

Reading Municipal Light Board of Commissioners

Regular Session

**230 Ash Street
Reading, MA 01867
August 26, 2004**

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READING, MASS.

2004 SEP 30 P 2:00

**Start Time of Regular Session: 7:30 p.m.
End Time of Regular Session: 8:20 p.m.**

Attendees:

Commissioners: Ensminger, Soli, Herlihy* and Kearns

**RMLD Staff: Messrs. Cameron, Fournier and Kazanjian
Ms. Antonio**

CAB: Mr. Lessard

Liaisons: Mr. Duffy

***Commissioner Herlihy arrived 7:34 p.m.**

Mr. Ensminger called the meeting to order at 7:30 p.m.

This meeting of the Reading Municipal Light Department (RMLD) Board of Commissioners August 26, 2004 is being broadcast at the RMLD's office at 230 Ash Street, Reading, MA. Live broadcasts are available only in Reading due to technology constraints.

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

Secretary Ensminger explained that in Chairman Pacino's absence he will be chairing the meeting.

Mr. Ensminger asked if Commissioner Kearns would be Secretary Pro Tem for this meeting.

Ms. Kearns accepted to be Secretary Pro Tem.

Mr. Ensminger pointed out that there would be a limited edition of the agenda this evening. Mr. Ensminger noted the Board would not be taking up issues relative to the Cost of Service Study until the next meeting. Mr. Ensminger explained that the meeting would address items relating to RMLD policies, General Manager's Report and if time permits Board Discussion items. Mr. Ensminger noted the meeting would adjourn between 8:15 p.m. and 8:30 p.m.

Selectmen Liaison, Citizens' Advisory Board and Customer Comments

Mr. Ensminger asked if those in attendance wanted to speak. There were no comments.

Action Items

RMLD Policies

Mr. Cameron noted that at the last Board meeting two policies were tabled by the Board. Mr. Cameron stated that after the Board meeting the Department went back and made changes to these policies. Mr. Cameron said the two policies were RMLD Policy 3, Safety Committee and Policy 25, Sexual Harassment Policy. Mr. Cameron added Ms. Kearns had raised some concerns about the Safety Committee as to whether the policy conflicted with the existing union contracts. Mr. Cameron told the Board that he had read the information Ms. Kearns had given to him and the Board. Mr. Cameron said that in his opinion the Employee Committee did not violate any article or term in the union contract. Mr. Cameron looked at the three prongs set forth in the test given by Ms. Kearns and responded with a memo enclosed in the Board books. Mr. Cameron concluded that the Safety Committee is not a labor organization. Mr. Cameron added there are other employee committees made up of bargaining and non-bargaining unit employees, such as the Employee Recognition Committee and the Quality Work Teams that deal with Total Quality Management issues which are also made up of union and non-union employees. Mr. Cameron commented that the Department has never had any problem with conflicts created with the union contract. Mr. Cameron stated that in his opinion RMLD employee committees do not pose a conflict with the present union RMLD contracts.

Action Items

RMLD Policies

RMLD Policy 3, Revision 1, Safety Committee

Ms. Kearns told the Board that she respectfully disagrees with Mr. Cameron. Ms. Kearns believes that the language in the Safety Committee Policy does imply "dealing" with management such as "making recommendations to" throughout the Safety Committee Policy. Ms. Kearns thinks the language of the policy needs to be changed to avoid having the Safety Committee look like a labor organization. Ms. Kearns said she has made such changes to the Safety Committee Policy.

Mr. Ensminger asked Ms. Kearns to give her comments to the Policy Subcommittee. Mr. Ensminger added there could be subsequent discussion after Subcommittee reviews her changes.

Ms. Kearns moved to amend the Safety Policy as follows: 1. Under "Purpose" the purpose would be to act in a managerial capacity with respect to all safety matters affecting RMLD and its employees.

Mr. Ensminger suggested the best way to accomplish changes is to go back to the Subcommittee. The Subcommittee can address these proposed changes then bring them back to the Board.

Ms. Kearns withdrew her motion to amend the Safety Policy.

RMLD Policy 15, Revision 2, Sexual Harassment Policy

Mr. Ensminger inquired of Ms. Kearns does she have any changes to RMLD Policy 15?

Ms. Kearns replied the only suggested change to Policy 15, was in the last sentence under state and federal remedies where it provides that each of the agencies has a three hundred day period for filing a claim. Ms. Kearns said to make it absolutely clear the language should read a "three hundred day statute of limitation" for filing a claim.

