

Reading Municipal Light Board of Commissioners

Regular Session

**230 Ash Street
Reading, MA 01867
November 10, 2004**

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

End Time of Regular Session: 9:28 p.m.

Attendees:

Commissioners: Pacino, Ensminger, Soli, Herlihy and Kearns*

**RMLD Staff: Messrs. Cameron, Blomley, Fournier and Carson
Ms. Benson, Parenteau, Cavagnaro and Gottwald**

CAB: Mr. Van Magness

**Liaisons: Mr. Duffy
Mr. Bolger**

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

***Ms. Kearns arrived at 7:37 p.m.**

This meeting of the Reading Municipal Light Department (RMLD) Board of Commissioners November 10, 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.

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. Pacino noted there are two letters from the CAB. The first letter is the CAB's recommendation on the Capital Budget in which they have voted to recommend that the Board approve the Capital Budget. The second one is the motion that the CAB recommends to the Board that they approve the Operating Budget.

Mr. Pacino stated the Budget Subcommittee did meet before this meeting at agenda item 5A Mr. Herlihy will make a report on its recommendation.

Report on Presentation to Town of Reading Subsequent Town Meeting

Mr. Pacino updated the Board by stating that the Department made a presentation to the Town of Reading Subsequent Town Meeting on Monday night. The presentation was based on the motion that was made in the spring Town Meeting. Mr. Pacino stated Mr. Cameron made the presentation and it went very well.

Mr. Cameron stated he made his presentation based on a motion made at Annual Town Meeting this spring by Mary Ellen O'Neill, which directed the RMLD to make a presentation describing in detail the sources of our power supply, what options for cleaner energy are available, and how RMLD can move to increase its percentage of alternative energy sources. RMLD is also requested to report briefly on its consumer conservation efforts. Mr. Cameron made the presentation and believes it was well received.

Mr. Herlihy commented he thought the presentation went very well. Mr. Herlihy told Mr. Cameron this report brought the discussion to the level where people could understand what was being said. Mr. Herlihy pointed out Mr. Cameron was applauded and this is the first time he can remember this occurring.

Selectmen Liaison, Citizens' Advisory Board and Customer Comments

Chairman Pacino asked if those in attendance wanted to speak.

Mr. Van Magness replied he has no comments at this point.

Mr. Duffy complimented Mr. Cameron on his presentation to Town of Reading Subsequent Town Meeting as he thought it was an excellent job.

Mr. Bolger introduced himself as the new liaison from the Town of Reading Finance Committee.

Action Item

Garage and Service Building Roof Replacement (J. Blomley)

Mr. Cameron explained to the Board that the RMLD garage is in need of repair. Mr. Cameron added he has put off this repair for a while but the roof is leaking badly and is in dire need of repair. The Department went out for bid and the Department received bids from seven companies. Mr. Cameron pointed the low bidder was Tar-Vel Roofing at \$181,000. Mr. Cameron stated after the bids were opened and read out loud the Department received a fax from Tar-Vel withdrawing their bid. Mr. Cameron added that the RMLD's Material Manager, Mr. Owen contacted the Commonwealth of Massachusetts Attorney General's office for advice on this issue because Tar-Vel was the lowest bidder. The RMLD's recommendation is that if the Department tries to collect the bid bond and go through this process of compelling Tar-Vel to perform it would take quite a while and not be economical as far as legal fees go, and the job probably would not get done until some time next year. Mr. Cameron commented here is a letter dated November 10, 2004 from Dufresne-Henry stating if Tar-Vel be allowed to withdraw their bid the next lowest qualified bidder would be Capeway Roofing Systems Inc. for \$217,800. What Mr. Cameron is asking the Board to consider is that Tar-Vel has rescinded their bid and that the next lowest qualified bidder, which is Capeway Roofing, be awarded the bid at \$217,800.

Mr. Blomley explained the awarding authority, which is the RMLD Board, could allow the withdrawal of the bid or to hold the bidder to the price and try to collect on the bid bond.

Mr. Cameron pointed out the Department could collect \$9,050 on the bid bond, however, the time and effort as well as the outside services to accomplish this far exceeds the bid bond level. Mr. Cameron emphasized the project needs to get done.

Ms. Kearns had two questions. First is this the first time this has ever happened? And secondly, what has the Department done to see what kind of a bidder Tar-Vel is and have they ever done that before or has the Department ever received any other bids from them before?

Mr. Blomley responded that the Department has not received a bid withdrawal before. Mr. Blomley explained that according to Tar-Vel, they made a mistake on the bid and it is of their making. The Department is unable to make that determination. Tar-Vel claims the unit prices that were supposed to be included were not added into the proposal.

Mr. Cameron reiterated to the Board to look at the bulleted sheet that outlines what occurred and what the Attorney General's office said about the situation.

Mr. Pacino inquired of the effect, if anything 30B has on this?

