

Reading Municipal Light Board of Commissioners

Regular Session

230 Ash Street
Reading, MA 01867
May 28, 2003

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

End Time of Regular Session: 9:25 p.m.

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Attendees:

Commissioners: Pacino, Hughes, Ensminger, Soli and Herlihy

RMLD Staff: Mr. Cameron, General Manager, Mr. Fournier and Mr. Kazanjian
Ms. Antonio

CAB: Mr. Van Magness

Liaison: Mr. Matt Cummings

Guest: Mr. Allan Ames, former RMLD Commissioner

This meeting of the Reading Municipal Light Department (RMLD) Board of Commissioners 28 May 2003 is being broadcast live this evening. 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 Pacino called the meeting to order at 7:35 p.m.

Mr. Pacino announced that Mr. Allan Ames, former RMLD Board of Commissioner, is in attendance this evening to receive his meter lamp. Mr. Pacino publicly thanked Mr. Ames for twenty-seven years of volunteer service on the Board noting he was the third longest serving Commissioner on the Light Department.

Mr. Ames thanked the Board and the Town for the opportunity to serve the RMLD Board of Commissioners.

Mr. Pacino stated the RMLD Board of Commissioners Policy Subcommittee met at 6:30 p.m., in the Temporary Transmission and Distribution Conference Room.

Minutes

April 17, 2003

Mr. Ensminger made a motion seconded by Mr. Herlihy to accept the minutes of April 17, 2003.

Mr. Soli stated the on the first page of the April 17th minutes, Mr. Corbett's name needs to be deleted from the CAB list of attendees; on page three under the Subcommittee listings there is no back up person listed for the Accounts Payable Subcommittee. Mr. Soli stated he has an additional phrase to be added on page two after, "a lengthy discussion ensued..." and gave the Recording Secretary the written additions.

Mr. Pacino noted Mr. Herlihy should be added as the back up signer for the Accounts Payable Subcommittee as well as this Subcommittee is rotating should also be noted on the list.

Mr. Ensminger noted two sentences should be interchanged on page two where it stated, "the CAB went into another room to deliberate and a lengthy discussion ensued" because the CAB was present for the better part of that discussion. Mr. Ensminger stated Mr. Van Magness' presentation on 30B within these minutes lacked detail. He also noted in regard to the Cost of Service, there were some subsequent issues that were raised and he did not have enough in his own personal notes to reconstruct but it needed to be edited.

Mr. Van Magness suggested reviewing the videotape of the meeting because it will supply a significant amount of the discussion, in particular, after the Vermont Energy Ventures discussion there were many questions directed to Mr. Cameron that should be included as well. Mr. Van Magness stated he had a long discussion about the rate stabilization fund and the implications of that, none of which was included in the minutes whatsoever.

After discussion, Mr. Ensminger and Mr. Herlihy both withdrew their motion to accept the April 17, 2003 minutes.

Mr. Ensminger made a motion seconded by Mr. Herlihy to table the minutes of April 17 for redrafting.

Motion carried: 5:0:0.

Minutes

April 17, 2003

At this point, Mr. Pacino stated the minutes in general tend to be very lengthy and made a general request to make the minutes shorter as he stated seven pages are a lot.

Mr. Ensminger stated a good general guideline is to make the minutes long enough to capture the essence and points, not word for word, but to make the points made and any motions that were voted and decisions by the Board and that is a judgment for the Recording Secretary.

Mr. Hughes stated a few years ago Mr. Pacino recommended having less detail in the minutes but still including the substance then if any individual Board Member wanted more information they could call the department and get more details of the meeting.

Mr. Pacino stated now that we have the videotape that is certainly a possibility.

Mr. Ensminger asked if the videotapes are archived for a certain amount of time.

Mr. Pacino replied, yes.

Minutes

April 22, 2003

Mr. Ensminger made a motion seconded by Mr. Hughes to accept the April 22 minutes with the changes noted. Motion carried: 5:0:0 by a show of hands.

Mr. Soli noted on page one under Action Items, in the second paragraph, third line in the middle there is an apostrophe after the word "customer" which needs to be deleted. The next few corrections Mr. Soli pointed out were null and void because it was determined he was reading from an earlier version that Mr. Ensminger had since edited.

Mr. Pacino asked if the two motions on page one were actual motions that were passed by the Board of Commissioners or were previous motions by the CAB.

Mr. Ensminger clarified those particular motions were suggestions from the CAB, therefore, those motions should be noted as such within the minutes for clarification.

Mr. Pacino also noted those motions should be unbold.

