

Reading Municipal Light Board of Commissioners

Regular Session
230 Ash Street
Reading, MA 01867
October 28, 2004

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

End Time of Regular Session: 9:32 p.m.

Attendees:

Commissioners: Pacino, Ensminger, Soli, Herlihy and Kearns

RMLD Staff: Mr. Cameron

CAB: Mr. Carakatsane

Liaisons: Mr. Duffy

Chairman Pacino called the meeting to order at 7:45 p.m.

This meeting of the Reading Municipal Light Department (RMLD) Board of Commissioners October 28, 2004 is being broadcast at the RMLD's office at 230 Ash Street, Reading, MA. This meeting is being video taped for distribution to the community television stations in North Reading, Wilmington and Lynnfield.

Minutes

May 26, 2004

Mr. Ensminger made a motion seconded by Mr. Herlihy to approve the Regular Session meeting minutes of May 26, 2004 as presented.

Motion carried 4:0:1. Mr. Ensminger was not in attendance at this meeting.

Mr. Herlihy wanted to make an editorial comment that these minutes are somewhat late which is not a reflection of the Executive Secretary. Mr. Herlihy was Secretary Pro Tem and apologized for the delay.

June 15, 2004 Resubmitted

Mr. Ensminger made a motion seconded by Mr. Herlihy to reconsider the approval Regular Session meeting minutes of June 15, 2004.

Motion carried 5:0:0.

Mr. Soli inquired if there were a couple of additions?

Mr. Cameron replied the bold part of page six was the addition to the minutes. Mr. Cameron explained this was based on a request made by Citizen's Advisory Board member Mr. Van Magness as well as the North Reading liaison Mr. Veno to incorporate their points.

Ms. Kearns inquired if Mr. Van Magness drafted these changes?

Mr. Cameron replied no the Operational Assistant that backs up Ms. Foti took the original minutes and made the subsequent additions. Mr. Cameron commented the additions to the minutes are almost verbatim.

Mr. Ensminger made a motion seconded by Mr. Herlihy to approve the Regular Session meeting minutes of June 15, 2004 as presented.

Motion carried 5:0:0.

September 28, 2004

Mr. Ensminger made a motion seconded by Mr. Herlihy to approve the Regular Session meeting minutes of September 28, 2004 as presented.

Motion carried 5:0:0.

Report of the Chairman of the Board

Mr. Pacino pointed out that the Subcommittee will meet on the budgets, which is scheduled before the next RMLD Board of Commissioners meeting on November 10.

Chairman Pacino received a letter dated September 28, 2004 from Citizens' Advisory Board (CAB) Chairman Roger Lessard relative to collaborative bidding.

Ms. Kearns attended the subsequent CAB meeting at which collaborative bidding was discussed. She said that she was asked to raise the collaborative bidding issue at the RMLD Board. She said that the CAB felt strongly that the Department should perform more collaborative bidding on major bulk items. Ms. Kearns asked if the General Manager wanted to comment on the CAB position.

Mr. Cameron stated last week he attended an event in Rowley and he spoke with the Director of NEPPA, Pat Hyland and informed him the issue of collaborative bidding was brought up. Mr. Cameron educated the Board that there is history with respect to collaborative bidding through NEPPA with the Department. Mr. Cameron pointed out that there is certain equipment that there will not be agreement on. Some equipment can be purchased whereas there can be a difference in the standards; therefore it makes no sense to engage in it. Mr. Cameron, using an example of when a utility bids for wire, asked Mr. Hyland if the municipalities could contact NEPPA informing them they had bid out for wire, received bids then subsequently chose the successful bidder. Mr. Cameron hypothesized a utility bid for 20,000 feet of wire with the successful bidder chosen, then the bidder could be posted on a bulletin board on the NEPPA website which would allow piggybacking on that bid. Mr. Cameron pointed out that it would get you the low price as well as a cost savings for putting together a bid. A Request For Proposal over \$25,000 could have an expense of \$3,000 to \$4,000 total cost for advertising, printing and personnel time. Mr. Cameron talked to Mr. Hyland about this. Mr. Cameron will also investigate the possibility of collaborative bidding outside the spectrum of NEPPA. Mr. Cameron will investigate this. Mr. Cameron thought that next year the idea of a bulletin board with NEPPA to post bids on will keep costs down. When you get to the \$25,000 limit it is costly to put a bid together.

Mr. Ensminger inquired what was the impetus for this motion from the CAB who made it?

Mr. Cameron replied Mr. Van Magness.

Mr. Ensminger questioned what was behind it?

Mr. Cameron replied Mr. Van Magness had made comments before last year to have the Department perform collaborative bidding. Mr. Cameron explained to Mr. Van Magness that it has been attempted in the past and in some instances failed. Mr. Cameron added another avenue is NEPPA. Mr. Cameron also pointed out the state bid has been utilized for computers as well as radio and communication equipment. Mr. Cameron noted during the Capital Budget review early in Wilmington three weeks ago, Mr. Van Magness asked that collaborative bidding with respect to the Capital Budget process in buying transformers be explored. That is the genesis of this.

Mr. Soli commented Mr. Cameron discussed the possibility of piggybacking bids. With the Department being under 30B is that any impediment to this?

Mr. Cameron replied no. According to 30B, the Department has to go out for competitive sealed bids over \$25,000 that is the split. Under \$25,000 the Department secures written quotes with no need to advertise. The focus is the bids over \$25,000.

Mr. Soli then inquired hypothetically if someone went for a bid that was \$50,000 then received a bid that was much better with the Department wanted to piggyback for an additional \$26,000, can the Department do this and be in conformance with 30B?

