahn added that it was brought up at the Subcommittee that the vast majority of the other municipalities that get this power allocate these credits on a per kilowatt hour basis. Mr. Hahn pointed out the Department is one out of two that perform this on some other basis. The norm is do perform this on a per kilowatt hour basis. It is nice to say we should have been doing this along, but the fact is we were not. We have a chance to correct this situation. The Subcommittee came up with alternatives both of which would do this but they need to be acted on promptly

Chairman Herlihy said the Subcommittee motions are in slight conflict with the CAB motion.

Mr. Hahn said he is not sure if he fully understands.

Chairman Herlihy explained that the recommendations from both the CAB and the Subcommittee have differences in the language in the motions.

**Report of RMLD Board Subcommittees**

**Power Contract, Rate Setting and Customer Choice Subcommittee (Vice Chair Soli)**

Mr. Hahn is unsure if this is the case, but will proceed to put a motion on the table, which could be voted, up or down.

Chairman Herlihy replied that is what he is suggesting.

Mr. Hahn made a motion seconded by Mr. Soli that the Board vote to implement a modification to the way the PASNY credits are treated and immediately switch the next available billing cycle to issuing these credits on a per kilowatt basis across the customer class.

Mr. Hahn believes this is completely consistent with the CAB's recommendation made earlier this evening.

Mr. Fournier interjected that Mr. Hahn stated in the motion "The next billing cycle." He would prefer the beginning of September.

Mr. Hahn agreed to amend the motion to be effective in September.

Mr. Soli said he would prefer to have the motion die for a lack of a second and use the Subcommittee language for the motion, "that the PASNY credit be transitioned to a per kilowatt hour credit immediately".

Mr. Hahn will happily accept that amendment to his motion.

Chairman Herlihy added it is a three member Board and is walking a tight rope as there needs to be a full vote. The amendment has been accepted to the main motion.

Mr. Soli pointed out that he and Mr. Pacino attended the Northeast Public Power Association conference and he brought along the Subcommittee minutes. Mr. Soli brought the minutes for information purposes, he was not lobbying. Mr. Soli said Mr. Pacino's question to him was "How will this affect the bottom line?" Mr. Soli stated Mr. Cameron was present he answered, "The bottom line is unaffected." Mr. Pacino said he could support either one.

Mr. Hahn made a motion seconded by Mr. Soli that the Board vote that the PASNY credit be transitioned to a per kilowatt hour credit immediately.

**Motion carried a show of hands 3:0:0.**

Chairman Herlihy commented that changing the calculation process keeps in spirit of the PASNY credit.

Chairman Herlihy on another matter reported that the Public/Community Relations Subcommittee will be meeting over the next month and is working with the Department to select a vendor who will conduct a customer survey.

**General Manager's Report**

**Northeast Public Power Association (NEPPA) Annual Conference 2005**

Mr. Cameron stated that he was in attendance at the Northeast Public Power Association conference last week. In attendance were Commissioners Pacino, Vice Chair Soli, Secretary Kearns and Citizens' Advisory Board member Carakatsane. Mr. Cameron pointed out there were several pertinent presentations made. Much of the conversation at the conference revolved around power supply issues more specifically ISO issues. There was an interesting presentation by Barry Moline of Florida Municipal Association. Mr. Moline had four hurricanes had to manage assistance that came down from many utilities.

Mr. Cameron was also voted to serve on the NEPPA Board of Directors.

Mr. Soli stated the power supply issues were discussed at length at the conference. ISO New England in attempting to deal with the possible power shortage during the period 2008-2010 and had proposed a measure that basically assesses all the customers between \$10-13 billion over the next five years. However, the upshot of this is as one of the discussers said this is a "faith based initiative."

**General Manager's Report**

**Northeast Public Power Association (NEPPA) Annual Conference 2005**

Mr. Soli said the reason for this is \$10-15 billion, it would go to the generators and you "had to have faith" these monies would yield a power plant. There is no guarantee these funds would not be used to increase bonuses or dividends. There is no guarantee that power supply was going to be built.

Mr. Soli added the FERC Administrative Law Judge ruled on this but many congressional representatives in New England, all the governors and public utility leaders petitioned the FERC to change it ruling. Subsequently, this has been stayed until October 2006. The power shortage is real, but the plan presents no guarantees. There was a guarantee that customers were going to pay but it is unsure if power plants are going to be built. Hopefully, some power plants will be built.

Mr. Soli pointed out another power supply issue is Reliability Must Run (RMR). It appeared that some plant owners are using RMR to make money and not getting power into the system. It is the result of the market-based system. Everybody knows that Reliability Must Run is flawed but nobody wants to deal with it.

These are two issues that may potentially cost customers. It was also pointed out that it is only public power who is the consumer's advocate.

**Pre Audit Financial Report, June 30, 2005**

Mr. Cameron stated the June 30, 2005 numbers are available. The Department has performed a six-month fiscal audit.

Mr. Fournier stated the auditors were at the Department last week performing their fieldwork. It is the transitional year from a calendar fiscal year to fiscal year ending June 30. The auditors hope to have the draft Financials, Pension Trust and Management Letter sometime next week. A full presentation will take place at the September meeting. The figures are pre-audited numbers. Mr. Fournier pointed out the Balance Sheet, Income Statement and Six Year Plan. By next month, the final numbers will be available.