Report of the Chairman

Mr. Pacino stated he received a copy of the Lahane legal opinion and read the following excerpts from the report, "the points made by Rubin and Rudman in their April 22, 2003 and their February 28, 2003 remain addressing many of these same points are certainly not without merit." Mr. Pacino stated they did support the back up that within the last paragraph there is a line which stated, again, "this is a somewhat gray area and I would be a foolish attorney indeed to suggest the decision of all in the proposed governance changes of the RMLD are without controversy on both, the political and legal level, if changes are adopted by the vote and is approved by the Attorney General then there may very well be a challenge and handled by the Supreme Juridical Court and, on balance, I believe Chapter 43B gives the citizen's the right to take effective steps for the direction of their local business and is in line with Chapter 43B, Section 20." Mr. Pacino stated he wanted to go on record as saying if there is any court challenge at any time the RMLD Board of Commissioners will not be paying for those court challenges. Mr. Pacino stated he, as one Board Member, will not vote to spend a dime to challenge this opinion either way, either for or against. Mr. Pacino stated if a challenge comes from the Light Department, he will not vote to spend any money to defend this.

Mr. Hughes stated as Vice Chairman he totally supports Mr. Pacino's statement.

Mr. Pacino stated the way this was presented at Town Meeting, it was presented as a rock solid legal opinion, however, in this legal opinion it includes the words "gray area" which in no way was presented that way at Town Meeting.

Action Item(s)

Town of Reading Audit Committee

Mr. Cameron explained to the Commission he was contacted by the Town Manager and was told that the Town needs to take a formal vote and make a motion to appoint Mr. Pacino to the Town Audit Committee. Mr. Cameron stated the Commission has voted to have Mr. Pacino fill that position and it is really not clear why that vote is not binding, however, the paper work has been completed and we need to make a motion.

Mr. Ensminger made a motion seconded by Mr. Hughes to move that the Reading Municipal Light Department (RMLD) Board of Commissioners agree to the process for filling the Town of Reading's Audit Committee vacancy as outlined in the Reading Town Manager's memo dated April 18, 2003 to appoint Philip B. Pacino to the Town of Reading Audit Committee. This position expires on June 30, 2005.

Motion carried: 5:0:0.

Mr. Cummings stated with respect to the Town Manager informing the General Manager about making a motion, the problem was with the requisite 15 day posting from the time the slot could be filled.

Mr. Ensminger noted the 15 day period elapsed on May 12, 2003.

Mr. Van Magness questioned the term of the Audit Committee stating the letter in the Board book from the Town Manager, dated April 18, 2003, listed the Audit Committee as the term expiring in 2005. Mr. Van Magness pointed out that is a two year term, not a three year term.

Mr. Cummings stated the expiration date is June 30, 2005, whether it is the RMLD Board of Commissioner position of the Audit Committee or not.

Mr. Pacino stated rather than the last sentence of the motion reading, "this position is a three year term", he should read, "This term expires on June 30, 2005."

Mr. Ensminger pointed out this particular position on the Town Audit Committee must be appointed by the RMLD Board of Commissioners, however, it does not state that the person they appoint must be a member of the RMLD Board of Commissioners.

ENE Re-Appointment of Board Member

Mr. Pacino asked the General Manager to explain this ENE re-appointment.

Mr. Cameron stated there are seven ENE Board members that include four founding members and three Class B Directors explaining the Class B Directors are not founding members and were found by a search company or search committee. Noting his term as an ENE Board of Directors expires in January of 2004, Mr. Cameron stated at the last ENE Board of Director's meeting he told Mr. Leo Swift that he would bring this issue to the RMLD Board of Commissioners because the RMLD was the only organization that did not re-appoint Mr. Mark Caplan as a Class B Director. Mr. Cameron suggested a discussion relative to ENE's performance since Mr. Caplan has been a Director prior to making the motion. Mr. Cameron stated obviously the Board, as well as the public, knows the initial investment is less than the \$500,000 as it was back in 1998, it is about \$380,000 and given the fact that the RMLD resigned as a founding member that \$380,000 does not get returned to RMLD according to ENE. Mr. Cameron noted he is very concerned that if the Class B Board members are reappointed, the financial tone of ENE may not change. Mr. Cameron suggests he obtain more information to share with the Board, i.e., background information on Mr. Caplan as well as some financial background on ENE's performance since he has been a Board member. Mr. Cameron also stated the ENE Board members are paid approximately \$1,000 plus expenses per meeting if they physically attend the meeting and \$500 per meeting if they attend via telephone. ENE made a motion this year that the Director fees be doubled and Mr. Cameron told them he could not vote for that given the fact that the RMLD has not gotten their initial investment back and would not even consider it until the RMLD received their investment in net equity at the least.

Mr. Pacino stated at some point the Commission must make a decision relative to ENE and wondered whether RMLD will be more liable than the initial \$500,000 on those contracts.