Mr. Cameron replied yes. Mr. Cameron added there is nothing that stops the Department from doing that, all it says the competitive sealed process has to be followed. Mr. Cameron pointed out it does not state that you have to do this as well. Mr. Cameron explained that to buy the equipment it has to go through the competitive bid process.

Report of the Chairman of the Board

Chairman Pacino received a letter dated September 28, 2004 from Citizens' Advisory Board (CAB) Chairman Roger Lessard relative to collaborative bidding.

Mr. Carakatsane commented that the motivation behind Mr. Van Magness' comments, which were repeated at the subsequent CAB meeting, is to recognize different equipment that does match up between communities. Mr. Van Magness' thought process was there is fair amount that probably does. It was agreed to explore as to whether that is a realistic probability or not.

Mr. Pacino inquired what is the Department going to do with respect to this issue?

Mr. Cameron replied he will set up a meeting with Mr. Hyland at NEPPA to see if setting up the bulletin board is feasible. Mr. Cameron added they can have discussions on trying to resurrect collaborative bidding that was previously performed at NEPPA for such items as wire.

Chairman Pacino received a letter dated October 20, 2004 from Citizens' Advisory Board (CAB) Chairman Roger Lessard relative to \$3,500,000 be refunded to the ratepayers.

Mr. Pacino asked Mr. Cameron if the Department needed action on this tonight?

Mr. Cameron replied yes.

Ms. Kearns stated at the CAB meeting, Mr. Cameron gave the members of the CAB three choices, a refund of \$3, \$3.5 or \$4 million. Ms. Kearns stated that in the material presented to the CAB, Mr. Cameron had presented the fiscal impact of those refund amounts. Ms. Kearns thought the Board should be aware that initially there was a motion for \$4 million be returned to the ratepayers. Because only four of the CAB members were present, the vote was a two to two tie therefore, that motion did not pass. Ms. Kearns explained the \$3.5 million passed in lieu of having no motion at all. Ms. Kearns would like the Board to explore the \$4 million return to the ratepayers because there was good analysis and discussion performed at the CAB meeting.

Mr. Herlihy stated when that motion is made for the ratepayer refund he has an amendment he would like to make which falls upon those lines. Mr. Herlihy pointed out this motion would satisfy both parties. Mr. Herlihy went to the CAB meeting last night in which the CAB was amenable to this idea. Mr. Herlihy attended the last two CAB meetings. Mr. Herlihy updated the Board by stating the issue of the \$4 million refund was debated. Mr. Herlihy pointed out Mr. Van Magness made a case for that. On the other hand, Mr. Cameron made a pretty good case for a more prudent course at this time to give a \$3.5 million refund. Mr. Herlihy commented his thought is that basically they are both correct. Mr. Herlihy stated that the Board would vote on a \$3.5 million refund today, with his language would add that "provided further that the General Manager and the Accounting Manager report back to the Board as to the feasibility of a \$500,000 refund based on complete December Financials." Mr. Herlihy suggested this is how the \$4 million could be given back early in the next year once the December Financials are completed.

Mr. Cameron explained the analysis he and Mr. Fournier, Business Manager performed is they did a forecast of the revenues and expenses from now until the end of the year. The August Financials were used along with budgeted figures and any known and measurables, which may occur between now and the end of the year. Mr. Cameron added they looked at the scenario and he took into consideration the Board wants the Rate Stabilization Fund (RSF) at \$6.5 million (with million-dollar bracket of \$6 to \$7 million in RSF). Mr. Cameron commented this has been accomplished with a median of \$6.5 million. Mr. Cameron noted he has previously discussed with the Board the Operating Fund. The Operating Fund is what the Department pays it bills from every month. Mr. Cameron pointed out a refund of \$3.5 million would cause the Operating Fund to be at \$7 million versus \$6.5 million. Mr. Cameron clarified the reason he wanted that cushion is the \$4.0 million refund would have the Operating Fund at approximately \$6.5 to \$6.6 million. Mr. Cameron noted a \$3 million refund the Operating Fund would be \$7.6 million. Mr. Cameron reasoned a \$3.5 million refund would be given now but he will not go into specifics of his concerns about the commercial sector. It is prudent to make the \$3.5 million refund now. Whether it is prudent to make another refund in the spring based on the December Financials can't be answered now. Mr. Cameron stated the Department has two Key Accounts personnel who have a good rapport with the commercial sector and in their discussions it is prudent to make the \$3.5 million refund right now.

Report of the Chairman of the Board

Chairman Pacino received a letter dated October 20, 2004 from Citizens' Advisory Board (CAB) Chairman Roger Lessard relative to \$3,500,000 be refunded to the ratepayers.

Ms. Kearns stated that at the CAB meeting, the issue was thoroughly discussed and that the CAB was presented with excellent financial data to review. She asked why that same data was not provided to the Board today?

Mr. Cameron apologized that he did not include it with the package. Mr. Cameron has the information with him.

Ms. Kearns stated that the reason that she recommended that the Board look at the material that Mr. Cameron presented to the CAB is that material was excellent. She stated that the material contained within the chart provided that the effect on the Operating Fund of a \$4 million refund versus \$3.5 million refund was not significant. Ms. Kearns appreciates Mr. Cameron's concerns, but if you look at *The Reading Chronicle* about two weeks ago, it mentioned the number of persons not paying their bills who are suffering in Reading. Ms. Kearns added within the article it stated it was the worst situation for Reading ratepayers not paying their bills. Ms. Kearns commented anything the Department could give the ratepayers as long as it is prudent. Ms. Kearns thought the information Mr. Cameron provided before is helpful in making that kind of analysis.

