

Reading Municipal Light Board of Commissioners

Regular Session

**230 Ash Street
Reading, MA 01867
March 23, 2004**

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Start Time of Regular Session: 7:45 p.m.

End Time of Regular Session: 8:20 p.m.

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Attendees:

Commissioners: Hughes, Soli, Herlihy and Ensminger

**RMLD Staff: Messrs. Cameron and Blomley
Ms. Antonio
Mr. Donahoe**

CAB: Mr. Lessard

Mr. Hughes called the meeting to order at 7:45 p.m. Mr. Hughes informed those in attendance that Mr. Pacino would not be able to attend tonight's meeting and would be covering as Chair in his absence.

Mr. Hughes noted the RMLD Board of Commissioners Rate Subcommittee, met on Sunday, March 21, 2004, 10:00 a.m., RMLD, Cafeteria. The RMLD Board of Commissioners Policy Subcommittee met on Tuesday, March 23, 2004, 6:00 p.m., RMLD, Cafeteria.

Mr. Hughes further added this meeting of the Reading Municipal Light Department (RMLD) Board of Commissioners, March 23, 2004 is being broadcast from 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.

Report of the Chairman of the Board

Update on General Manager's Agreement

There was no report from the Chairman of the Board relative to the General Manager's Agreement in the absence of the Chairman at this meeting.

Selectmen Liaison, Citizens' Advisory Board and Customer Comments

Mr. Hughes polled those in attendance for comments.

Mr. Lessard stated he had nothing to report at this time.

Presentation Class Cost of Service Study (CCOS) Vermont Energy Ventures

Vermont Energy Ventures will present the Cost of Service Study.

Mr. Hughes pointed out although this presentation appears on the agenda, the Class Cost of Service Study by Vermont Energy Ventures will be presented at a later date.

Minutes

January 28, 2004

Mr. Ensminger made a motion seconded by Mr. Soli to approve the Regular Session meeting minutes of January 28, 2004 with the changes on page thirteen recommended by Mr. Soli.

Motion carried 4:0:0.

Mr. Hughes suggested as a member of the Board could it be considered that corrections, verbiage wise in the minutes could be addressed and forwarded to the Department before the meeting. Mr. Hughes added the Board books go out in advance of the meeting.

Action Items

Reading Municipal Light Department Board Documents Dissemination, RMLD Policy No. 12, Revision No. 1

This has been updated to ensure Executive Session meeting minutes are released monthly.

Mr. Ensminger made a motion seconded by Mr. Soli that the Reading Municipal Light Department Board of Commissioners approve Reading Municipal Light Board Documents Dissemination, RMLD Policy No. 12, Revision No. 1 based on the recommendation of the RMLD Board of Commissioners, Policy Subcommittee.

Motion carried 4:0:0 by a show of hands.

Mr. Ensminger added he had a slight grammatical change to the text item in Item E insert the words after policy add the words "he/she". It should read "According to Section III C of this policy he or she will release them within seven days.

Mr. Cameron suggested adding the "Secretary" instead.

Mr. Soli pointed out the Policy Subcommittee met earlier on this and voted to approve the changes.

Mr. Herlihy would recommend the changes in order to wipe out the vestiges of the past in which there is a backlog of Executive Session minutes. These need to be taken care of so these closed matters get out in the open. The Department then can move forward.

Reading Municipal Light Department Community Relations Policy, RMLD Policy No. 1, Revision No. 1

The Public/Community Relations Subcommittee has reviewed this and has given this to the Policy Subcommittee for review and recommendation.

Mr. Herlihy updated the Board as the Policy Subcommittee met to review the Public Relations Subcommittee in conjunction with the Department's work group efforts to craft a new more relevant Community Relations Policy. The work is ongoing they are not still quite done. Mr. Herlihy hopes to present something to the Board soon.

Mr. Hughes added he and Mr. Herlihy are members of the Public Relations Subcommittee. Mr. Hughes noted they addressed the policy and sent it to the Policy Subcommittee. Mr. Hughes pointed out that the Subcommittee is addressing old policies and will have a concise policy with the current verbiage. It takes a little addressing and it is being redrafted to keep all in the safe zone.

Rate Stabilization Transfer

Mr. Ensminger made a motion seconded by Mr. Soli that the Reading Municipal Light Department Board of Commissioners approve the transfer of \$3,321,726 from the Department's Rate Stabilization Fund and deposit it into the Department's Operating Fund. This transfer represents the 2003 fiscal year end transfer and will leave the overall balance of the Rate Stabilization Fund at \$6.5 million.