Mr. Herlihy made a motion seconded by Mr. Soli that Reading Municipal Light Department Board of Commissioner approve RMLD Policy 15, Revision 2 with the amendment presented by Ms. Kearns based on the recommendation of the Policy Subcommittee.

Motion carried 4:0:0.

Oil Circuit Breaker Replacement, Quote #2004-6, Town of Reading Light Department (RMLD) Gaw Substation #4. (Jim Blomley)

Mr. Ensminger noted action is being deferred on the Oil Circuit Breaker Replacement on the suggestion of the General Manager.

General Manager's Report

2004 Operating Fund Cash Balance

Mr. Cameron told the Board he wanted to ensure that the Department stayed on schedule with its financial reporting. Mr. Cameron stated that two meetings ago at the Citizens' Advisory Board meeting a request was made to list the Department's disbursements and receipts including payroll for six months. The request was made in conjunction with a question that was posed relating to the proper balance in the RMLD's Operating Fund.

Mr. Cameron said that he told the CAB they should recommend to the Board that this be looked at because the Board directs his activities. Mr. Cameron added that he took it upon himself to get a memo together with the help of Bob Fournier, Business Manager, to look at the disbursements and receipts. Mr. Cameron noted it in his memo the Operating Fund level is currently at \$10 million, which is largely due to the transfer out of the Rate Stabilization Fund at the end of 2003. Mr. Cameron added that the Operating Fund Cash Balance should be in the \$6 to \$6.5 million-dollar range, which would cover a little more than one month's disbursements including payroll. Mr. Cameron said he did not think this represents an inordinate amount to have with respect to the RMLD's operations. Mr. Cameron reiterated that once the August Financials come out then he would make a recommendation to the Board on a possible refund, which would be done in November. The refund would come out of the Operating Fund cash balance. Mr. Cameron pointed out the CAB has a copy of the memo he presented to Board members.

Mr. Ensminger said the Board will be taking this up once the August Financials are briefed to them. Mr. Ensminger asked if at that point the Department could make a recommendation on the Operating Fund reduction?

General Manager's Report
2004 Operating Fund Cash Balance

Mr. Cameron replied yes. Mr. Cameron noted the Financials will be out in late September and once he sees them he can make a recommendation.

Ms. Kearns inquired whether the auditor had ever commented on the cash balance in its audit report?

Mr. Fournier replied the only comment that the auditors had made is on the Restricted Funds, which are monies that are invested to ensure the RMLD is making as much interest income as possible. Mr. Fournier added that as far as the Operating Balance, they have not made a comment since he has been here.

RMLD Budget Variance Summary Report through June 30, 2004
Financial Report, June 30, 2004

Mr. Fournier told the Board that in the June Financials, the Net Income is a little less than \$4.9 million. When compared to last year's actual Net Income of \$2.7 million this year Net Income is up about 77%. Mr. Fournier noted the reason for the increase in the Income above budget is due to the fact Base Revenue is up \$1.0 million and the way the Department accounts for its Fuel Costs and Fuel Revenue based on GAAP principles there is an increase of \$844,000 on the Fuel Charges and Revenue. In 2005, the Department will change its budget process to comply with the accounting changers. However, in 2004 Budget the Fuel was a pass through and not represented as a profit or loss. Base Power Costs, the Department is down \$340,000, O&M is down about \$1.1 million, some of which is due to the fact that some management positions were filled with existing employees representing a savings in salary monies. Mr. Fournier pointed out the big contributions for Pension and Sick Leave have not been made yet. Mr. Fournier noted the kWh sold compared to budget is about \$10 million, which is a 2.9% increase and due somewhat to weather.

Quarterly Budget Variance

Mr. Fournier pointed out that each Department is under budget. Mr. Fournier added that the decreases are due to salaries and a mix of capital work versus expense work and some of the big contributions such as Sick Plan Buyback and Pension Trust have not been made. Mr. Fournier noted that the actual versus budget variance will be less in the future.

Ms. Kearns stated that she was a member of the Pension Subcommittee, which was scheduled to meet at 7:00 p.m., but due to Mr. Pacino's illness was not able to meet. Ms. Kearns said that the citizens and the Board should know that the Pension Subcommittee is looking at a large pension contribution.