Action Item(s)

ENE Re-Appointment of Board Member

Mr. Cameron discussed this possibility with legal counsel. He was advised that the Operating Agreement protects the RMLD because ENE is a LLC (limited liability corporation), which means if the Commission wants to rescind the resignation letter it would be legal and the RMLD would become a member again. However, Mr. Cameron wants to be sure that the RMLD is not liable for any power supply deals that do not go well. For example, power supply deals can be extremely expensive. Mr. Cameron reiterated that if the RMLD resigned from ENE right now the difference is about \$380,000 but his concern is if the RMLD is 25% liable for a bad deal it could possibly be quite a bit more. However, as General Manager and Acting General Manager he has signed no contracts with ENE in order to do any business deals that include the RMLD and the Service Agreement is over with so the only remaining contract in place with ENE right now is the Operating Agreement. Mr. Cameron noted in the past there have been Agreements put in place, however, he has been told by ENE officials that the RMLD's name is not on those Agreements. Mr. Cameron stated he would have to investigate the truth of what he has been told and believes that even if the RMLD's name is not on any Agreements, if the deal goes bad RMLD may still be 25% liable since RMLD is 25% owner even though he has been told LLC means LLC. Mr. Cameron stated it seems too simple.

Mr. Pacino questioned if the RMLD gets out of ENE, can the RMLD still be sued on a failed deal since the deepest pockets are sought out in litigation?

Mr. Cameron stated by looking at the energy market in New England you can see a lot of marketers have pulled out of the market and no longer make deals. Something seems off considering ENE is still in the market doing these deals even though other large companies have pulled out of the market.

Mr. Hughes suggested tabling the motion relative to electing Mr. Caplan.

Mr. Van Magness stated the major question the Board should deal with relative to ENE is the extent of the Light Department's liability and implications of liability on contracts signed or on any future dealings. Mr. Van Magness suggested the Board direct the General Manager to engage competent counsel, not counsel that has already been involved in this particular transaction. By competent counsel, Mr. Van Magness stated he means one of the big Boston law firms, like Goodwin Proctor, Mintz Levin, Ropes and Gray, Hale and Dorr, etc., and getting written legal opinion from them as to the liability under the incorporation of this limited liability arrangement with the other three ENE partners. Mr. Van Magness noted this should be the first step in making any decisions, the Board may then find they wish to rescind their withdrawal letter or at least get action on this within the next 30 days. Mr. Van Magness stated if the Board decides to stay in ENE, which he believes may be more prudent, it seems the Board needs to take more direct action with all the ENE Directors to go through this business and manage it because it is not being managed effectively.

Mr. Cameron reminded the Commission that he and Chairman Pacino attended the last ENE Board meeting. Mr. Cameron noted two of the founding members of ENE, obviously not RMLD, value ENE's product and not the investment. Basically, they value the deals, products and services they provide. Mr. Cameron stated he has a very competent Energy Services Department and that is one reason why he never relied on ENE. Mr. Cameron stated he does not know what RMLD could do as a one-fourth partner in order to turn ENE around and has no evidence as to what could be done.

Mr. Cummings asked what the difference is between a Class A and a Class B Director.

Mr. Cameron stated the Class A Directors are the four founding members and have the different term and voting powers.

Mr. Pacino explained the four founding members are non-paying positions and those individuals are, the General Manager of the Braintree Electric Light Department, the General Manager of Taunton Municipal Lighting Plant, the Director of Connecticut Municipal Electric Energy Company and the General Manager of the Reading Municipal Light Department.

Mr. Cummings asked if the only difference between the responsibilities and accountabilities of the Class A and Class B Director is whether one gets paid and one does not get paid?

Action Item(s)

ENE Re-Appointment of Board Member

Mr. Pacino stated, no, whether one gets paid or not is not the only difference. Mr. Pacino explained the Class B Directors were brought in due to their expertise in the field adding to the Board similar to any Board of Directors where people are brought in generally to add expertise and guidance to the Board.

Mr. Cameron stated another difference between the Class A and Class B term lengths and voting dividends, if there is a dividend available, the Class A can vote the dividends and the Class B cannot.

Mr. Cummings noted Mr. Cameron previously made a statement that two of the shareholders value ENE's product rather than the investment and he questioned whether ENE is being managed to the benefit of some shareholders as oppose to others?

Mr. Cameron noted he did not believe that was the case and the intent of ENE is to get the best deal for the people who are doing the deals for them and since ENE has customers other than the founding members it is being managed so the best margin is being done for any of those deals. However, the market has evolved since ENE has been set up and the margins have become very small. It is a high volume, low margin business and as such the number of kilowatt hours and megawatt hours dealt with on a monthly basis becomes larger and larger.

Mr. Pacino stated the idea of ENE under restructuring or deregulation was to respond to market changes at a much quicker fashion.

Mr. Cummings stated that those shareholders who value ENE's product versus what they gain as a shareholder, support an argument that the balance of the shareholder's investments is subsidizing the operation. Therefore they are gaining an unfair price advantage. Mr. Cummings stated perhaps the prices to those shareholders and the others should be higher however it is actually because they do not value their own share initial investment or the balance of the other shareholders, therefore, it artificially lowers the price it should be charged.

Mr. Cameron also stated two of the members are using ENE as their Energy Services Group.