Mr. Cameron replied he can make copies if needed. Mr. Cameron commented the numbers are linear. The relationship between what you give back and the amount of how much the Operating Budget goes up and down in a linear fashion with respect to the amount refunded. If it is \$500,000 each way it is either coming out or staying in the Operating Fund. Mr. Cameron noted concerning the article that was in *The Reading Chronicle*, he has to correct Commissioner Kearns in that it lays out the Department's collections. Mr. Cameron commented it is not inordinate and that it is pretty ordinary. Mr. Cameron added *The Chronicle* called up and asked the Customer Service Manager information relative to the billings. Mr. Cameron stated it is not abnormal. The Department has \$60,000 budgeted for Uncollectible Accounts.

Ms. Kearns replied with all due deference if you read the article the quote was it was the worst since 1981 and it said what it said. Ms. Kearns read it over last night and got the impression it was the worst collections year than in the past.

Mr. Cameron did not read it that way, however, it says what it says. Mr. Cameron does not believe the Collections will go over budget.

Mr. Pacino polled the Board to see if they wanted to hold off on this until Mr. Cameron makes copies of the charts or go forward to make a motion.

The consensus of the Board was to make a motion.

Mr. Ensminger made a motion seconded by Mr. Soli that the RMLB Board of Commissioners instruct the General Manager that the sum of \$3,500,000 be refunded to the ratepayers using the same methodology as in past refunds. No vote taken at this time.

Mr. Herlihy offered his amendment to this motion "provided further that the General Manager and Business Manager report back to the Board as to the feasibility of \$500,000 refund based on the complete December Financials." Mr. Herlihy commented the purpose of this motion is not to let this off the hook. It is requiring the General Manager to come back and present to the Board why or why not that cannot happen at that point.

Mr. Ensminger accepted that amendment.

Mr. Pacino inquired if Mr. Soli would accept the amendment?

Mr. Soli replied he prefers to vote.

Mr. Herlihy repeated he did mention this amendment to the CAB last night so this would not be perceived as a hostile attack to their recommendation. Mr. Herlihy added the CAB did not have a problem with the wording.

Report of the Chairman of the Board

Chairman Pacino received a letter dated October 20, 2004 from Citizens' Advisory Board (CAB) Chairman Roger Lessard relative to \$3,500,000 be refunded to the ratepayers.

Ms. Kearns asked the General Manager what the additional cost would be to the RMLD first sending the rebate of \$3.5 million then sending out a proportional rebate of \$500,000?

Mr. Cameron replied not much because it is automated.

Mr. Carakatsane commented that the CAB did discuss this at quite some length. Mr. Carakatsane added the last question that was asked was a determining factor. Mr. Carakatsane noted it is prudent at this point to refund the \$3.5 million and this issue could be revisited at any time down the road. Mr. Carakatsane pointed out the new computer system is very efficient and that allayed the controversy.

Mr. Soli recalls from working on the Warrant when the refund was executed in the past most folks get the refund in the bill but several hundred that left the system will receive checks. Mr. Soli added there is some expense.

Mr. Cameron replied yes, in the Payables.

Mr. Ensminger made a motion seconded by Mr. Soli that the RMLB Board of Commissioners instruct the General Manager that the sum of \$3,500,000 be refunded to the ratepayers using the same methodology as in past refunds. *"Provided further that the General Manager and Business Manager report back to the Board as to the feasibility of \$500,000 refund based on the complete December Financials."*

Mr. Ensminger made a motion seconded by Mr. Soli to accept the amendment presented by Mr. Herlihy.

Motion carried for the amendment to the main motion 5:0:0.

Mr. Ensminger made a motion seconded by Mr. Soli that the RMLB Board of Commissioners instruct the General Manager that the sum of \$3,500,000 be refunded to the ratepayers using the same methodology as in past refunds.

Motion carried for the main motion 5:0:0.

Mr. Herlihy commented that the ratepayers starting next week will see this refund.

Mr. Soli added a quick calculation indicates on average 5.6% to 5.7% of a year's expenses.

Chairman Pacino received a letter dated October 20, 2004 from Citizens' Advisory Board (CAB) Chairman Roger Lessard relative to the 2005 Capital Budget Draft 1. Chairman Pacino received a draft letter dated October 28, 2004 from Citizens' Advisory Board (CAB) Chairman Roger Lessard relative to the 2005 Operating Budget Draft 1.

Mr. Cameron pointed out the CAB has approved both the Capital and Operating Budgets. Mr. Cameron added in the draft letter that what was tacked on last evening at the CAB meeting on the Operating Budget that any additional changes are to be submitted to the CAB for review. Mr. Cameron noted depending on the size of the changes the Board makes on the Operating Budget away from what the CAB recommended they may or may not meet. Mr. Cameron pointed out the Subcommittee will get the changes made and the Board will as well. Mr. Cameron explained what he and the Business Manager plan to do is not give the Board an entire new Capital and Operating Budget but to give changes in the Operating Budget on one page. When there is agreement on the Operating Budget a working budget can be printed.

Ms. Kearns added she is a rookie but was very impressed with the thoroughness with which the CAB analyzed the budget, asked questions of the General Manager, and had thoughtful comments on the budgetary items. Ms. Kearns' thought was how does this Board get the input of the CAB and how does this Board learn about the discussions? Is it through the minutes? Ms. Kearns answered her own questions by realizing it is via the CAB minutes that the Board gets knowledge of the discussions relative to the budgets. Ms. Kearns highlighted the \$4.4 million is different from the original Capital Budget number and the analysis of the discussions that preceded that number were quite interesting.

