

Reading Municipal Light Board of Commissioners

Regular Session

**230 Ash Street
Reading, MA 01867
April 17, 2003**

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

End Time of Regular Session: 10:50 p.m.

Attendees:

Commissioners: Messrs. Hughes, Pacino, Ensminger, Herlihy and Soli

**RMLD Staff: Mr. Cameron, General Manager
Messrs. Blomley, Butler, Kazanjian, Seldon
Mes. Benson, Gottwald, O'Leary and Parenteau**

**Guests: Mr. Brown, RMLD Ratepayer
Messrs. Underhill and Gibbons, Vermont Public Power Supply Authority**

CAB: Messrs. Lessard, Carakastane, Norton, Stevenin and Van Magness

This meeting of the Reading Municipal Light Department (RMLD) Board of Commissioners April 17, 2003 is being broadcast live in the RMLD's office at 230 Ash Street, Reading, MA. Live broadcasts are available only in Reading due to technology constraints.

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

Chairman Hughes called the meeting to order at 7:35 p.m.

Acknowledgement of Commissioners

Chairman Hughes welcomed the new RMLD Board Member, Daniel A. Ensminger.

Mr. Ensminger thanked Mr. Hughes and stated he is looking forward to working with the Board.

Mr. Hughes then presented Commissioner Pacino with an engraved paperweight for his participation in the General Manager's Search Committee (GM Search Committee).

Mr. Hughes announced the RMLD Board of Commissioners Community Relations Subcommittee met this evening at 6:45 p.m., in the Temporary Transmission and Distribution Conference Room.

Mr. Hughes noted the Citizen's Advisory Board (CAB) is in attendance at this meeting.

At this point, Chairman Lessard called the CAB meeting to order.

Presentation

Vermont Energy Ventures (VEV)

Mr. Cameron noted that, at the last meeting, he presented the first draft of the Vermont Energy Ventures (VEV) Study. The Department contracted with VEV to do a Cost of Service Study (COSS) late last year in an attempt to reduce rates and eliminate summer/winter differential rates. Mr. Cameron then introduced Mr. Chuck Underhill, Manager of Rates and Resource Planning of Vermont Public Power Supply Authority and Mr. James Gibbons, Senior Analyst. Mr. Cameron stated they have done quite a bit of work in a short period of time and are in attendance this evening to make their presentation. Mr. Cameron noted Jane Parenteau and Bill Seldon, Senior Analysts in the RMLD Energy Services Department are also in attendance because they worked with Messrs. Underhill and Gibbons on this project.

Mr. Underhill began his presentation by introducing himself and Mr. Gibbons. Mr. Underhill noted their study was going to take a little longer than originally scheduled for a thorough comprehensive review, but that the RMLD will still be able to put some of these adjustments in place by June 1 as VEV took this project and broke it into a couple of different components. Mr. Underhill gave a brief background of the Vermont Public Power Supply and the joint action agency that was created by the State of Vermont 25 years ago to serve 14 municipal utilities in the State of Vermont.

Vermont Energy Ventures (VEV)

Mr. Underhill noted Vermont Energy Ventures is a subsidiary of a corporation formed a couple of years ago to work for members in the State of Vermont, providing services to members in the area of financing, power supply, rates, energy efficiency, information technology, etc. Mr. Underhill stated this work product has three goals, 1. Eliminate seasonal rates, 2. Incorporate the present purchase power adjustment value into base rates and set the purchase power adjustments to zero, and 3. Increase the target of the new base rate. Mr. Underhill explained the RMLD presently has seasonal rates; one of the goals of eliminating seasonal rates is to establish rates that, over the course of a year, will generate the same revenues as the present seasonal rates. It was determined that the maximum impact for the revenue reduction occurred with changes implemented at the start of the season. RMLD had a target to work with of about \$3,000,000, however, the maximum reduction occurs in June and is about \$2,341,000, which is actually \$680,000 shy of the target and is the maximum amount that can be generated from de-seasonalization. Ratepayers with summer and winter usage rates above the average for the system will see a reduction in their overall cost of power. An example would be with a residential class there is higher cooling loads, air conditioning and summer seasonal costs so the impact would be greater than average. Ratepayers with summer winter usage ratios below the average for that class would see an increase, an example for the residential class would be ratepayers who use an electrical space heater. Mr. Underhill continued, once that aspect of the process was complete, the base rates were reduced and the present magnitude of the purchase power adjustment was embedded into the base rates. RMLD again had a target for this, wanting to achieve of \$35,709,255 including the effects of the purchase power adjustments. Base revenues do not include the fuel adjustment charge. The only costs that were affected in the base rate reduction were demand and energy components: the customer charge was not moved. It would be appropriate to wait until the second part of the study was finished and then look at what those charges should be before making changes. Mr. Underhill stated that maintaining the customer charges where they are right now allows some rate stability until the final design can be put in place; customers using no energy in any one month will see no change to their present cost of power. In addition, the PASNY credit will remain unchanged. The calculation needed a stable starting point so the calendar year 2004 was used, and applied the reduction uniformly to all classes. The fiscal targets are then stable. Each class receives the same proportional economic benefit and the customers within any one class will see varying benefits from the change to base rate. This is primarily due to the underlying effects from the elimination of seasonal rates. Mr. Underhill explained the method used for rate reduction and de-seasonalization by continuing a very thorough and informative presentation with a bottom line proposal of dropping the RMLD's rate to 9.55 cents per kWh, making it below the average prices in New England.