Mr. Cummings then stated if those shareholders are not covering the cost of that service, then they should be paying higher amounts otherwise they are utilizing the investment of the other two entities to subsidize their own Operating Agreements, or it could be interpreted that way.

Mr. Cameron agreed that it could be interpreted that way, however, it was never envisioned that would be the case therefore the Operating Agreement does not contemplate any such occurrence.

Mr. Cummings stated if the Directors, or at least half of them, are concerned about their investments they are responsible to deal with the management of the company to work it out, not just the Directors but the management and that does not seem to have been done.

Mr. Pacino stated at the ENE meeting he attended, the General Managers of Taunton and Braintree Light Departments both agreed they do not value their initial investment but value the advantages of the deals they have and the savings they receive. Mr. Pacino stated he and the General Manager have discussed conducting a full scale audit of ENE, however, it will cost a lot of money and be very difficult to make changes. As Mr. Pacino stated he has been through a similar situation with MMWEC and all he was awarded as a result was his being voted off the Board. Mr. Pacino stated it will take an incredible amount of energy to turn ENE around.

Mr. Cummings stated shareholders usually look for return but if two of the shareholders are not looking for a return there must be a problem in the basic structure of the organization.

Mr. Pacino asked Mr. Cummings what he would do and how he would try to make changes, what suggestions he has for the Board in order to make those changes.

Mr. Cummings stated customers look for the best deal whereas shareholders look to protect their investment, it appears counter-productive for the RMLD to continue as a member as opposed to the other members.

Action Item(s)

ENE Re-Appointment of Board Member

Mr. Van Magness stated while reviewing the revenues, expenses, the income statements and audit reports there were a few things that jumped out at him. One of the first things was the subsidization of the "other than power contracts" which talks about the fact that the other investors do not rely on their investment other than the services they receive; ENE is collecting fifty cents on the dollar of their cost for the services they have been providing which means they are giving it for half-price. Mr. Van Magness also noted in 2002 they were in water conservation services but they are suppose to be an electric utility, they spent \$165,000 of cost and collected \$16,000 in revenue on water. Mr. Van Magness stated for a 25% equity standpoint it seems as though the RMLD could wage a war at a Board of Director's meeting about what are the specific ventures ENE plans to get involved and if they plan to pursue anything other than power services it ought to be at a minimal cost reimbursable plus some fixed fee. Mr. Van Magness noted this organization is over weight with administrative costs at approximately \$500,000.

Mr. Cameron stated by reviewing ENE's balance sheet and income statement, they have tried to branch out into water conservation because that would be very close to what their residential energy services conservation was and they were not successful in marketing. Mr. Cameron suggested one of the things to do would be to cut back the water services.

Mr. Pacino stated he agrees with Mr. Van Magness relative to obtaining legal analysis as to the RMLD liability.

Mr. Soli made a motion seconded by Mr. Hughes to table the motion relative to electing Mark Caplan as a Class B Director of ENE until more information is available.

Mr. Pacino suggested not tabling the motion but actually voting the motion down.

Mr. Ensminger made a motion seconded by Mr. Hughes that Mark Caplan be and hereby is elected a Director of the Energy New England Board to serve in that capacity for a term as defined in section 3.2 of the Energy New England Operating Agreement. That in accordance with the Energy New England Operating Agreement, Mr. Mark Caplan be recommended to be designated as a Class B Director and as such will serve a term of three years having completed a three year term, as defined in section 3.2 of the Energy New England Operating Agreement.

Motion did not carry: 0:5:0. All five Board members withheld on their approval of Mr. Caplan.

Mr. Cameron will convey to the ENE Board of Directors that the Commission voted against the motion. Mr. Cameron will also get legal review relative to what the RMLD liability is to resign from ENE in addition to rescinding the withdrawal letter and remaining members.

General Manager's Report

Nelson, Adam and Dickson Management Letter

Mr. Fournier updated the Commission on the Management Letter and report from Nelson, Adam and Dickson noting every year at the end of the audit, the auditors present a management letter which reviews the performance of the RMLD and highlights some of the areas which improvements can take place. Mr. Fournier stated on page one and two it reviews comments from the previous management letter; first one concern the investment and restricted accounts which were adhered to in 2002; the second comment concern the travel/credit card issues in 2001 and on page two at the top it stated those issues have been addressed and corrected and things are being followed more tightly according to policy. The third statement from 2001 management letter concern sales tax abatements that pertain to commercial accounts (these are customers who found out after the fact that they are exempt from paying sales tax on their utility bill) and RMLD must then go through an abatement process because although the monies due to the State were accounted for but needed to be cleaned up for the customer and that was noted.

Mr. Ensminger stated he did not realize putting an issue on the Exception or the Removal Sheet would actually remove it from that particular warrant, he thought the sheets were used for inquiries and asked if it is the usual procedure for the issue to be removed from the warrant.