Mr. Pacino commented he and Mr. Herlihy are Subcommittee members of the Operating and Capital Budget. They have not met on this, however they will be looking at this also.

Report of the Chairman of the Board

Chairman Pacino received a letter dated October 20, 2004 from Citizens' Advisory Board (CAB) Chairman Roger Lessard relative to the 2005 Capital Budget Draft 1. Chairman Pacino received a draft letter dated October 28, 2004 from Citizens' Advisory Board (CAB) Chairman Roger Lessard relative to the 2005 Operating Budget Draft 1.

Mr. Cameron noted the Department will provide a round up sheet on what changes have been made to the Operating and Capital Budget, which will be helpful in addition to those minutes.

Ms. Kearns offered to sit in on the Capital and Operating Budget Subcommittee meeting as she was in attendance at the CAB meeting where budget items were discussed.

Selectmen Liaison, Citizens' Advisory Board and Customer Comments

Mr. Carakatsane commented that on the budgetary process a number of the CAB members are former Town Meeting members in their respective communities and likened the CAB to a Finance Committee of the RMLB. In terms of its primary function, Mr. Carakatsane thinks back to when he was involved with Town Meeting and how the only way the Town Meeting members would know the Finance Committee was making budgetary decisions was by attending their sessions. There is obviously a need for communication and the minutes help quite a bit.

Mr. Pacino asked of Mr. Cameron that they will get the minutes as part of the budget process?

Mr. Cameron replied yes. Mr. Cameron has to update the table of adjustments, as there was one last night.

On another matter, Mr. Duffy asked if the Department holds an harmless agreement with Verizon on the poles they jointly own? If not, is there a copy of the liability; is carrier the Town of Reading as the additional named insured?

Mr. Cameron commented just to clarify; almost all the poles in the service territory are jointly owned by the RMLD and Verizon. The only poles the RMLD owns outright are poles that Verizon does not have any equipment on and the fifty and fifty-five foot poles. The RMLD does have a joint ownership agreement. Mr. Cameron will give him a copy of this.

Mr. Duffy asked if it is a hold harmless agreement?

Mr. Cameron replied the Department has a joint ownership agreement, which it lays out the ground rules on how each interacts with each other, and part of that is an indemnification clause.

Mr. Duffy was satisfied and there is no reason to give him a copy of this agreement.

Action Item

ITB 2004-5 Digger Derrick Utility Vehicle

Mr. Cameron stated this is a Line Truck, which is required in order to round out the Department's fleet. The Department has recently put a similar truck in a spare mode, as it is almost twenty years old. This is part of the 2005 Capital Budget, which is a long lead item of up to nine months from ordering until delivery. Mr. Cameron commented this has been done in the past. The amount of Line Truck is \$139,674 the lowest bidder whereas the budgeted amount is \$175,000. Mr. Cameron pointed out that the Department tries and just missed out in this occasion to find a demo. The demos, for the most part, have 6,000 miles on them. The Department missed out on this opportunity by one month.

Mr. Soli noted it looks \$35,000 lower than the Capital Budget and asked the Department to make the appropriate adjustment.

Mr. Cameron replied he would. Mr. Cameron noted the Department may need to add some equipment of about \$5,000 to \$10,000 additional to the original cost. Mr. Ensminger made a motion seconded by Mr. Soli that BID ITB 2004-5 for one Digger Derrick to be awarded to the lowest qualified bidder, James A. Kiley, Co., for a total of \$139,674 on the recommendation of the General Manager and RMLD staff.

Motion carried 5:0:0.

The 2005 Capital Budget amount for this item is \$175,000.

General Manager's Report

Presentation to Subsequent Town Meeting, Town of Reading

Mr. Cameron noted that everyone has a copy of the Annual Town Meeting Report.

Mr. Cameron updated the Board that in the spring, Town Meeting Member, Mary Ellen O'Neill made a motion for the RMLD to do a presentation for the Fall Town Meeting on Power Supply, Options for Cleaner Energy and how the RMLD can increase its percentage of alternate energy sources as well as consumer conservation effort. Mr. Cameron called Ms. O'Neill and met with her to make sure he was responding in the correct way. The presentation is concise and is what she wanted to see. It will be a Power Point presentation at the IMAX Theater.

Ms. Kearns commented she is not familiar with the terminology. Ms. Kearns inquired what does base entitlement mean?

Mr. Cameron replied base entitlement is a generating plant that runs twenty-four hours a day, three hundred sixty five days a year unless something breaks down. This includes the nuclear plants at Millstone and Seabrook. The hydro plants also run most of the time. Select and Calpine are power supply agreements and these companies have the responsibility of supplying so many megawatts of power to the Department every hour of the day each month on contractual terms.

Ms. Kearns inquired under the subtotal 52,045 is that megawatts?

Mr. Cameron replied yes.

Ms. Kearns added don't you think those terms may be helpful to the reader?

Mr. Cameron replied yes.

Ms. Kearns inquired what is a peaking entitlement?

Mr. Cameron replied those are generating plants that run during hot periods and cold weather periods, which are high-energy periods. In the summer the peak period is between 11:00 a.m. and 4:00 –5:00 p.m. In the winter it would be between 3:00 p.m. and 10:00 p.m.

Ms. Kearns asked are the plants selected on the peaking entitlements, intermediate entitlements and base entitlements solely performed by the grid system or does the Department select them?