Mr. Cameron presented his information to the Board and welcomed questions.

Mr. Soli asked Mr. Cameron if all of the customer classes pay their fair share of the 8 percent ROI on net plant investment?

Mr. Cameron answered, yes, all customer classes pay their fare share; there is no cross-subsidization between the customer classes.

Mr. Van Magness noted what this discussion indicates is that 31.02% of sales went to residential, however, it shows the residential revenues were 37.50% so there is a differential between the two numbers - buying versus consumption. Consumption was 31% and the revenue was 37%, if the same analysis is done reviewing the 2002 industrial and commercial it was 61% of the revenue and it was 64% of the consumption so it is exactly opposite than what was going on. Mr. Van Magness questioned if the analogy is saying the residential is subsidizing the commercial?

Mr. Cameron replied, no, the residential customers are more expensive to serve than the commercial customers because their load factor is lower. The commercial customer is getting less of an increase in savings then the residential customers and the savings to the residential are the highest. Using 500 kilowatts hours, the average residential customer is getting a savings of about 6.6% or 6.9% and the commercial customers get less of a savings percentage.

Mr. Van Magness stated it is on the consumption side but in terms of the revenue there is still about a 6% to 7% point gap with the residential paying 6% more on the revenue side versus the consumption and industrial is paying 2% less. So, going back to Mr. Soli's questions relative to revenue generation, is it 5% equitably across each one and that is not what the numbers conclude.

Mr. Cameron replied the decrease is equitable because the savings decrease because it is proportional to what these people pay on a unit basis. If someone is paying more, they will want to see more savings.

Mr. Van Magness stated the savings in the new rate structure is just peanut butter spread across everybody in terms of the rates, leveled them and taking an approximation of a 20% discount of cost at every rate and the levelization of it. Mr. Van Magness asked Mr. Soli if he was satisfied with the answer.

Vermont Energy Ventures (VEV)

Mr. Soli stated a residential customer pays \$100 so \$5 of that should be a return on investment and a larger industrial customer pays \$100,000 so \$5,000 of that should be a return investment.

Mr. Cameron stated to answer the question, yes, because there would be no cost subsidization.

Mr. Soli stated he is concerned with the summer and winter rates and noted he did an analysis with the average commercial customer whose yearly usage is \$100,000 and spreading it differently from summer to winter. The bottom line is the school systems will pay too much.

Mr. Cameron stated in 2003 the cost for the schools in all four towns is more than the proposed rates for 2004 using the exact same fuel chart; 2003 shows 12 months of actual usage for each one of the schools and the Town Halls in Reading and Lynnfield on his chart and this is based on the seasonal rates as they are now. The 2004 costs are based on the proposed rates which means is the schools stayed on the existing rates they would not get a decrease, the decrease is only with the proposed rates even with the same usage.

Continued discussion ensued relative to school rates.

Mr. Underhill stated schools being winter users are starting from a lower cost per kilowatt hour point and the Reading Town Hall which is saving the 8.62% is starting from a higher average cost per kilowatt hour point because they are heavier summer users. That tends to skew the effects of the savings, for example, if they are starting at 10 cents per kWh and getting an 8% reduction the schools could be starting at 9 cents per kWh and getting a 3%. In both cases, the taxpayers are better off because there is a reduction flowing to both entities.

Mr. Soli asked if it would cost more for the taxpayers if the RMLD took the minus 20%?

Mr. Cameron we are trying to be fair to every ratepayer in the systems and the way you proposed would not be fair to every ratepayer.

Mr. Carakastane stated this subject came up before and his philosophy is that the RMLD serves the ratepayers and they are first. This proposed change, which is still an interim change, raises vast savings for the ratepayers. Mr. Carakastane noted he will not get hung up on what the schools are paying, the money is coming from somewhere and they are getting a huge reduction so when he informs Lynnfield what they are about to save they will be thrilled because they haven't seen that from RMLD. He cannot lose sight of what is supposed to be happening.

Mr. Soli stated to not do the 20%.

Mr. Carakastane replied he does not think it is correct to single out schools over anybody else because if it starts where does it go from there?