Mr. Fournier highlighted the June 30 Financials: Net Income is \$3 million which is \$875,000 above budget, Operating Revenues were down 2% mostly in kilowatt sales in the commercial and industrial sector. Operating Expenses were over budget \$1.7 million, which is reflected in the Fuel Costs. Operating Income is down approximately \$2.2 million compared to budget for the first six months. The income was earned was in the Non Operating Revenues. The RMLD did not budget any monies for the Purchase Power Adjustment of \$700,000. Last year's Management Letter asked the RMLD to look at its Contribution in Aid of Construction Account. The RMLD transferred \$1 million from that account to the Operating Fund.

The MMWEC Flush of Funds is being recognized as about \$500,000 in June. Return on Investment to the Town of Reading it is paid out in July and December. Mr. Fournier pointed out in talking to the Town Accountant and Town Manager the Town Payment will be picked up in the next fiscal year entirely, whereas it was being budgeted in the 2005 budget. The 2005 was a full year budget. This explains the discrepancy between the actual and budget. In talking with the auditors they do not see the Net Income of \$3.3 million changing greatly in the audit.

Mr. Hahn clarified the O&M costs the actual is \$5.18 million and the budget is \$5.29 million.

Mr. Fournier replied yes. Some of the costs, such as hires and some expenditures that were pro rated in the first six months, did not yet occur and will not materialize until early fall. Overall, the Operating Fund for the first six months is \$11.5. The Capital Fund balance is \$3.3 million.

Mr. Soli added in the Six Year Plan the Capital Fund is be increasing. The Rate Stabilization Fund is \$6.5 million.

Mr. Fournier stated this is correct. Mr. Fournier pointed out he and Mr. Cameron will come to the Board with a Capital Fund level recommendation.

Mr. Hahn inquired if there were any significant changes between this Six Year Plan or the budget approved a couple of months ago?

**General Manager's Report**  
**Pre Audit Financial Report, June 30, 2005**  
Mr. Fournier replied no.

**RMLD Budget Variance Summary Report Through May 31, 2005**

Mr. Soli wanted to know in September if the rates are good or is there a need for an increase.

Mr. Fournier pointed out the May Financials were discussed in June. Since it is close to the fiscal year and the information is almost three months old when the audited Financials are done he will then spell out the difference of actual versus budgeted numbers.

**RMLD Board Expense Variance Analysis May, 2005**

Chairman Herlihy explained this is self-explanatory.

**AVO Training Institute, Inc. Trainings at Reading Municipal Light Department**  
**In 2005 and 2006, the RMLD will be hosting a series of trainings at the RMLD.**

Mr. Cameron explained that AVO contacted the RMLD earlier this year about using our facility for training. It is a company that the Department sends its Senior Techs to for training usually in Dallas or Orlando. The RMLD has a contract with AVO that for the first six participants in each class we get a free participant and if there are ten we get two free participants. The cost is usually \$1,600 to \$2,000 per student. The benefit is we can also get free training for RMLD employees. The Department will save in travel expenses related to this training. The training will be held in the Audio Visual/Spurr Board room or another room during the day. The Department will not incur any expense for these trainings.

Chairman Herlihy had mentioned a couple of years ago why the Department could not host trainings of its own given the facility it has. There is a dearth of such training facilities in the region but if the Department could host these it is good.

**PASNY Credit**

Chairman Herlihy said this was previously addressed on the agenda.

**Public Power Week, October 3-8**

Mr. Cameron wanted to inform the Board that Public Power Week is October 3-8.

**RMLD Halloween Party, October 27**

Mr. Cameron said the annual RMLD Halloween, Thursday October 27 from 2:00 to 5:00 p.m. There is a lot of employee involvement in this event.

**Board Discussion**

**Rate Comparisons, June, July and August**

Mr. Cameron pointed out in August the RMLD's Residential Rate is lower than Peabody's Residential Rate. This is the first time it has happened in quite a long time. The only adjacent municipal electric utility who is below the Department's Residential Rates is Middleton. In August, this holds true for the Residential Time of Use Rate and the Commercial Rate. In the Small Commercial Rate the Department is still above Peabody and Middleton. For the Industrial Time of Use Rate the Department is only behind Middleton. The Department is moving in the right direction.

**E- Mail Explanation for Account Payable and Payroll Removal Sheets**

Chairman Herlihy stated there is no discussion required.

On another matter, Chairman Herlihy wanted to discuss the sprinklers on the lawn at the RMLD's facility at 230 Ash Street. There is a severe water ban in Reading and technically the RMLD is exempt from the water restrictions. Chairman Herlihy wanted to make sure that the Department is not using the sprinkler system.

Mr. Cameron told the Facilities Manager once the ban took place not to use the sprinklers until the ban is lifted.

**Board Discussion**

Chairman Herlihy added this is a real concern for all four towns the RMLD services because the Ipswich River runs through each of them.

**Next Meeting Dates**

**Wednesday, September 21**

**Wednesday, October 19**

Chairman Herlihy did want to reiterate that, given the CAB limited membership at this time, it will be easier for them if the Board meeting dates are kept solid.

**RMLD Board of Commissioners Subcommittee Meetings**

**Tuesday, September 20, Community Relations Subcommittee Meeting**

**RMLD Board Rotation at Citizens' Advisory Board (CAB) Meetings**

Chairman Herlihy said the Board will rotate this amongst themselves.

**Executive Session (General Manager's Conference Room)**

Mr. Cameron mentioned that the agenda has Executive Session listed, but given the amount of Commissioners present; the release of the Executive meeting minutes can be deferred to the next meeting.

**Motion to Adjourn**

At 8:30 p.m. Mr. Soli made a motion seconded by Mr. Hahn to adjourn the Regular Session.

**Motion carried by show of hands 3:0:0.**

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

Secretary, Pro Tem  
Richard S. Hahn