Mr. Cameron replied the Independent System Operator (ISO) calls the plants for operation based on economic dispatch, which is based on their cost of fuel bid each day. Mr. Cameron explained the generators bid their units; the Department bids it load by telling the ISO need so many megawatt hours of load, whereas the generators tell the ISO they do not know how much load you have there, but my bid to run tomorrow is blank dollars per megawatt hour. The ISO takes those bids and stacks them in economic order and when the real time comes in the next day they will call those plants. The base entitlements are always running they do not shut off. It is the intermediate unit that really set the market price. Mr. Cameron added when you have your hot and cold weather periods the peaking entitlements will set your market for four or five hours a day.

Ms. Kearns wanted to know if the Department wanted to be sure it was producing electricity with the least effect possible on the environment that this is not a factor from the generators point of view they look at the cost.

Mr. Cameron replied it is not a factor in the ISO's point of view. Mr. Cameron added unless the Department goes out and acquires that power the ISO will only call generators based only on economic dispatch or if a generator could bid zero you would be running all the time.

Mr. Soli asked if there were a green power firm would the Department contract with them on as the Department did with Calpine?

Mr. Cameron replied correct. Mr. Cameron pointed out it is one of those chicken and egg situations. Mr. Cameron noted you would need to know how much green power is desired by the service territory then you go out and purchase. Mr. Cameron cautioned that green power comes at a premium.

General Manager's Report

Presentation to Subsequent Town Meeting, Town of Reading

Mr. Cameron added it is a social responsibility for ratepayers if they want their bills served with green power. Mr. Cameron noted their rate would have to be a combination of green power and traditional generating sources.

Mr. Cameron pointed out the Department is at 9.3¢ per kilowatt-hour depending on the fuel charge. Mr. Cameron mentioned that premium could add 2¢ to 3¢ per kilowatt-hour depending on what the source would be.

Mr. Herlihy commented if there were customers out there they would be in the minority, however, if they are willing to pay more to get their energy from a green power source, is there any possibility of the Department ever getting to that point someday and if the Department will be performing a customer satisfaction survey perhaps that might be a question the Department could put in there?

Mr. Cameron replied there is no problem putting that on the survey.

Mr. Herlihy commented that he has been asked about the green power issue.

Mr. Cameron added what he has done at the Department is what is set up across the country. Mr. Cameron pointed out the Northeast does not have the options the other parts of the United States has. Mr. Cameron noted the rate would be designed such that you would capture your green power cost within your energy charge or fuel charge. There would probably have to be a contract term as well because you would not go out monthly for green power. Yearly contracts would make more sense to the market.

Mr. Ensminger always wondered what a working definition of green power is, can he have this defined?

Mr. Cameron replied you look at green power sources as solar, wind, biomass; geothermal energy or compressed energy storage, landfill, tidal and wave power as well as hydropower and fuel cells.

Mr. Ensminger inquired what is the common element here, minimal emanation of green house gases?

Mr. Cameron replied that is part of it and you are not using fossil fuels. Mr. Cameron added there are no harmful byproducts. Mr. Cameron stated there is hydro in the Northeast. There has been some landfill gases that people have looked at and biomass. Mr. Cameron noted the photocell technology is not economically feasible right now.

Mr. Ensminger added that solar power is used in isolated areas and in spot uses.

Mr. Cameron noted sometimes you can see solar panels being used along the highway for monitoring devices.

Ms. Kearns inquired of Mr. Soli that Calpine is a green power company?

Mr. Soli replied no. The Department has an agreement with them to provide power. Mr. Soli added the others for instance come through ISO New England. The Department has contracts with Calpine and Select Energy.

Mr. Cameron explained the Department has contracts with these companies. Mr. Cameron stated these include Millstone, Seabrook, Hydro Quebec and NYPA via MMWEC. Mr. Cameron noted the Calpine and Select contracts are directly between the RMLD. Mr. Cameron educated the Board by stating that all the resources of energy go through the ISO. The Department cannot call for example Calpine directly to reschedule their delivery because everything goes through the ISO. The thing that cannot change is the price. When you have a negotiated price with a company, which is contractually negotiated and is laid out with a firm price the ISO will tell you who you are getting the energy. When the settlement comes for the billing Calpine would send the Department the billing directly.

Mr. Ensminger questioned if green power serves any of the greater interests of the utility or is this, not to impute anyone, just a feel good thing for certain people who want to buy this power.

Mr. Cameron replied it is a social consciousness type of thing.

Mr. Ensminger asked if there are any other objectives of this utility fulfilled by this?

General Manager's Report

Presentation to Subsequent Town Meeting, Town of Reading

Mr. Cameron replied electrons do not have names. Mr. Cameron commented just because you are saying green power or clean power it is the same as what is being generated out of Millstone or Seabrook. It is just the mode of operation, which drives the generator.

Ms. Kearns stated she does not necessarily agree with Mr. Ensminger that it is not within the charter of the RMLD to look at fuel sources.

Mr. Ensminger interjected he asked if it furthered any of the goals not necessarily being within a charter. Does it help with load balancing, time of day of usage, the kind of things the Department utilizes to manage power.

Mr. Cameron added the type of thing about green power, which can be a draw back, is that where a fossil fuel plant can be scheduled.