Mr. Soli stated the seasonalization should not be done for anyone.

Mr. Carakastane stated he could not support that.

Mr. Soli then stated, the RMLD is fair right now and everybody is paying their fair share and if everybody pays a percent less, they would still be paying their fair share.

Mr. Carakastane stated his opposition to that and his support is deseasonalization and vast majority of the customers of RMLD do not know one season or another and to single out a percentage goes against everything that the RMLD stands for.

Mr. Pacino stated deseasonalization was originally implemented as a conservation program and it is not an effective program.

Mr. Cameron stated the economics in the New England power market, drove deseasonalized rates and the cost of power on an annual basis to just acquire summer peak demand was quite high. Now, to do the same thing in order to cover the peak demand in the summer is geometrically more expensive than it was 15 years ago.

Vermont Energy Ventures (VEV)

A further discussion ensued between Mr. Cameron and Mr. Van Magness concerning the effects that the revised rates would have on Rate Stabilization funds and the long term financial income projections of the department. It was stressed that the various boards need to be focused on buying in to the concepts of managing the business as a whole, such that setting new rates will still allow the department to meet its projected 8% returns and not erode fund balances to unacceptable levels. In particular, Mr. Van Magness was concerned that there was the potential for the Rate Stabilization fund to drop below what management has said would be the minimum acceptable levels if all actions taken actually happened, such as the need to further cover the effect of rising fuel cost caused by the Gulf War, etc. He was concerned that the fund could drop to the \$7-8Million range vs. what management had been saying that a \$10 Million level was a more appropriate target. Since revenues are being impacted by these new rates, cost in other areas may need to be reduced to maintain the overall financial health of the operation.

Minutes

March 27, 2003

Mr. Herlihy made a motion seconded by Mr. Soli to approve the minutes of March 27, 2003 as presented.

Motion carried: 3:0:2. Mr. Pacino and Mr. Ensminger abstained as they were not present at that meeting.

Report of the Chairman of the Board

Reorganization of the RMLD Board of Commissioners and Subcommittees

Mr. Hughes nominated himself as Chairman for another term and read a statement explaining why he felt he is a good candidate for Chairman. Mr. Hughes nominated himself for Chairman seconded by Mr. Ensminger.

Mr. Soli nominated Mr. Pacino for Chairman seconded by Mr. Ensminger.

Mr. Hughes made a motion seconded by Mr. Pacino to close nominations for Chairman.

Motion carried: 5:0:0.

Mr. Hughes asked all those in favor of himself as Chairman to raise their hands.

Mr. Hughes received one vote.

Mr. Hughes asked all those in favor of Mr. Pacino as Chairman to raise their hands.

Mr. Pacino received four votes.

Report of the Chairman of the Board

Reorganization of the RMLD Board of Commissioners and Subcommittees

Mr. Pacino is officially the Chairman for the RMLD Board of Commissioners.

Mr. Pacino made a motion seconded by Mr. Ensminger to nominate Mr. Hughes as Vice Chairman.

Mr. Herlihy made a motion seconded by Mr. Ensminger to nominate Mr. Soli as Vice Chairman.

Mr. Hughes made a motion seconded by Mr. Pacino to close the nominations for Chair.

Motion carried: 5:0:0.

Mr. Pacino asked all those in favor of Mr. Hughes as Vice Chairman raise their hands.

Mr. Hughes received three votes.

Mr. Pacino asked all those in favor of Mr. Soli as Vice Chairman raise their hands.

Mr. Soli received two votes.

Mr. Hughes is officially the Vice Chairman for the RMLD Board of Commissioners.

Mr. Hughes made a motion seconded by Mr. Ensminger to nominate Mr. Herlihy as Secretary.

Mr. Herlihy made a motion seconded by Mr. Soli to nominate Mr. Ensminger as Secretary.

Mr. Pacino made a motion seconded by Mr. Hughes to close nominations for Secretary.

Mr. Pacino asked all those in favor of Mr. Ensminger as Secretary raise their hands.

Mr. Ensminger received three votes.

Report of the Chairman of the Board

Reorganization of the RMLD Board of Commissioners and Subcommittees

Mr. Pacino asked all those in favor of Mr. Herlihy as Secretary raise their hands.

Mr. Herlihy received two votes.

Mr. Ensminger is officially the Secretary of the RMLD Board of Commissioners.

As Chairman of the RMLD Board of Commissioners, Mr. Pacino thanked Mr. Hughes for his outstanding work as Chairman of the RMLD Board of Commissioners as well as the Chairman of the General Manager's Search Committee throughout this past year.

Mr. Cameron echoed Mr. Pacino's comment and stated he spent a lot of time with Mr. Hughes over the past year. Mr. Cameron stated the Chairman's position last year was one which many would not want to do, it was a very thankless job, although Mr. Hughes gave it his all and served it well.