Mr. Fournier said that the RMLD expense for this year's contribution should be a little over \$600,000. Mr. Fournier stated this is based on the Larry Stone, Actuarial Report as of January 2003. Mr. Fournier noted this would be consistent with what the Department has done in the past. Mr. Fournier noted in 2005 a new full blown actuarial will be performed which will look at the contribution level. Mr. Fournier added the recommendation that was going to the Subcommittee this evening was to be consistent with what the Department has done in the past and the recommendation was for the RMLD to contribute a little over \$600,000 to the Trust. Mr. Fournier has also received from the Town Accountant the annual withdrawal from the RMLD Trust to the Town of Reading Pension and it is about \$864,000. Mr. Fournier noted the next time they meet those two pieces will be finalized.

Mr. Cameron wanted to comment on the Outside Services. Mr. Cameron asked the Board to turn to page 13 of the Financials where Professional Services are listed. The budgeted amount is \$232,000 and the Department is already at \$216,000. Mr. Cameron pointed out the Department still has some activity in Washington, DC going on with Independent Service Operator (ISO) and NEPOOL issues which is shown on line number 6. Thus, he expects to exceed the budgeted amount in that line. He asked the Board to look at Number 8 under Building Maintenance. He said the CIBFMS project had some consultant and vendor time that was not capitalized. Mr. Cameron noted the Department had to put this number somewhere. Mr. Cameron explained that since where Mr. Blomley was the Project Manager for this project it was put under his Outside Services.

Mr. Ensminger asked if line 8 represents legal?

Mr. Cameron replied yes.

**General Manager's Report
Quarterly Budget Variance**

Mr. Cameron noted that lines 5 and 6 Standard Market Design and NEPOOL refer to the Department's Washington attorney's activities. Mr. Cameron was in Boston today on an ISO issue. Mr. Cameron said this issue was very hot noting that at the NEPPA Conference there was an ISO vote, and someone approached Commissioner Kearns anonymously and told Commissioner Kearns to have Mr. Cameron change his vote but he did not. Mr. Cameron regretted that the issue at the NEPPA Conference was contentious. Mr. Cameron added it will not cost the Department a great deal in legal fees but his reason for filing is to prevent the increase for further costs. Mr. Cameron noted there are things going on at the FERC and ISO that the Department does not agree with.

Ms. Kearns asked if Mr. Cameron could break out the \$81,000 between the legal costs and Mr. Blomley's cost?

Mr. Cameron replied that he could do that.

Mr. Soli inquired if CIBFMS was close to finished?

Mr. Fournier replied the Department has an action list with Cogsdale and that there are a couple of dozen items left which do not affect the day to day operations for billing, collection processes, payroll and General Ledger. Mr. Fournier noted there needs to be some tweaking.

Mr. Soli asked if that is where the cost goes?

Mr. Fournier replied CDM is working with the Department to get those issues resolved.

Mr. Ensminger inquired whether there were holdbacks?

Mr. Cameron replied the Department still has these holdbacks. The Department has not paid all the money out. Mr. Cameron pointed out that RMLD's consultant on this project, CDM, has done a great job and have kept an eye out for the Department's interest.

Six-Month Update Six-Year Plan

Mr. Cameron stated he put in the six-month update on the Six Year Plan, which the Department uses as its planning tool. Mr. Cameron stated that 2003 figures show the Department's actual operating financial balances for last year and the Six Year Plan is updated until June 2004 containing six months of actual and six months of budget. Mr. Cameron pointed out what this shows is there is a projected surplus of \$3.6 million for 2004. Mr. Cameron stated that it does show that the Rate Stabilization Fund (RSF) will be \$10.3 million. However, there is no provision for the refund yet. Mr. Cameron commented that he would use this when he meets with Mr. Fournier to determine the amount of refund in November given the fact that nothing happens between now and then. Mr. Cameron is striving to keep the RSF \$6 to \$6.5 million while keeping the Operating Fund balance down.

Mr. Ensminger inquired if this is corrected for inflation?

Mr. Cameron replied it would be reviewed annually. He said the annual review is to accommodate a change in the cost structure; disbursements and or receipts of the Department, and adjustments may have to made vis á vis the Cash Balance.

Mr. Soli inquired what is meant by Forced Accounts?

Mr. Cameron replied it is construction the Department has to perform on its system that is mandated by the State and the contribution is paid by the State. Mr. Cameron used the example of Route 62 to demonstrate this. The state paid the Department for the reconstruction of the electrical system to accommodate the road construction, which is accounted for on the assets base but not on the capital budget due to reimbursement.

Mr. Soli asked how such amount would go directly into assets?

Mr. Fournier replied it comes directly off Stocksheets as crews work on these projects.