Financial Report August 31, 2004

Mr. Cameron explained Mr. Fournier had an engagement this evening and could not attend the meeting this evening. Mr. Cameron highlighted the August Financials by pointing out on Page 3A the Actual versus Budget, which gives the Department the best barometer. The Base Revenues are \$609,000 ahead of budget, Fuel Revenues \$142,000 lower than the year to date budget. Both of those are good news. Mr. Cameron commented the Forfeited Discounts for the eight-month period are on schedule they are at \$574,000. Mr. Cameron added customers paying their bills on time affect that forfeited discount figure. Purchase Power Base the Department is down \$300,000, which is good. Purchase Power Fuel the Department is down \$709,000 versus the Budget. The Operating and Maintenance is down \$42,000. Mr. Cameron noted the August Financials include \$400,000 write off of the old computer system. Mr. Cameron added the Department made the pension payment \$605,000. Therefore, is a million dollars worth of abnormal expenses in the August Financials. Mr. Cameron wanted these items reflected in August due to the forecast of the \$3.5 Refund. Mr. Cameron continued with the Maintenance Account, which is \$730,000 under budget. The total Operating Expenses are approximately \$1.8 million under budget. The Operating Income is \$2.4 million and when the Non Operating Revenues and Expenses are brought in the Net Change in Assets or Variance of Budget Versus Actual were \$958,000 ahead of budget. Mr. Cameron noted a good chunk of the \$958,000 occurred in January. There was severely cold weather in January of this year and the revenues in January were very high. Mr. Cameron does not expect to maintain that level. Mr. Cameron noted any change to his presumption will show in the December Financials.

Ms. Kearns stated that Report was given at the CAB meeting and in part that Report spurred Mr. Van Magness to seek the \$4 million versus the \$3.5 million refund.

Mr. Cameron mentioned on Page 13 in the Professional Services the Department is at an actual figure of \$329,000 and the budget amount is \$294,000 through August. Mr. Cameron noted the Department is \$34,000 over budget in Professional Services, however, the CIBFMS project is \$75,000 in the Facilities Manager's budget Line 8 \$118,000. The \$75,000 represents activity that was not capitalized because it had to do with Training. Mr. Cameron commented the Department is still under budget for what the Department projected as actual for this year. Mr. Cameron is looking at the end of the year being under budget for this item with regard to the \$75,000 for the CIBFMS. Mr. Cameron pointed out the Department still has some activity in Washington with the Regional Transmission Organization even though the settlement came through. There is still back and forth on the RTO issue. Mr. Cameron is trying to quiet down the Salem Harbor issue. There is an auction for the Salem Harbor assets on November 8 and on November 18 the FERC will take up the proposed sale to Dominion to see if they are the successful buyer. Mr. Cameron is trying to keep down the legal costs on this issue. On another matter, Mr. Cameron emphasized there is going to be a horrendous fight next year with regard to Locational ICAP. Mr. Cameron stated there is money budgeted and is hoping it is sufficient. Mr. Cameron does not want to go back right now and put more money into the budget. Mr. Cameron will come back to the Board when it appears he will be going over budget. Mr. Cameron commented this year with the RTO issue the transmission owners wanted their payday and basically the FERC gave it to them. Mr. Cameron said the next ones to line up will be the generators. They are here now with the Locational ICAP, which would guarantee them extra payments on a monthly basis for being in certain congested areas within New England. Northeast Massachusetts falls within this area. If the generators get their way the Salem Harbor plant would get an extra payment because it is in a congested area. The Department is currently paying congestion on energy at certain times of the year.

General Manager's Report

RMLD Board of Commissioners Subcommittee Meeting Minutes-Approval of Minutes

Mr. Cameron pointed out there was an issue relative to the approval process on minutes for the Subcommittee minutes. Mr. Cameron had Ms. Foti call up the District Attorney's office.

Ms. Foti explained she spoke to Assistant District Attorney Sheryl Grant relative to the Open Meeting Laws and the vote on Open Session (Regular Session) minutes. Ms. Foti noted that there is no requirement to vote for Open Session, Regular Session, or Subcommittee minutes. The only requirement for a vote is when the Board votes to release the Executive Session. Ms. Foti pointed out relative to the RMLD Board of Commissioner meeting minutes once approved for Regular Session are posted on the RMLD's web page. Ms. Foti added the agendas except for Executive Session, Subcommittee meetings; agendas and minutes are on the web page. The dates of RMLD Board of Commissioners meetings and Subcommittee meetings are found on the web page.

E-Mail from Citizens' Advisory Board Member Dated October 14, 2004

Mr. Cameron stated it is an e-mail from Citizens' Advisory Board member Fred Van Magness and is put in the Board package to comply with the Open Meeting Law.

RMLD Halloween Party

Mr. Cameron commented the Department had the Halloween Party today at the Department. Mr. Cameron pointed out there were four to five hundred in attendance.

Board Discussion

Rate Comparisons, October 2004

Mr. Cameron noted the Residential Rates Peabody and Middleton are above the RMLD on the Residential, Residential Time of Use by 6% and 7%. The Department is close to Middleton on the Commercial Rate. The differential on this rate is 2%. Mr. Cameron added on the Industrial Time of Use Rate the average customer is being billed approximately 8.1¢ per kilowatt-hour and the Department is 5% higher than Middleton.

Mr. Herlihy asked a general question about the classes there is not much demand for the Residential Time of Use?

Mr. Cameron replied there are approximately two hundred customers.

Mr. Herlihy inquired are the customers aware of this rate?

Mr. Cameron replied the Department advertises it pretty plainly.

Mr. Herlihy thought there should be more Residential Time of Use potentially.

Mr. Cameron will look at this. Mr. Cameron has looked at the Department's rate versus NSTAR makes more sense. It can be too punitive if used on the on peak period with NSTAR. Mr. Cameron added the average customer having a base load of 1,500-kilowatt hour per month. The average kilowatt-hours are six to eight hundred kilowatt-hours per month.