Mr. Fournier stated every Monday morning the Accounting Department gets the list of exceptions or questions. At that point, the Accounting Department responds to the requestor although if those questions are not answered to the satisfaction of the requestor they do get pulled out from the warrant. At this point, Mr. Fournier continued explaining the Management Letter noting on page two concerns the cash of the Light Department stating they should be receiving monthly statements from the Town in order to reconcile their cash more timely.

General Manager's Report

Nelson, Adam and Dickson Management Letter

Mr. Fournier discussed this issue with the Town Accountant and the RMLD is now receiving monthly statements now so any reconciling items that come up are spotted immediately.

Mr. Van Magness asked if the Department has a Policy on monthly account reconciliation or periodic account reconciliation on all of the accounts on the ledger other than just cash?

Mr. Fournier stated there are some expense accounts on the monthly financials, for example the outside services, the insurances, property and damages on a monthly basis. Balance account are reviewed for accuracy.

Mr. Ensminger asked if a formal account reconciliation is gone through every month?

Mr. Fournier answered, yes, most months.

Mr. Ensminger asked if Mr. Fournier has a copy of the reconciliation for anyone to review.

Mr. Fournier said, yes, he does have a copy for review. Mr. Fournier continued noting the next section concerns the Pension Trust and specifically a duplicate payment and the recording of the Pension Trust activity. Mr. Fournier stated this error of duplication has never happened before and he is now meeting with the Town Treasurer quarterly to eliminate any possible change of this every happening again. Mr. Fournier explained that in October of 2001, the annual contribution was made correctly and in January, 2002, that same payment that was based for 2001 was duplicated; the money was entered into the RMLD Pension Trust Account. By the time the audit and the budget process was complete in 2002, Mr. Fournier received the statement from the Town and he noticed a duplicate payment. Mr. Fournier stated he knew another payment would be made in 2002 so he put a request in on the Accounts Payable Warrants to make the contribution, however, he realized after the fact he did not go to the Board for their approval. Therefore, he put in for the Accounts Payable warrant and it got approved by the Board in July although an oversight and it was not included in the warrant, the money was still in the RMLD pension account and in November the Town, through their own internal auditing process, realized the error and made the correction in December. Mr. Fournier stated in order to prevent this from happening again he and Ms. Klepeis receive their quarterly statements from State Street and review and discuss them together. Mr. Fournier reiterated this is the first time this has ever happened and there were no costs to the ratepayers as a result and changes have been implemented to ensure this will not happen again.

Mr. Van Magness questioned if there was a breakdown in the process and is that why this didn't show during the monthly reconciliation process of the account? And, if so, has this been patched?

Mr. Fournier replied, yes, there was a breakdown in the process and that is why he and Ms. Klepeis agreed on the monthly statements and he is receiving the monthly statements from the bank more timely.

Mr. Hughes asked Mr. Fournier if the RMLD is in compliance with all the recommendations that Nelson, Adam and Dickson recommended?

Mr. Fournier noted the objective every year is to implement those suggestions and over time they have become less because the RMLD adheres to their suggestions in the Management Letter.

Mr. Van Magness asked if the Board plans to take any action in terms of a Policy on account reconciliation in general and receive information in some type of a formal report from the RMLD Accountant that reconciliation have indeed been accomplished on a monthly basis?

Mr. Pacino stated there is a Subcommittee that will meet quarterly with the Chief Accountant and that is one of the issues the Board will look at to get some feedback from that Subcommittee.

Mr. Cameron stated although he does not attend the meetings between the RMLD Accountant and the Town Hall relative to the reconciliation, he makes sure they take place. As far as a Policy is concerned, Mr. Cameron stated for the past six months all procedures are inputted into Lotus Notes Data Base. Mr. Cameron noted this can be handled as a procedure and does not believe it needs to be an actual Policy. Mr. Cameron suggested adding it to the Board's Policy about the Board meeting with the Accounting Manager in order to review.

General Manager's Report

Nelson, Adam and Dickson Management Letter

Mr. Fournier stated he maintains a monthly ledger that comprises all these balances and the balance sheets including all the account reconciliation and it is not done haphazardly. Mr. Fournier stated, yes, he missed one month once due to time crisis, etc., but for the most part these are done every month and what is in those accounts are easily recognizable. Mr. Fournier also noted the revenue accounts are still done manually so the posted discrepancies are recognized and are corrected at that particular point in time and the same with the expenses, it is easy to see if something is incorrect. During the last few years there has been more demands put on the Accounting Department and it adheres to those responsibilities although it may not be done on the exact day, but it is being done.

Mr. Cameron stated he has reviewed the Management Letter as well as discussing it with Mr. Fournier to be sure the controls we put into place are being done.

At this point, Mr. Pacino asked for a motion to formally accept the Management Letter.

Mr. Ensminger made a motion seconded by Mr. Hughes to move to accept the Nelson, Adam & Dickson, P.C., letter dated May 25, 2003 regarding the audit letter on the recommendation of the RMLD Board of Commissioner's Audit Subcommittee.