Report of the Chairman of the Board

Reorganization of the RMLD Board of Commissioners and Subcommittees

At this point the members of the Board of Commissioners chose which Subcommittees they would like to serve. After much discussion the following is the new list of Subcommittees:

SUB-COMMITTEE	BOARD MEMBERS
Policy Sub-Committee	Commissioners Soli and Herlihy
Task Force Sub-Committee (obsolete as of 5/13/03)	Commissioners Herlihy and Ensminger
Audit Sub-Committee	Commissioners Pacino and Soli
Community Relations	Commissioners Hughes and Herlihy
Power Contracts, Rate Setting and Customer Choice	Commissioners Soli and Ensminger
Pension	Commissioners Hughes and Pacino
Operating and Capital Budgets	Commissioners Hughes and Pacino
Accounts Payable Signing	Commissioners Pacino, Soli and Ensminger, Herlihy back up.
Payroll	Commissioner Herlihy, Pacino backup
CAB/Board Sub-Committee	Commissioner Soli and Ensminger
Town of Reading Audit Sub-Committee	Commissioner Pacino – term expires on June 30, 2005.
Accounting Manager Sub-Committee	Commissioners Soli and Ensminger

Letter sent to Chairperson, Ms. Camille Anthony from Chairman Hughes

Mr. Hughes referred to the letter he sent to Ms. Anthony informing her the RMLD Board of Commissioners could not attend the Board of Selectmen meeting this evening.

Selectmen Liaison, Citizen's Advisory Board and Customer Comments

Mr. Herlihy informed the Commissioners the Department responded to a problem in which a ratepayer was very satisfied with the level of service received. Mr. Herlihy thanked the General Manager and the Department.

Mr. Lessard, Chairman of the Citizen's Advisory Board, gave the RMLD Board of Commissioners a brief review of the motion that was made and passed unanimously at their meeting this evening. Mr. Lessard read the motion:

The CAB made a recommendation for the RMLD Board of Commissioners to approve the Cost of Service Study as presented by Vermont Energy Ventures on April 17, 2003. This motion was carried unanimously: 5:0:0.

Mr. Hughes made a motion seconded by Mr. Herlihy to accept the unanimous vote of the CAB and to approve and adopt the Cost of Service Study presented by Vermont Energy Ventures on April 17, 2003 and as instructed to proceed forward with the appropriate rate reduction.

Motion carried: 5:0:0.

Mr. Ensminger questioned the CAB members, if Reading Town Meeting does not approve the RMLD reforms as Home Rule Charter amendments under Article 7 of the Annual Town Meeting, will the Boards of Selectmen of the other three RMLD towns support, or at least not oppose, enactment of those same reforms (with the exception of 30B) via Special Legislation? Mr. Ensminger asked for an answer from each CAB representative.

Selectmen Liaison, Citizen's Advisory Board and Customer Comments

Mr. Lessard stated it is clear in the motion as it states, "the Town of Reading should go forward with Special Legislation." Mr. Lessard stated that means the three communities.

Mr. Ensminger stated what he asked was, are the recommendations written without the 30B in it and without further restrictions?

Mr. Lessard stated 30B is part of the Article IV and the CAB wanted to be sure that not only were the CAB discussing the other items for Special Legislation but also targeting 30B because it is his understanding that RMLD actually goes above and beyond so there is no sense in inventing the wheel. Mr. Lessard also stated it is the same as the legislation for the other parts of that Article, a lot of the discussions from the Ad Hoc Committee has already been incorporated in the RMLD Policies so it is a mute point to even go through Special Legislation.

Mr. Carakatsane stated the motion was specific in terms of a recommendation. Mr. Carakatsane also stated the Lynnfield Board of Selectmen recommended pursuing any changes through Special Legislation, therefore, it wasn't necessarily endorsing the current changes that were proposed. One of the problems the Lynnfield Board of Selectmen had was when the recommendations came out of the Ad Hoc Committee were once set, they were put into another version by the Reading Board of Selectmen that was slightly different from the original recommendations and sent out to Special Counsel. The Special Counsel then proposed a Reading Home Rule Charter Amendment that had further changes that were not the same as the prior changes, and then the motion presented at the March 3 Special Town Meeting was even different from what Special Counsel had proposed. Mr. Carakatsane stated there is a condition on that recommendation of Special Legislation, therefore, it would have to be reviewed -- the Lynnfield Board of Selectmen is interested in having voting representation on the RMLD Board for the surrounding communities but specifically for Lynnfield so that would be on the table. Mr. Carakatsane stated the Lynnfield Board of Selectmen does find most of the proposed changes agreeable with the exception of the 30B effort. The most simple motion was, "on the recommendations proposed to Town Meeting the recommendation of the CAB was that those changes be pursued through Special Legislation". The problem was the CAB thought 75% of those changes be rejected immediately by the Attorney General's office. Mr. Carakatsane noted some of the ideas behind the votes we made was to encourage the Town of Reading to work with everybody here and come up with appropriate changes if they are so warranted.