Mr. Herlihy can call and asked to be switched to the Residential Time of Use?

Mr. Cameron replied yes they can transfer to this rate but are contracted for a year. It requires a different meter, which records kilowatt-hours on and off peak.

E-Mail Explanation for Account Payable and Payroll Removal Sheets

Mr. Cameron noted these are self-explanatory.

American Public Power Association Cost of Service Study Basic and Advance (Commissioner Soli)

Mr. Soli gave a handout to the Board. Mr. Soli attended Cost of Service courses sponsored by APPA in early October, which consisted of a three-day basic and a two-day intensive course. Mr. Soli took them through the whole gambit; Cost of Service includes determining your revenue requirements in which a budget is one way to do this. Mr. Soli pointed out another method is to determine the Cost of Service allocation for the revenue you need from your various customer classes according to their Cost of Service. Finally, there is rate design.

Board Discussion

American Public Power Association Cost of Service Study Basic and Advance (Commissioner Soli)

Mr. Soli pointed out the students who attended ranged from a utility in Pulaski, Tennessee where they have 11,000 customers to Santee Cooper in South Carolina who does a billion dollars worth of business, and a utility in Sacramento that does a billion dollars of business. One attendee was from the retail provider of the Tennessee Valley Authority, which provides power to three million customers. Mr. Soli added one complaint the attendees had about performing a Cost of Service Study was they did not have enough data. Mr. Soli noted the Department proposed a School Rate. Mr. Soli commented that perhaps there was not enough data for that. Mr. Soli has suggested to Mr. Cameron that the Department get more comprehensive metering out to the schools so they can get a better handle on their usage. Mr. Soli added in particular to see what they do not use in the summer, which is the Department's peak, cost time this way this rate can be refined. Mr. Soli pointed out that the students brought along their tariffs throughout the country as well as a utility from Ontario, Canada. Mr. Soli noted two numbers that were interesting to him was the customer service charge. The RMLD charges the Residential ratepayers \$3.2 however; within the class he attended the amounts ranged \$5 to \$11 a month and the average was \$7.50. The Industrial charges there was a great variance from \$85 to \$7,000 per month. Mr. Soli said the average was almost \$1,700 to \$1,800 per month. Mr. Soli has attached charts from the basic course. Mr. Soli has the notebooks for anyone who wants to do a self-study. Mr. Soli asked if there were any questions.

Ms. Kearns stated she spoke with the APPA representative regarding Cost of Service Studies and he was of the viewpoint they are nearly impossible to perform because there are so many factors that go into them. Ms. Kearns questioned if that point of view was reflected in the APPA training?

Mr. Soli replied one of the instructors mentioned this individual who has published a couple of articles in the APPA magazine this year. Mr. Soli commented this individual has a different viewpoint from what he saw was the party line with five or six different flavors of party lines. Mr. Soli noted the way of allocating cost was done in five or six standard ways of doing it. Mr. Soli mentioned the individual Ms. Kearns is referring to say it does not make any sense. Mr. Soli pointed out it is hard, the building maintenance has to be paid for and how does this get allocated in a fair way. The party line has come up with these five or six different ways.

Ms. Kearns asked of Mr. Soli what do you mean by Residential Customer Charges?

Mr. Soli replied to be connected at the RMLD, as a residential customer the cost is \$3.20 per month, even if you do not use any electricity. To get the wires and meter to your house as well as getting the meter read and billed.

Mr. Cameron stated with respect to Mr. Soli's response that the wires are in another component of the bill. Mr. Cameron explained that if someone uses 1,000 kWh or 1 kWh that is the cost to send out a bill.

Ms. Kearns inquired what is the cost for the Industrial?

Mr. Cameron replied \$27.54 for Industrial Time of Use and \$5.51 for Commercial customer.

Mr. Soli pointed out this cost is fairly a lot less than what other utilities are charging.

Mr. Cameron noted he read what the economist for APPA wrote and economists do not agree with each other. Mr. Cameron has an opposing point of view. There is the need to price things including electricity. If you go to the gas company or Verizon or anyone with a bulk type product they have to price their product based on instantaneous use. Mr. Cameron added there is a choice of telephone providers. Mr. Cameron commented you do have a choice of when you consume electricity. When a Cost of Service Study is performed and the data available is used, the proof in the pudding is that you get to a point that your costs are close to your revenue requirements. Mr. Cameron noted over the past few years the Department's costs have been lower than their revenue requirements and the result of that is \$3.0 million refund to the ratepayers over the last two years and \$3.5 million for this year. Mr. Cameron noted the reason this happened is that the Department did not change its rate structure. The Department signed good power supply contracts as a result the Department's costs went down then some pool rules changed causing a reduction in costs. Mr. Cameron does not disagree with Mr. Soli's comment that you need good data but the thing is you get to a point of diminishing returns. You can get to a point of diminishing returns by spending money by getting data that does not give you much more than your assumptions are giving you. Mr. Cameron noted the Department can look at getting the school data and the cost of putting those meters on the schools.

Board Discussion

American Public Power Association Cost of Service Study Basic and Advance (Commissioner Soli)

Mr. Soli added one number he did not include in here the individual home is a 17% load factor. However, if you get all the homes strung along the feeder and his refrigerator may be on and others off then the inverse happens so it is like the Bell Shape curve and you get a pretty good average. It was found on feeders that residences have a 62% load factor. Mr. Soli commented all the averaging together makes a pretty good base load.