Mr. Cameron added it is Capital Plant.

General Manager's Report
Six-Month Update Six-Year Plan

Ms. Kearns commented on some of the capital projects scheduled for future years such as 2005, 2006 and 2007. She asked if it were financially smart to perform some of the work the Department planned to do in 2005 or 2006 this year when we have extra money?

Mr. Ensminger inquired of Mr. Cameron is there a philosophy here?

Mr. Cameron replied the Department would consider this but it was also a manpower issue. Mr. Cameron noted the Department has five of its own crews and two contract crews. Mr. Cameron explained unless there is a storm emergency it gets tough to manage so many crews to do capital projects. Mr. Cameron pointed out the crews need to get the management they need.

Mr. Soli also asked whether certain amounts of overhead are included in the Capital Budget?

Mr. Cameron replied the Department balances estimates on materials and labor with overhead costs.

Mr. Herlihy inquired are changes made to the Capital Budget presented to the Board?

Mr. Cameron replied he would bring it to the Board if it was a big project. Mr. Cameron noted sometimes things come under routine construction.

2005 RMLD Capital and Operating Budgets

Mr. Cameron noted this is an update. Mr. Cameron explained the CAB is still on schedule to receive their Capital and Operating Budgets by the middle of September. Mr. Cameron noted the Board would receive their copies in early October. Mr. Cameron expects the CAB comments to be back before the middle of October. The CAB has a thirty-day review period.

Salem Harbor Update

Mr. Cameron noted nothing has really gone on since the last meeting. Mr. Cameron added there have been some negotiating sessions in Washington, DC but nothing has been settled. Mr. Cameron believes the next negotiating session is the second week in September.

Public Power Week October 3 to October 9, 2004

Mr. Ensminger wanted the public to know that October 3 to October 9 is Public Power Week.

Mr. Cameron noted the Department has T-Shirt contests for certain grades for the schools within its service territory. Mr. Cameron added the purchase of T-Shirts and markers have been in the Warrant recently. Mr. Cameron added the Senior Citizens come in to perform the judging of the T-Shirts.

Board Discussion

Rate Comparisons, August

Mr. Cameron reported the Department, with respect to the Residential Rates is below everyone except for Peabody and Middleton. On the Residential side the Department is almost 10% above Peabody and 8.7% above Middleton with respect to Residential Time of Use, Peabody and Middleton are 5% lower than the Department.

Mr. Cameron noted on the Commercial side only Middleton is below the Department by 1%. Mr. Cameron noted on the Industrial Time of Use Middleton is below the Department by 4.5%. Mr. Cameron said the Department has maintained the Fuel Charge at 4¢ a kilowatt-hour for several months. Mr. Cameron added the PPA has been very small and this is a result of a very good projection on base power costs. Mr. Cameron commented it is good management of power supply by Energy Services.

Mr. Soli asked on page 3A of the Financials, whether the Department was over collecting on the Fuel Charge?

Mr. Cameron replied yes.

Mr. Soli inquired if any thought has gone into decreasing the Fuel Charge?

Board Discussion

Rate Comparisons, August

Mr. Cameron replied that historically the Department tries to keep these at quarter cent intervals. Mr. Cameron noted the Department could go to 3.75¢ kilowatt-hour or bring it down a little bit to wipe out that \$87,000. Mr. Cameron explained the Board's directive is the Department can change the Fuel Charge up to .50¢ without going to the Board in any month. Mr. Cameron noted the Department could for September try to wipe this out. Mr. Cameron has to go to Energy Services to see what has happened in July and August. Mr. Cameron noted that the \$87,000 is less than 1%.

Mr. Herlihy had a couple of quick questions on the Rate Comparisons. Mr. Herlihy inquired, "What is a transformer discount?"

Mr. Cameron replied that the transformer discount is for commercial customers that take power at the primary voltage level 13,800 volts or 4,160 volts.

Mr. Herlihy said that in comparing other communities, the Department's prompt payment discount for Industrials and Commercials is less than Peabody, Middleton and Wakefield and he wanted to know why.

Mr. Cameron replied Peabody gives a twenty percent discount. Mr. Cameron said that instead of changing its rates Peabody upped their discount a few years ago. Mr. Cameron added Middleton has a ten percent discount and their base charges are higher than the Department's.

Mr. Fournier pointed out that the discount is based on the base charge. If you have a higher base charge than the discount will look a lot higher.