Motion carried 4:0:0.

Mr. Ensminger had a couple of questions on this. Was this submitted to the CAB for their review, as it seems to be a matter of our commitment?

Mr. Cameron replied no.

Mr. Ensminger inquired these things are not normally submitted?

Mr. Cameron replied no.

Mr. Ensminger added the conceptual problem he has with this is, when he voted to set the Stabilization fund at \$6.5 million the intent would have been to refund these monies to the ratepayers, not to turn the monies back to the General Fund. Mr. Ensminger has a problem with this.

Mr. Cameron commented the Department has historically looked at their operations for the year and have determined whether to fund any shortfall against the eight percent earnings with the Rate Stabilization Fund or if monies are made above eight percent allowable earnings then those monies are deposited into the Rate Stabilization Fund.

Action Items

Rate Stabilization Transfer

Mr. Cameron pointed out the Rate Stabilization Fund, which was reviewed as part of 85-121, is used for the specific purpose of stabilizing the rates. Refunding money to the customers per se does not stabilize the rates. Mr. Cameron added what the Department has done over the last two years has been to decrease the Rate Stabilization Fund through a customer refund. However, that is different from stabilizing rates. Mr. Cameron added what that means is that at the end of the year if the Department needs monies to make the allowable eight percent, or whatever the Department determines should be made as far as the eight percent return is concerned, the Department uses the Rate Stabilization Fund to achieve this. Mr. Cameron pointed out it has never been brought to the CAB for review.

Mr. Ensminger asked if the targeted rate of return of eight percent was not made?

Mr. Cameron replied no the Department only made 6.7%. Mr. Cameron pointed out \$644,000 was not taken from the Rate Stabilization Fund to make up the eight percent return.

Mr. Ensminger replied he is not following that.

Mr. Cameron told Mr. Ensminger he would walk him through this. When the Department does its final accounting for the year, the Department has a net income. Within that net income is what income the Department has made which is the Department's income netted against its expenses. Out of that net income, the Department looks at its plant value and then determines what eight percent of that plant value is. The Department, by law, can only make an income of eight percent of of net plant. If the Department's net income does not cover that eight percent of net plant then the Department has a Rate Stabilization Fund it can draw upon. The money the Department makes as part of its eight percent return is used for capital expenditures. The Capital Budget for 2004 is \$4.8 million. What the Department did was look to see what was available for capital funds. Capital funds come from the Depreciation Fund, eight percent return and whatever monies are left over from prior year's capital funds. Mr. Cameron pointed out those three items were looked at the Department and determined it has enough money to cover the Capital Budget for 2004, therefore the Department does not have to make its entire eight percent return. The Board's desires were, with CAB input that the Rate Stabilization Fund to be at \$6.5 million. Mr. Cameron directed the RMLD's Accountant to write up the letter to instruct the Town of Reading only to transfer this amount of money from the Rate Stabilization Fund. What this means is the Department did not make its eight percent return, however, the Department does have enough money to pay for the Capital Budget.

Mr. Ensminger inquired is there a precedent for this? Was it being done in previous years?

Mr. Cameron replied as long as he has been here.

Mr. Ensminger inquired how many times has this been done?

Mr. Cameron replied he could get this information, but believes it may have occurred approximately seven maybe eight times. The Department has transferred, as much as \$7 million out of the Rate Stabilization to meet revenue requirements, back in 1992 he believes. Mr. Cameron added he has a memo on the Rate Stabilization Fund, which he gave to the Board; it goes through the genesis why it was set up, and the reasons why it was increased and decreased. Mr. Cameron reiterated that the Department has taken money out of the Rate Stabilization Fund, seven or eight times to make the eight percent return.

Mr. Ensminger is just generally concerned about the size of the Department's Operating Fund, which was quite large at last examination. This is going to increase the Operating Fund further.

Mr. Cameron replied the Board for the last two years has taken up the issue of making a refund to the customer. Last year it was in the budget. This year the Department has not put anything into the budget because the Rate Stabilization Fund is down to a target level that the Board desired it to be at. Mr. Cameron has said to the Board on many occasions over the last few years that, with regard to the Operating Fund, to wait until August or September to see how the Department is doing. At that point, if the balance in the Operating Fund for the Department is high then, he would come back to the Board and recommend a refund in November. Mr. Cameron added he would say to do that again this year, if appropriate. Mr. Cameron has heard the Board and CAB concerns there has been extensive discussion on the \$6.5 million level. This was something that was agreed and upon which he could run the Department.