Mr. Cameron commented the Department has performed that type of study in the past

American Public Power 2005 Major Awards Program A Call For Nominations

These awards have a deadline date of Friday, December 3, 2004 if there is any interest.

Next Meeting Dates

Monday, November 8, 2004 RMLD Presentation (V. Cameron) at Town Meeting

Mr. Pacino noted the Department has historically posted this in the past and will do so.

Wednesday, November 10, 2004

RMLD Board of Commissioners Subcommittee Meetings

Mr. Pacino stated there will be an Operating/Capital Budget Subcommittee meeting before the next RMLD Board meeting at 6:00 p.m.

Mr. Cameron has to check with Ms. Antonio to have subsequent Policy Subcommittee meetings.

Mr. Herlihy inquired if the Policy Book has been updated?

Mr. Cameron replied whatever has been done this year has been updated.

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

Mr. Pacino noted that he will take the next CAB meeting.

Mr. Carakatsane pointed out the CAB is hoping to have one more meeting the beginning of December within the first two weeks.

Mr. Herlihy had a couple of comments, one being the Haverhill Street outage.

Mr. Cameron replied National Grid is doing work on the transmission lines, which come from Tewksbury to Salem Harbor and run through our service territory. These are the same lines the North Reading substation is connected to. Mr. Cameron pointed out because National Grid was working over RMLD feeders on Haverhill Street it was necessary that the Department put the breakers in the substation on non-reclose. Mr. Cameron explained when you have an outage on a feeder the breaker has this timing device internal to it that will take the feeder out and put it in back quickly within less than a second. What this does is clears the line if a branch fell on the lines and caused a momentary fault. In this particular case there was a squirrel on a transformer that caused a fault near the cemetery on Franklin Street and what happened was that feeder 3W8 was on non-reclose and it did not close back in. Most of the time a squirrel will get blown off a transformer and the feeder will stay in if its on reclose but it was on non-reclose because of the work National Grid was performing. It was a nine or ten minute outage. The RMLD was acting under prudent utility practice during this incident.

Mr. Herlihy confirmed the outside streetlight program ends this week?

Mr. Cameron replied yes. Mr. Cameron was going to send out an e-mail but preferred to speak to the Board at the meeting. Mr. Cameron explained the EMT's position goes away on Sunday, October 31 at midnight as the contracts go away. Mr. Cameron noted a year ago he put a lot of thought into what he was going to do. The EMT's have received training and the employees have been at the Department awhile.

Board Discussion

Mr. Cameron wanted to explore avenues on how to redeploy the Electrical Maintenance Technicians, who performed the work on the outside streetlights in Brookline, Winchester and Framingham. Mr. Cameron has had a Linemen's position open since late last year. One of the Linemen left the employ of the RMLD and was not replaced. Also an employee left in February, Senior Technician's designation, and that position was not filled. There were three Senior Technicians instead of four for most of this year. Mr. Cameron has posted the Senior Technician position and has gone through the process of filling that position via a KT analysis process. An offer has been made to one individual in the company and they are waiting to hear back. The Linemen's position just recently was posted. The Department wanted to have an apprentice program and there were discussions with the Line Department and they could not come to an agreement. Mr. Cameron did develop a four-year training program for the Linemen's position. Training would be in house and with NEPPA. Hopefully it will be a workable solution without any bumping occurring.

Mr. Herlihy had a request now that the streetlighting is coming to end it would be worthwhile to have an historical overview of the expense incurred and lessons learned. Mr. Herlihy is interested in cost over the years and what was the final total. Mr. Herlihy does not consider it Mr. Cameron's mistake.

Ms. Kearns pointed out this matter was raised at the CAB meeting she attended. Ms. Kearns also raised addressing Mr. Herlihy as to what will happen to the two employees who will no longer to be attached to the streetlighting program. Following that meeting Ms. Kearns wanted to state for the record that Mr. Cameron called her as they did not see eye to eye on the potential results and she appreciates him outlining what he told the Board tonight. Ms. Kearns would like to second what Mr. Herlihy said because Mr. Van Magness was very clear that in his opinion it was a disaster. Ms. Kearns would also like to see the numbers. Ms. Kearns noted Mr. Van Magness was very complimentary of Mr. Cameron getting out that program and getting out of that burden.

Mr. Cameron noted the October Financials will not be out until Thanksgiving. The bulk of the charges occurred in 2000 and 2001.

Mr. Herlihy will paraphrase from the late Commissioner Hughes speaking as one Board member as he wants this on the record and will the Board consider this. It is an election year recently and the School Committee had a meeting, during which they were endorsing political candidates. Mr. Herlihy emphasized the Board should not do this. What the Board does outside meetings is one thing but that should not be done in open meeting as it was done at the last School Committee meeting.

Executive Session

Executive Session (General Manager's Conference Room)

At 9:17 p.m. Mr. Ensminger made a motion seconded by Mr. Soli that the Board go into Executive Session to discuss the release of Executive Session Meeting Minutes and to return to Regular Session for the sole purpose of adjournment.

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

Executive Session

Executive Session (General Manager's Conference Room)

Mr. Pacino called for a poll of the vote:

Mr. Soli Aye; Mr. Herlihy Aye; Mr. Pacino Aye; Mr. Ensminger Aye; and Ms. Kearns Aye.

Motion to Adjourn

At 9:32 p.m. Mr. Ensminger made a motion seconded by Mr. Herlihy to adjourn the Regular Session.

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

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

Daniel A. Ensminger, Secretary
RMLD Board of Commissioners