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

2003 January through March Monthly Financials

Mr. Cameron stated according to the revised Policy 19, this is the first quarterly financial presentation. Mr. Cameron noted there is no special report because in the financials as there is always an actual versus budget on page 12 and 12A. Mr. Fournier will review these pages and if the Board needs more information, please let us know. Mr. Cameron also noted Mr. Soli gave him a sheet that he would like incorporated into the financials and have not included the sheet as yet, however, will be including it when the financials are done under the new system which will be in place soon.

Mr. Fournier began the presentation by explaining the actual versus budgeted noting he will begin with the first quarter of 2003 since the audited financial figures for 2002 were just accepted a few weeks ago. On page five, the sale of kilowatts hours are up 6.5% from the 2002 because the budgeted revenue figures are budgeted on last year's actual. On page 11B, the revenue residential base is up by almost \$750,000, on page 3A, the PPA adjustment is higher than was budgeted and the PPA adjustment is a function of the kilowatts hours sold and since we sold more kilowatt hours the PPA would come in higher than the budgeted figure. The purchase power base costs are down almost \$200,000 compared to the budget and mostly has to do with the transmission charges which are coming in less than what budgeted. Mr. Fournier stated the rest of the expenses hold mostly to pattern on what was budgeted; one thing that is noticeable is the outside streetlights, the actual cost for that is about \$27,000 and we budgeted \$80,000 so the budget is \$53,000 over for streetlight.

Mr. Hughes questioned if the next Streetlight Contract due to expire is Arlington?

Mr. Cameron stated Lexington is scheduled to expire in June, Haverhill has already expired, Arlington and Brookline are due to expire in October, 2003 although they all have options to extend and needs to contact them relative to the RMLD not extending any of the contracts. Mr. Cameron also noted the RMLD is doing good so far being \$23,000 to the good, however and there may be some other costs because the stock sheets are being input manually to the inventory system.

Mr. Pacino asked if money is being made basically because there are no administrative costs at this point?

Mr. Fournier replied the administrative costs are included in the total number however it is the material costs that are not included because the stock sheets haven't been computed yet due to the limitations to the VAX.

Mr. Soli noted in the warrant last week someone in Brookline took out a pole and the RMLD fixed the sidewalk. Mr. Soli asked if the RMLD gets reimbursed at cost or does the RMLD make money on that incident?

Mr. Cameron replied that in the contract it stated the RMLD must fix a certain amount of "knock downs" before we can start charging. Mr. Cameron noted he has asked and is awaiting a reply and will get back to the Board with an answer.

General Manager's Report

2003 January through March Monthly Financials

Mr. Hughes asked if it is the RMLD responsibility to return the pole as well as the landscaping around that pole and other logistics around the pole such as the sidewalk, etc.?

Mr. Cameron stated he will only go so far and the contracts are not very good contracts.

Mr. Soli stated looking on page 3A it looks as though the budget is \$800,000 ahead.

Mr. Fournier replied, yes through March 31, 2003.

Mr. Soli stated cost of service will change the expectations on the following months?

Mr. Cameron stated, the RMLD is \$785,000 ahead of budgeted under the old rates and the new rates should be collecting what the cost of service is for 2004.

Mr. Cameron explained that is what the new rates were based on because they wanted to do it for a full year and he has not finished what the projection would be at 3 months actual and 9 months projected but will get those figures to the Board. Mr. Cameron stated a lot of what you see here on the \$800,000 has to do with having a very cold January equaling 13% higher heating degree days, almost 12% higher in February and 3% higher in March so accumulatively through the first three months, the heating degree days were almost 10% higher than average. Mr. Cameron also explained if the expenses are reviewed, it will be under budget, the RMLD is running well.

Mr. Fournier stated as a follow up to the Income Statement. On page 12A, which is a summary of the Operating Expenses, all the Departments for the first quarter have come in under budget except for the Line Department. On page 12A there are three accounts that came in over budget, 1. Line Miscellaneous Labor by \$25,000 which is basically the down time and vacation time off, 2. Rent expense of \$5,000 is over budget and that is because April's rent was paid on March warrants so it is included on the March statements, 3. Maintenance expense on the overhead, which is \$140,000 over budget, and that includes all the line crews, outside crews, tree trimming and preventative maintenance crews which is attributed to more a maintenance work versus capital work. Other than that Mr. Fournier stated all other departments are coming in under budget, very positive first quarter.

Mr. Pacino stated he receives his copy of the financials via e-mail and asked if there is a list of people who would like to receive these reports.

Mr. Fournier stated he posts a copy on the website and he has an internal list which include the RMLD Board of Commissioners, the CAB, some of the Selectmen liaisons, a few individuals within the Town who have requested them and receive hard copies.

Mr. Pacino informed the audience that these financials are public record so anyone who wishes to receive a copy of these financials can contact the Department.