Action Items

Rate Stabilization Transfer

Mr. Ensminger interjected the \$6.5 million amount is aggressive but doable.

Mr. Cameron noted it is aggressive and it is a different way of doing business but he can deal with that. Mr. Cameron pointed out that the August/September timeframe is very prudent as far as being fiscally responsible for the running of the Department. Mr. Cameron added the Department did it last year and he will come back to the Board during that timeframe to inform them what, if anything, should be refunded to the customers.

Mr. Ensminger added with that commitment he is comfortable.

Mr. Hughes polled the Board to see if there was any further discussion. There was none.

General Manager's Report

Update on Professional Management Union

Mr. Cameron pointed out the Professional Management Union met on Thursday, March 18 and voted to ratify the contract on the items agreed upon. Mr. Cameron added during Executive Session over the past few months, he had come to the Board and outlined where the negotiations were with this union. During these discussions he told the Board what he thought was doable and settled on certain parameters where the Board felt comfortable the contract should land. Mr. Cameron went over nine points which are not different from what he told the Board. Mr. Cameron has two executable copies of the Professional Management Union contract. Mr. Cameron went over the highlights: disability and health insurance, holidays, funeral leave, vacation and personal leave, and ICMA (deferred income plan) all remain the same. Mr. Cameron added this is the same as what was in the Management Policy. Mr. Cameron then turned to the education; employees who do not make meaningful progress in getting their required degrees will see a \$500 annual deduction to their salary increase. Mr. Cameron noted this is the same as what is in the Education Policy in place. Each job description has an educational requirement.

Mr. Cameron noted meals remain the same as determined in Policy 5, Overnight Travel. Mr. Cameron pointed out job posting; the RMLD retains the right to hire and promote the best candidate in position. The RMLD does not have to fill the position based on seniority or fill the position within the unit. Mr. Cameron then addressed the probation period for new hires is six months. Mr. Cameron explained the other points, longevity pay increased by \$75 across the board, Sick Leave Buy Back has a ninety day cap on all new hires, salary increase for the next three years, 4%, 3.25%, 3%, and salary ranges will increase 6%, 3.25% and 3% over the three year period.

Mr. Hughes polled the Board for any comment.

Mr. Ensminger wanted to congratulate staff, counsel and all others involved for a very professional set of negotiations with this union. Mr. Ensminger pointed out there was a lot of good give and take with both the Board and the General Manager. Mr. Ensminger congratulated both sides.

Mr. Hughes asked Mr. Donahoe if he wanted to add a few comments.

Mr. Donahoe added he did not have comments. Mr. Donahoe did note they did not get everything they wanted but it was done in an efficient manner.

Mr. Ensminger replied it was a pretty good deal.

Mr. Cameron wanted to thank Beth-Ellen Antonio, Human Resources Manager and Tom Shirley from Choate, Hall & Stewart for their efforts in these negotiations.

Mr. Ensminger made a motion seconded by Mr. Soli to accept the Agreement between the Municipal Light Department of the Town of Reading and Local 103 International Brotherhood of Electrical Workers AFL CIO for the Professional Union for the period of January 1, 2004 to December 31, 2006.

Motion carried 4:0:0.

General Manager's Report

Letter from Boy Scout Troop 702-Den 17, Reading

The Boy Scouts are thanking the Department for the tour, safety demonstration and power generation display held at the RMLD.

Mr. Cameron noted the Department has a thank you note from the Boy Scout Troop 702-Den 17, Reading. Mr. Cameron pointed out they recently came in and are thanking the Department for a wonderful tour. Mr. Cameron added that Priscilla Gottwald and Bobbi Maillett from the Community Relations Department give safety demonstrations and demonstrate the Hazard Hamlet.

Mr. Hughes added for the folks out there in the audience it is another facet behind the scenes that takes place. Mr. Hughes pointed out the Department does in fact do a lot of community activities and the staff within the Department handles such activities and endeavors.

Board Discussion

11th Annual New England Energy Conference and Exposition, May 17-18, Boxborough, MA

Mr. Hughes pointed out he had attended this conference three years ago. Mr. Hughes added it was very beneficial to him and a manager in the Engineering Department had attended as well. Mr. Hughes would like the Board's concurrence.