Mr. Cameron highlighted that Middleton's fuel charge is less than a penny but its base charges are \$130.43 for a Time of Use Customer.

Mr. Herlihy said that is a matter of policy the RMLD will have the lowest rates in the contiguous region. But looking at the comparables, except for the National Grid and NSTAR the Department is higher. The Department has not been able to catch up to Peabody or Middleton. Mr. Herlihy is looking for ways to do this.

Mr. Cameron added we are not done yet.

E- Mail Explanation for Account Payable and Payroll Removal Sheets

Mr. Cameron explained this is for the Commissioners and the public to see.

Update on Quarterly Meeting with Town of Reading, Town Accountant (Commissioner Soli)

Mr. Soli updated the Board by noting he and Mr. Fournier met on Tuesday with the Town Accountant. They discussed the Pension, Cash Balance, which is up to date and in balance. Mr. Foley was happy because he was going through his audit. Mr. Foley gave them input on Pension costs. The Town is working on their estimate of Health Benefit costs. It was a good quarterly meeting.

Mr. Ensminger inquired of Mr. Soli whether he went to the meeting with Mr. Fournier or alone?

Mr. Soli said he attends the meeting or someone from the Audit Committee attends with Mr. Fournier,

Board Discussion

Pension Trust Subcommittee Meeting Update (Chairman Pacino)

Mr. Ensminger said they would postpone discussion on the Pension Trust Subcommittee in Mr. Pacino's absence.

Board Discussion

NEPPA Conference Update (Commissioner Kearns)

Ethics Policy

Drafting and Updating a Strategic Plan

Communications Policy for Crisis Situation

Customer Satisfaction Surveys

Mr. Ensminger said this would be deferred to the next meeting.

Board Discussion

Mr. Soli wanted to talk briefly about the Cost of Service Study. Mr. Soli went to the CAB meeting when they made a recommendation that the Cost of Service Study be redone. Mr. Soli sees the problem as follows we said to the General Manager please go do this but there was not a process developed. Mr. Soli noted the General Manager did the best he could. Mr. Soli pointed out there needs to be a process in place relating to what is going to be done and what it is all about. Mr. Soli added there was going to be a Subcommittee meeting this evening but Commissioner Ensminger and himself could not meet. Mr. Soli noted they will have one in the future and they would like to solicit from Commissioners, CAB and folks in general suggestions for this process. Mr. Soli noted if they can come up with a process for doing this, they would have a better expectation of the final product.

Mr. Ensminger inquired if is there any particular reason Energy Services could not perform the next Cost of Service Study rather than contract it out? Is there anything prohibiting that from happening?

Mr. Cameron replied time is the big thing. There are a lot of NEPOOL issues going on and daily power supply activity. The Department is in the process of completing a strategic plan for the RMLD. Mr. Cameron has not previously mentioned this to the Board. Each one of the Departments has been charged with being involved with this plan. A large amount of this has fallen in Energy Services because of the load forecast and large customers forecasts. Mr. Cameron cannot say right now whether Energy Services would prefer the next COSS.

Mr. Ensminger added it might not be right away but may be some interim thought should be given to this at the Subcommittee.

Mr. Cameron said that the thing that concerns him is that he gets direction on what the Board would like to see. Mr. Cameron noted the Board involved itself in operational issues this time. There is a certain way of doing Cost of Service Studies that the DTE understands because if an issue arises on the Cost of Service, the DTE will look at the way that it was done Mr. Cameron noted what he would strive to do is to have some sort of revenue requirement that the Board agrees with. Mr. Cameron noted there are a couple of things working here. The study relies heavily on the revenue requirements but a big part of the Cost of Service is the billing units. Mr. Cameron pointed out there are a couple of residential projects being developed that will be coming the next year or two, and Reading Business Park. Mr. Cameron noted these were not considerations in the last Cost of Service Study. They were not part of this last study. Mr. Cameron does not mind having a cooperative effort. Mr. Cameron emphasized once he gets his direction he does not want the minutia challenged. Whoever is performing the study shall be professional enough to defend their numbers.

Ms. Kearns added that she was fortunate enough to attend the NEPPA Conference and spoke with several persons who had a Cost Study performed in their community. Ms. Kearns recommended seeking input from NEPPA and APPA to see if they have standards and methodology to provide guidelines for CSS.

Motion to Adjourn

At 8:20 p.m. Mr. Soli made a motion seconded by Ms. Kearns 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.

Ellen C. Kearns, Secretary Pro Tem, RMLD Board of Commissioners