Mr. Cameron stated on page 13 there is a cross tabulation of the professional services by project and by vendor which goes by Department. Mr. Cameron noted most of the outside services other than the legal general are under budget and the actual versus budget figure again is prorated for 3 months. The second item is over budget, the legal general, and is comprised in part of the former General Manager's lawyer's case as well as the Halpin Bid dispute where a bid was disputed with the Line Department. The Town Charter activity was included in that totaling \$8,400, other expenses include 2002 audit, restructuring, manager's severance and another inside case with an employee.

Mr. Pacino asked for the General Manager's philosophy on legal costs and outside services.

Mr. Cameron stated it tries to keep them at a minimum and probably made a few mistakes by not going the legal route, one being the withdrawal from ENE. When he does take legal action he tries to figure out what the return is but sometimes you just have to fight for things and whether that has to do with the Standard Market Design or the FERC involvement. These things are examples where there won't be much return on but it is the right thing to do. Mr. Cameron stated the Town has looked at the legal cost and that is always a tough point because the legal does not always have a return but it is a necessity, however, he is hoping to keep it under budget.

General Manager's Report

2003 January through March Monthly Financials

Mr. Van Magness stated he thought the Rubin and Rudman value of \$27,000 was high because he thought their basic role was in the energy area and he did not see in the actual items above that there was anything close to \$27,000.

Mr. Cameron stated Rubin and Rudman worked on the Tine Case and that is where the high figure comes in.

Mr. Van Magness questioned labor negotiations noting contracts expire at the end of the year so he wondered if that is individual contracts within the contract and what is the general labor negotiation activity during this time of year?

Mr. Cameron replied what is allocated for labor negotiations of \$27,000 is what has happened so far with the professional union, there has been no activity with the current two unions. The RMLD had to appear before the Labor Relations Commission, therefore, hired legal counsel for representation. Mr. Cameron stated he hired Mike Newhouse from Wilmington as legal counsel.

Mr. Van Magness stated what has not been included here is the cost of professional services and one of the big items in the capital was the computer system (CIBFMS) which is a fairly large contract and within that is a sub-consulting contract with Camp, Dresser and McKee (CDM).

Mr. Cameron stated the plan is to make a presentation to the Board and CAB as well as anyone else who wants to see it which will include budget versus actual and what has been expended. Mr. Cameron stated the presentation is being put together now and are working from the original budget figure of \$1,502,000 and due to the problems with the VAX system things had to be moved around although the schedule and the costs still look good. Hopefully, by the end of June we will have the presentation ready.

Mr. Van Magness stated this report covers the status on the operating side but unless there is another mechanism where there can be monitoring on capital and major capital projects the Board is looking at only half the picture.

Mr. Cameron stated he will have that presentation and will put an update together for the capital budget on a quarterly basis, however, we don't have the data for this quarter due to the VAX going down but hopefully by the second quarter he can present the capital budget actual versus budgeted.

Mr. Fournier stated an estimate of what is being spent on capital is included on page four of the report and includes a gross number.

Mr. Van Magness stated he would think the Board should want to look at the capital projects that have been approved and check it with what has been spent expenditure wise versus the budget that has been approved for capital. Mr. Van Magness reiterated, "I would think that is what the Board would want to do."

Mr. Pacino stated there should be another second page showing the amount, something similar to the professional services amount that is shown on the operating side.

Mr. Cameron stated he and Bob Fournier will get back to the Board relative to that request.

Mr. Pacino asked the General Manager the state of setting up a meeting with the RMLD Board of Commissioners and the Finance Committee via the Town Manager.

Mr. Cameron replied he sent Mr. Hechenenbleikner an e-mail and followed up with a phone call asking for available dates from the Finance Committee.

Update on the Twenty Year Agreement

At this point, Mr. Cameron explained that one of the CAB members pointed out that the Twenty Year Agreement did not seem to be signed off properly, vis-à-vis the wording of the Contract. There are two issues, one is the notification and the second is the signature page. Mr. Cameron stated he has been working with Ms. O'Leary on putting a booklet together of what actions have been taken separately by each town to extend the Twenty Year Agreement, which includes a signature page. Mr. Cameron noted he will have copies of his booklet for the Board and the CAB by the next meeting and if the Board does not have a problem with this booklet, they can sign it then each one of the CAB members can take it around to the four towns to have it signed off.

General Manager's Report
Clean Fuel Solutions

Mr. Cameron stated Mr. Herlihy made some comments about pursuing some type of green power and environmentally sensitive issues, therefore as Mr. Cameron comes across such subjects he will copy the Board. This particular article has to do with vehicles, the hybrid vehicles that run on electricity but when they need to they can switch over to diesel. If the Board wants to continue to see these types of things they can be included in the Board book, or the Board would rather a separate book to view when they come down to sign payables that is an options also.