Mr. Soli made a motion seconded by Mr. Ensminger to approve Vice Chair Hughes' attendance at the 11th Annual New England Conference and Exposition, May 17-18, Boxborough, MA.

Motion carried 4:0:0.

Next Meeting Dates

RMLD Board of Commissioners Meeting

Wednesday, April 21, 2004

Mr. Cameron would confer with Mr. Pacino if he could make this meeting due his absence.

RMLD Board of Commissioners Subcommittee Meetings

Rate Subcommittee Meeting, Tuesday, March 30, 2004 at 6:00 p.m.

Mr. Cameron added that Vermont Energy Ventures would be at the Rate Subcommittee meeting on March 30. Mr. Cameron pointed out the Department will see where it goes as far as the Cost of Service. This meeting will dictate the subsequent meetings the Board will have.

Mr. Herlihy asked Mr. Cameron if he anticipates that Vermont Energy Ventures will be at the April 21 meeting?

Mr. Cameron replied it depends what happens next Tuesday at the Rate Subcommittee meeting.

Mr. Herlihy had a couple of other questions; one is the subject that just came up tonight. Do the Subcommittees need to have a Chairman and if so who are they?

Mr. Cameron replied yes they do. There should be a Chairman. The Department will get a list.

Mr. Herlihy pointed out it is unclear.

Mr. Soli interjected they could have an election.

Mr. Herlihy's other question is where spring is coming where does the Department stand in terms of facility tours at the RMLD for officials?

Mr. Cameron replied the Department has not done anything with this yet. Mr. Cameron will put out communications to the four towns. If Mr. Cameron remembers correctly, Mr. Herlihy would like Town Managers, Selectmen and politicians?

Mr. Herlihy replied, he knows members of the Town of Reading, Finance Committee would be interested. Mr. Herlihy suggested also asking the CAB if they could decide who was appropriate from their communities. Mr. Herlihy added it is an educational experience to see the system and the substations.

Board Discussion

Mr. Ensminger inquired on the GM Agreement Subcommittee was a date agreed upon for the next meeting or is it up to Mr. Pacino?

Mr. Cameron replied he has to talk with Mr. Pacino.

Mr. Hughes would like to get it addressed and put away.

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

Mr. Herlihy added he is up in the rotation but does not know when the next CAB meeting is.

Mr. Lessard added the next meeting has not been scheduled yet because it was suppose to be a joint meeting tonight. Mr. Lessard is not sure, as it is contingent on the Cost of Service Study.

Mr. Herlihy inquired if there would be a chance of the CAB meeting before April 21.

Mr. Ensminger asked if VEV cannot make the meeting of April 21 how would the CAB get the presentation? Would the CAB have to be at the Rate Subcommittee meeting next week?

Mr. Cameron replied as far as the Rate Setting Subcommittee posting Mses. Foti and O'Leary have been instructed to post for both RMLD Board and CAB. Mr. Cameron added it depends on what happens and may be an iterative process from what Mr. Cameron saw at the last Subcommittee meeting. When the Subcommittee is ready to go to the Board with a recommendation then it will be ready for a joint session. Mr. Cameron polled those in attendance to see if there was any other input.

Mr. Hughes on another matter received a copy of the Town of Reading Massachusetts Audit that was conducted by Melanson, Heath & Company, PC. This is a black and white document that documents the turn the Department has made to comply with the twenty-five criticisms as a result of a previous Melanson, Heath audit. This is also the result of getting together with the Ad Hoc Committee. Mr. Hughes noted it is a public document with a cover letter giving the Department "kudos". Mr. Hughes added he, as one Board member, would like to thank the folks here that have made this all possible and it deserves an "atta boy".

Mr. Cameron added the Town Meeting starts April 26 and he will be away at that time. Mr. Cameron did talk to the Town Manager, Peter Hechenbleikner last week and it will be a three meeting Town Meeting this year. Mr. Hechenbleikner told Mr. Cameron that at the May 3 meeting he would schedule the RMLD's report since Mr. Cameron will not be available the first two meetings.

Mr. Cameron commented since the union contract is signed there is no need for Executive Session although it is posted.

Motion to Adjourn

At 8:20 p.m. Ensminger made a motion seconded by Mr. Soli to adjourn the Regular Session.

Motion carried 4:0:0.

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