Mr. Lessard noted communication is important and it seems the lack of communication is again the issue between the Reading Board of Selectmen, the RMLD Board of Commissioners and the CAB. The Wilmington Board of Selectmen agreed with the suggestion of the Wilmington Town Counsel, which is to be sure Special Legislation is followed and if it is passed at Town Meeting as a Reading Home Rule Charter amendment and it goes to the Attorney General's Office, that the Wilmington Town Counsel will strongly recommend that the Attorney General reject it.

At this point Mr. Pacino suggested going forward to the agenda item relative to 30B prior to taking any action on the motions.

RMLD Purchasing Policy as Compared to MGL 30B

Mr. Cameron explained how the RMLD makes purchases under Chapter 164 and the RMLD purchasing policy is tighter than what 30B requires and some are the same. For example 30B requires competitive bids above \$25,000, Chapter 164 requires the same. Mr. Cameron noted in Reading the Town Manager has designated certain personnel as Procurement Officers, however, in the Town Charter in Reading it states that the Chief Procurement Officer which is the Town Manager will not procure supplies for the Light Department and the School Department but the Charter can be changed. Mr. Cameron stated the nature of municipal electric utilities is such that they are put under a different set of laws from the Town. The Town is not subject to Chapter 164. The Town does not have customers, they have taxpayers. The Town does not serve as an instantaneous commodity in a competitive market as does the RMLD.

Mr. Cameron continued the charge of the plant to the General Manager is stated in Chapter 164 so that the municipal electric utility can serve its customers in an appropriate way, which is having an instantaneous product and any time that product gets discontinued it can be fixed in a very quick fashion which requires emergency purchases that are also handled under Chapter 164. Mr. Cameron explained the bottom line is the RMLD purchasing procedures and policy is a good policy and since the RMLD General Manager is the Chief Procurement Officer there is control over what is purchased. If there is a bid over \$25,000 it goes out to bid, the RMLD follows the Public Works guidelines which states if a Public Works project is over \$10,000 it has to go out to bid. Mr. Cameron does not see any reason to change the way the RMLD does business. Mr. Cameron stated the RMLD is a well run, well operating municipal electric utility and the way the RMLD purchases supplies was never in question during the last one and one-half years. The Inspector General never had a problem with that aspect of the business.

RMLD Purchasing Policy as Compared to MGL 30B

Mr. Blomley stated it is important to note that the practices the RMLD follow are more stringent than 30B and although the 30B guidelines are followed with anything considered a Public Works project, i.e., items that do not pertain to the distribution system. Mr. Blomley also noted Public Works projects all fall under 30B and are \$10,000 or more which is less than the \$25,000 range handled through the distribution center. The most important aspect is that the RMLD must have control over the services to its customer and anything relative to 30B would hamper the managing capabilities of the Department.

Mr. Cameron stated the nature of the RMLD business is such, however, that there are pieces of equipment the RMLD needs to buy and there is only one manufacturer representative from the northeast, therefore obtaining three prices is nearly impossible.