RMLD Appliance Rebate Program

Mr. Cameron explained the Department of Energy Resources has determined each electric and gas utility in Massachusetts spends one quarter of one percent of its revenues on energy efficient programs for the residential sector RMLD has never hit this target in the past, therefore, the RMLD will make a concerted effort this year. Mr. Cameron stated a lot of companies have rebate programs and although the RMLD has had a rebate program in place we have expanded this program to dishwashers, room air conditions and central air conditions. This program has a caveat in it that states at a certain time the RMLD can discontinue the program and the program only includes residential customers in the RMLD service territory. It must be an Energy Star qualifying appliance and so far this year we rebated \$4,850 back to those customers. Mr. Cameron noted this program is beneficial to the customers, to the RMLD, as well as the environment.

Mr. Soli stated for an air conditioner to qualify for the rebate program it must be an energy efficient ratio of 10 although he has been shopping and can only find air conditioners with an energy efficient ratio of 9.8.

Mr. Cameron stated he cannot explain that and the central air conditioning has an SEER of 10 and 12 but the RMLD only rebates for 12 or greater.

Mr. Hughes stated he would like to see this program given wide publicity, on cable and in the newspaper of all four towns in order for the ratepayers to take advantage.

Mr. Cameron stated it has been in the newspaper as well as in the flyer and he will discuss this with Community Relations and Human Resources.

Mr. Ensminger asked if there is a budget for this program.

Mr. Cameron noted the budget is one-quarter of one percent that equals \$166,000, but it is not only for this particular program it is also for residential conservation services such as the Tier One and Tier Two services. Mr. Cameron explained the RMLD has a company who does the energy audits for any ratepayer who wants one and that costs \$125 an audit, the Customer Service Representatives document when they take calls from ratepayers on Tier One issues who have questions; the Energy Services Department also documents and charges their time to anything related to business.

Mr. Herlihy stated this is a follow up to a question from last year as he wondered if anything has been done about training people in house to do energy audits?

Mr. Cameron stated he is looking at that to see what type of training is needed and where the training is available although there has been no decision as yet.

Mr. Pacino stated he received a message from the Chairman of the Reading Board of Selectmen about having a joint meeting of the Board of Selectmen and the RMLD Board of Commissioners without staff being present, therefore, he needs to get dates from the Board noting Wednesday or Thursday are better for the Selectmen.

Mr. Hughes asked if that excludes the General Manager.

Mr. Pacino stated it would exclude the General Manager as well as the Town Manager, this is a meeting with no staff present. Mr. Pacino noted he will ask the Chairman of the Selectmen if it would be a good idea to have Mr. Foulds moderate the meeting so everyone has a chance to speak. Mr. Pacino asked the Board to let the General Manager's office know what dates are good for them so he can get this meeting scheduled.

Mr. Van Magness stated one of the items he received in the mail was a periodical from one of associations that all the Board members get articles from and there was one item that peaked his curiosity that had to do with the advancement of these new automatic cardiac defibrillators.

General Manager's Report

RMLD Appliance Rebate Program

Mr. Van Magness noted it is apparent in the electric industry that some utility were making sure they have those defibrillators on their vehicles and stated since the RMLD line crews are out on isolated circumstances they may want to have those available.

Ms. Antonio stated there are currently three defibrillators, one in this building and two in separate substations and have discussed the possibility of eventually staffing all the RMLD trucks due to the time limit when something happens. Ms. Antonio stated there are about one and one half dozen RMLD employees that are trained on the defibrillators; most of the linemen and some station staff.

Mr. Van Magness noted the defibrillators should be on the major line trucks and the Board should look at this since the defibrillators are less expensive now, approximately \$2,500 and he sees trucks out at very remote locations and if someone gets hurt it would take a while for help to arrive and you can't put a price on a life.

Ms. Antonio also noted the RMLD trains in conjunction with the Reading Fire Department instead of the American Red Cross.

Mr. Van Magness suggested coordinating the purchases with NEPPA and maybe other utilities are also interested in purchasing them and then maybe buy in bulk and get discounts.

Mr. Ensminger asked if the linemen also receive CPR training.

Ms. Antonio stated they are all certified annually, a lot of the office and station control staff are CPR trained.

Mr. Pacino stated the next meeting is June 11.

Mr. Hughes stated he has a problem with attending June 11 and June 25 and asked how can the Board know if these meetings are needed so far in advance and will the Board entertain the idea of one meeting during the summer months?

Mr. Pacino stated the Board must at least get the dates reserved so the Department can plan in advance. If it is found the meeting is not needed, it will be canceled one week prior to the scheduled meeting.

Mr. Hughes stated he is unavailable during the month of July.

Mr. Herlihy stated he has conflict on June 25.

Mr. Pacino stated June 25 can be changed to June 26 although Mr. Cameron has a conflict so he decided to hold the June 25th date until after the meeting on June 11.

Mr. Cameron will endeavor to foresee what must be done for the last meeting in June so the Board can determine if it can be cancelled.

Motion to Adjourn

At 9:25 p.m., Mr. Soli made a motion seconded by Mr. Hughes to adjourn the Regular Session.

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

Mr. Hughes called for a poll of the vote:

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

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

Daniel Ensminger, Secretary
RMLD Board of Commissioners