Mr. Van Magness stated he had voted against the CAB motion that recommended against the imposition of 30B practices on the RMLD by Reading Town Meeting. Part of the reason he rejected it was because he elected to do something he does not think even the RMLD Board of Commissioners have done which is look at the facts, at the data. Mr. Van Magness stated he likes to make decisions on more than just subjective information and although Mr. Blomley says the Department obtains three quotes on all the procurements, based on what he has seen he does not believe that is accurate. Mr. Van Magness then began a presentation relative to the RMLD requisitions in the year 2002. Mr. Van Magness stated the data relative to some purchase orders that RMLD has executed during the year 2000 was not available due to computer malfunctions. However, he was provided with a very detailed trail of over 6,000 records on the actual paid invoices. Mr. Van Magness stated he reviewed them, did the analysis and the performed a strip out of transactions that fall outside the 30B guidelines. He started out with approximately 6,200 transactions and ended up with a little more than 5,300 after the strip out. Mr. Van Magness noted he consolidated all those payments to each vendor as if they made one procurement so if anything, the analysis tends to shift the procurements to the higher end of the spectrum and he could not do anything else because he did not have actual purchase order information although there is very interesting data that was the result of this analysis. Mr. Van Magness reiterated he started out with 6,200 and took out 900 noting that because of the way the analysis was performed, in some instances transactions with vendors were viewed as just one when really there were 324 transactions to a particular vendor. So he consolidated all those transactions and all those payments. Mr. Van Magness stated just to give an example of some of the transactions that have been stripped out, there are things like reimbursement to employees for boots, mileage and overtime meals, postage, rebates to consumers and no purchase requisitions are done for those types of things. Mr. Van Magness stated miscellaneous items such as newspaper subscriptions, donations, payments made to the different municipal towns were also stripped out of the analysis just to be sure it included good data. Mr. Van Magness stated this information tended to show approximately 82% percent of the dollar transactions in the Department were energy related and after further review with Mr. Cameron there is more that could be added to that category. The smaller dollar transactions show items under \$5,000 only equate to eight tenths of 1% of the purchases in this Department, yet 90% of the vendors involved in this Department are involved in transactions in the aggregate of less than \$5,000. However, the payments to the vendors show over 5,300 checks and in some cases individual vendors in the over \$25,000 category had on average 36 checks per vendor, with some vendors as high as 324 individual transactions, which presents another opportunity for future potential savings and efficiency in the department by reducing the number of payments. Relative to the procurement practices and what the RMLD has in their Policy #9 versus what 30B requires, transactions under \$500 are sound business practices in both cases but the difference is 30B states a transaction between \$1 and \$5,000 is sound business practice although RMLD has a little tighter practice which states they like to have written quotation on those particular items. However, Mr. Van Magness did not necessarily find any in the file. In the case of the transactions, between \$5,000 and \$25,000 basically the transaction requires the same three quotations based on the same written purchase description. Both RMLD and 30B practices are essentially the same. In the case of RMLD, it may be just over the telephone and items over \$25,000 are sealed bids and similar projects. Therefore, the processes are not too far apart. Mr. Van Magness pointed out the way the RMLD lists transactions is that 75% of them, over 1,000 individual vendors, are less than \$500 and for the transactions over \$25,000, they are sealed bids. Mr. Van Magness calculated all the payments to a vendor to come up with that number and he firmly believes the number of 58 vendors, or 58 procurements, would be subject to sealed bids with competitive bidding. He noted that this is grossly overstated based on the data although he could only work with the data that was available. Mr. Van Magness stated 30B requirements are actually easier. An example of some of the vendors and the payments was from Wesco, an electrical supply distributor, that had over 300 individual transactions and obviously that drives cost in the Department from an accounting standpoint, a check issuance standpoint, as well as a cash management standpoint and should be something that is looked separately because it was not very generic to 30B. Mr. Van Magness noted regarding laws, one of the points the Department has made, and he has seen in a lot of written material, is that the Town Manager is the Chief Procurement Officer so he reviewed Massachusetts General Laws and it defines "Chief Procurement Officer." Mr. Van Magness noted the law states it is an individual duly appointed by the governing Board of an authority or other governmental body to procure for the governmental body. Mr. Van Magness noted the governmental body is not just a city or town, it is also a Board and that is why it is important the RMLD Board can accept 30B and that is the way it is structured under 164 so it did not get weakened while under 30B.

Purchasing Policy as Compared to MGL 30B

However, there is nothing that states the Town Manager is the Procurement Officer, in fact, it actually states the Procedure Officer is an individual duly appointed by the governing board of an authority or other governmental body to procure services for a governmental body but its already been decided as part of the guidance definitions that a Chief Procurement Officer is a governmental body and this Board if a governmental body. At this point, Mr. Van Magness stated he is not a lawyer, the lawyers can have a field day on this but quite frankly he sees nothing when reading the Massachusetts General Law that states the Town Manager is in fact the only person that can delegate the procurement at the RMLD to the General Manager. Mr. Van Magness believes the RMLD Board of Commissioners has the authority to appoint the Chief Procurement Officer, therefore, he does not believe it is accurate when he reads the Chapter in the Reading Home Rule Charter where it specifically excludes the Light Board from the Town Manager purchasing authority in section 5.2, section 0. Mr. Van Magness stated a Charter change can happen at any time but what he does is the process to change the Town Charter is a complicated one. The first step requires a two-thirds vote in Town Meeting, after that there is a thirty day review by the Attorney General to determine whether it is legal, then it must be approved at an annual Town Election held sixty days after the thirty day review by the Attorney General. Therefore, the Town of Reading Charter cannot be modified without a very significant process, this is not something that can happen over night and the motion that occurs at the Town Meeting does not include any modifications to that part of the Charter. In closing, Mr. Van Magness stated the implementation of 30B will not add work to the Department based on the analysis of the data he has nor will it will increase inventory levels, in fact, the Department needs to improve its inventory procurement practices in ordering and replenishing inventory levels on a routine basis using the new CIBFMS system. Mr. Van Magness stated currently the method of purchasing inventory replenishment does not allow the Department to get potential quantity price reductions because they are buying in individual increments periodically through the year and the Procurement Officer is at the RMLD control level not at the Town Manager, therefore, there would not be delays in the process since the control is here, not on Lowell Street. Mr. Van Magness stated he believe the RMLD can have some significant work eliminated through consolidating payments and purchases. There were some incidents in the purchase order documentation that Mr. Van Magness found lacking in the files, per the RMLD's own Policy, that purchase orders over \$5,000 did not have written requests for quotes and some purchase orders lacked the written quote documentation in the files. Mr. Van Magness stated before this decision is made the RMLD needs to look at the data and understand what the implications are for the Department and it should not be added inventory, loss of control or more work.

Mr. Cameron stated there is nothing wrong with the Department's purchasing practices, there may be a few articles that the Department purchases from company representatives in the Northeast, however, the Department will take advantage of every synergy from the new CIBFMS system which includes monitoring inventory levels. As far as the purchasing of the same pieces of equipment two or three times per year, that also has to do with inventory levels. Mr. Cameron stated he would review this in order to purchase more pieces of equipment at one time.

Mr. Pacino questioned whether the Department would incur additional cost if 30B is adopted and what those costs would be?

Mr. Cameron noted the inventory levels right now are \$1.2 million although he would increase inventory levels to approximately \$1.7 or \$1.8 million but he would want to be sure he had enough inventory to cover whatever emergencies or the Department needed to keep the "lights on." Mr. Cameron does not believe in telling a customer their lights will be out for several hours simply because he cannot obtain a piece of equipment needed to do the job. Mr. Cameron needs the authority to obtain the equipment needed to keep the customers satisfied.

Mr. Pacino noted Mr. Van Magness' statement of, under 30B it would be up to this Board to determine who the Chief Procurement Officer is and asked Mr. Cameron what Chapter 164 Counsel advised him on this issue.

Mr. Cameron stated he has not brought this question to Counsel because he does not think it is worth spending the money on this issue but if the Board wants him to review with Counsel he will. Mr. Cameron stated again the Department is doing the right thing and he believes there are only 2 municipalities out of 40 that is under 30B, Danvers and Concord, both are Town Manager operations and even they are not under 30B they just go along with 30B because the Town Manager is the Manager of the Light Department.

Mr. Pacino stated the argument is that the Department has a good enough system and 30B will cost more money however, nobody has attached an actual cost to it in order to get a handle on it.

Purchasing Policy as Compared to MGL 30B

Mr. Cameron stated his opinion that the argument is actually the loss of control and if the Board wants to take that chance go ahead but it is a loss of control. Mr. Cameron noted Mr. Van Magness thinks the Chief Procurement Officer can be appointed by the Board, however, Mr. Cameron has a letter from the Town Manager of Reading that states, it is in the Charter that the Town Manager cannot purchase anything for the Light Department or School Department however the Town Manager states he will appoint the Light Department General Manager as the RMLD's Chief Procurement Officer if the RMLD goes under 30B. Mr. Cameron noted if he doesn't have control over what he needs to purchase then there is a problem and what the Department has done in the past is fine, the rates are even going down.

Mr. Hughes stated, he as Vice Chairman of the Board, does not want to lean on uncertainties because it could jeopardize the reputation the Department has had for 104-105 years. As the GM stated a few minutes ago, if there is an outage in any RMLD service Town he does not want to hear the problem cannot be fixed because of not having the supplies needed to fix the problem. We haven't heard that yet, why start? If it isn't broke, don't fix it and it hasn't been broke for 104 years - leave it alone.

Mr. Van Magness stated there has not been a single outage in the RMLD system that was held up because of not having the equipment. The outages usually get solved within 15 minutes so the fact of having a procurement under 30B means nothing as far as an outage is concerned. As far as an inventory issue, if that's the problem and he doesn't think that is the problem because the inventory is managed with an inventory control system. Quite frankly, the inventory control system is quite antiquated in terms of how much cash there is locked up in inventory to begin with, the control system is not based on usage or anything else so there are a number of improvements that are needed. But to make a decision to go under 30B or not to go under 30B because there may not be supplies on hand is absolutely without any basis of fact. Mr. Van Magness stated the Department makes decisions without having any facts and that is his concern.

Mr. Cameron asked what reasons does Mr. Van Magness have for the Department to go under 30B?

Mr. Van Magness replied, it would be uniform procurement, the Department would be conforming to the practices of other city and town in the Commonwealth of Massachusetts, it would in fact give the Department specific requirements that would have to be met according to the law, and it is easier for the Department to change the policy by a vote than to make any changes relative to 30B or Charter change. Mr. Van Magness stated he doesn't see why there is an issue for not going to it. What is the real reason for not doing it? Mr. Van Magness noted he has not heard a substantial argument that this is additional work. In his opinion there isn't added work. The facts don't prove that. There is not substantial argument that more inventory is needed because the facts don't prove that either and he certainly has not seen an argument put forth that states there will be longer outages.

Mr. Cameron stated if he has to go to another person to get all the purchase requisitions approved that is more work.

Mr. Van Magness asked if that was a fact.

Mr. Cameron stated it has to be.

Mr. Van Magness asked on what basis?

Mr. Cameron replied, the Chief Procurement Office has to be somebody.

Mr. Van Magness stated that he (Mr. Cameron) is the designated Chief Procurement Officer, is that another person?"

Mr. Cameron stated that is not permanent and he does not want to take that chance. Mr. Cameron then stated, get somebody else to take that chance, I'm not going to.

Mr. Van Magness stated he was not suggesting that is a chance but he is also not suggesting that means that Mr. Cameron is not the sole designated Procurement Officer. He thinks that has to be reviewed.

Mr. Cameron stated as far as looking like other cities and towns in the Commonwealth of Massachusetts, we should look like the other 40 municipal electric utilities, not the cities and towns. We sell a commodity and we are in a competitive market and it is an instantaneous commodity.

Purchasing Policy as Compared to MGL 30B

We need to follow the rules of Chapter 164, not the rules of the cities and towns, all the levels are there, the same as 30B. Mr. Cameron pointed out, it all comes down to is a control issue, who controls the purchasing, he does not see it as being him he sees it as being somebody else. Charter changes happens all the time, this is dangerous water and ultimately if the Board votes it then they can deal with it. Mr. Cameron stated he needs more inventory and does not have the dollars in front of him but he does know he will need more inventory. The second thing is if the Chief Procurement Officer who will have to approve all this inventory is not me, it will be more work because it is another level of bureaucracy and there is enough bureaucracy up town, the RMLD does not need it down here.

Mr. Cameron stated he also knows every single thing the RMLD purchases, he knows what it is because he has been in this business for a long time and if there is another level of bureaucracy with control they will not have any idea what they are approving for purchase.

Mr. Van Magness questioned where this is a factor in Procurement 30B? He has not heard there is any other person outside of 230 Ash Street that would be involved in approving any procurement and if the Board is lacking that information then obviously they should review what 30B allows for appointment and whether that control issue resides here or on Lowell Street. Whether the Department accepts 30B or not does not mean more delayed procurement practices, if the Department decides to stick to a quotation of \$500 to \$5,000 nothing in the law says that cannot be done.

Mr. Pacino questioned if Town Meeting votes to put the Department under 30B and the Board chooses not to do that what is the outcome?

Mr. Cameron replied, if Town Meeting votes as part of Article 7 that the Department should operate under 30B, then the approved article goes to the Attorney General's Office and the Attorney General has four weeks to rule whether the Article 7 is contrary or agreeable with public policy which is Massachusetts General Law. If the Attorney General approves the article, it will go on the Spring 2004 general election ballot in Reading for final approval. Mr. Cameron noted it says right in 30B, section 14, that only the Light Department has the ability to vote and put themselves under 30B and it would raise huge questions with the Attorney General.

Mr. Pacino stated, for the sake of argument it goes through and gets approved and after the fact the Board chooses not to put 30B in place, does the Board have a right to do that at that point?

Mr. Cameron answered, no the Town Charter wins.

At this point, Mr. Herlihy noted under the new Board Policy, the RMLD Board meetings cannot take place after 11:00 p.m. and no new discussion can begin after 10:45 pm. Mr. Herlihy suggested tabling this item until the next meeting and get through the remainder of the agenda very quickly.

Mr. Pacino stated the RMLD Board of Commissioners must take a stand on this issue very soon noting the Bylaw Committee is meeting next Wednesday to discuss these recommendations again and the Town Meeting is the following Monday. Mr. Pacino noted this issue will be addressed the first night of Town Meeting so the Board must take an official position. Mr. Pacino then suggested meeting next Tuesday, April 22 to continue this agenda item.

All Commissioners agreed to the Tuesday, April 22 meeting.

General Manager's Report

Letters from Peter Hechenbleikner, Reading Town Manager

Mr. Cameron noted the attached letters were sent to the Chairman of the Boards of Selectmen of the three Towns the RMLD services noting the meeting has been rescheduled to April 17, 2003 at 7:30 p.m.

2003 APPA National Conference

Mr. Cameron stated the 2003 APPA National Conference will take place in Nashville, Tennessee from June 16 to June 18 and asked if any Commissioners are interested in attending.

The consensus was that Mr. Cameron will be the only attendee.

Next Meeting Dates

Tuesday, April 22

Monday, April 28, Annual Town Meeting

Wednesday, May 7

Motion to Adjourn

At 10:50 p.m., Mr. Soli made a motion seconded by Mr. Herlihy to adjourn the Regular Session.

Motion carried: 5:0:0.

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