Mr. Cameron replied this bid was performed according to 30B.

Mr. Pacino commented there is no provision within 30B if there is a withdrawal of a bidder, which comes about under 30B.

Mr. Blomley added according to the Attorney General's Office it is up to the awarding authority, the RMLD Board, whether it is allowed or to be withdrawn because it is a condition of the bid.

Action Item

Garage and Service Building Roof Replacement (J. Blomley)

Mr. Pacino inquired what would happen if the Department decided to chase the bid bond? Would it delay the project substantially at this point?

Action Item

Garage and Service Building Roof Replacement (J. Blomley)

Mr. Cameron replied it would delay the project until next year. Mr. Cameron emphasized obviously there would be some legal work, which would have to be done, coupled with chasing \$9,000, which it is not worth it.

Mr. Van Magness added out of curiosity when the bids were opened were the other companies in attendance?

Mr. Blomley replied yes.

Mr. Van Magness asked was Tar-Vel in attendance?

Mr. Blomley replied yes.

Mr. Van Magness pointed out that they knew on that day that their bid had been accepted, the day the bids were opened.

Mr. Cameron replied no. The Department received bids and they were not accepted because only the Board can accept the amounts.

Mr. Van Magness commented they knew the amounts.

Mr. Cameron agreed they knew the amounts.

Mr. Van Magness commented that they obviously knew from that point and time from a dollar value standpoint they had the lower value bid at that point. Then the next morning they subsequently withdrew the bid. Mr. Van Magness inquired if this was a project in the 2004 Capital plan?

Mr. Cameron replied no. It is not an individual project in the 2004 Capital Budget; however, it will be included under routine construction.

Mr. Van Magness inquired if it will be capitalized?

Mr. Cameron replied yes. Mr. Cameron suggested in making a motion to substitute Capeway Roofing for Tar-Vel.

Mr. Ensminger made a motion seconded by Mr. Herlihy that bid ITB 2004-2A Garage and Service Building Roof Replacement be awarded to the lowest qualified bidder Capeway Roofing Systems Incorporated for a total of \$217,800 plus unit pricing as required on the recommendation of the General Manager.

Mr. Van Magness pointed out in the letter the amount for Capeway is \$217,800 it does not reference in the spreadsheet it reflects \$217,000. Why the difference?

Mr. Cameron replied it was an error.

Mr. Pacino noted that will the main mover and seconder accepted the change to \$217,000.

Ms. Kearns stated for the record she is voting against this motion. Tar-Vel should not get off the hook. It is an abomination as it is against the processes. They made a mistake they should have to eat it. They should do it for \$181,000.

Mr. Ensminger asked if could you compel performance, specific performance?

Mr. Cameron replied that his problem is if you are starting a project in which you must compel performance then the project will not go well. Mr. Cameron added if you want the job done right you have to do it with someone who has submitted a correct bid.

Action Item

Garage and Service Building Roof Replacement (J. Blomley)

Mr. Pacino inquired if there is any mechanism to compel Tar Vel to perform? Mr. Pacino is in agreement with Ms. Kearns' philosophy. Mr. Pacino commented if they bid wrong, then fine. Mr. Pacino added there should be a penalty. Mr. Pacino's reasoning is that the next person that bids can do the same thing and it creates a precedent. The second bidder can get the job but the Department would go after the first bidder and go after the bid bond.

Mr. Cameron pointed out it is the essence of time and he would like to get this job done. The Department spoke with the Attorney General on which way to proceed and we have been given options. Mr. Cameron added to compel performance is tough and it is not the right way to start a project.

Mr. Pacino emphasized there should be some penalty.

Mr. Soli pointed out is there any formal way such as checking credentials for bidders such as the Better Business Bureau or informing them of such that the Department was unhappy with what happened. Mr. Soli pointed out especially if they are a licensed contractor.

Mr. Blomley educated the Board that all bidders must be certified by the Commonwealth of Massachusetts in order to bid.

Mr. Soli suggested informing the Commonwealth of Massachusetts that they are not playing the game right.

Ms. Kearns pointed out the difference between Tar-Vel and the next bidder is over \$37,000. How much is the difference between the next bidder and the next one up? Ms. Kearns commented \$37,000 seems a lot to her unless all the bids came in that way.

Mr. Cameron stated the difference on the next one is \$8,000. Mr. Cameron pointed out the bid numbers came in as follows: one at \$ 225,000, two at \$237,000, one at \$298,000 and one at \$303,000.

Mr. Herlihy inquired you plan to do this before the end of the year?

Mr. Cameron replied yes.

Mr. Ensminger made a motion seconded by Mr. Herlihy that bid ITB 2004-2A Garage and Service Building Roof Replacement be awarded to the lowest qualified bidder Capeway Roofing Systems Incorporated for a total of \$217,000 plus unit pricing as required on the recommendation of the General Manager.

Motion carried 4:1:0. Ms. Kearns voted against this motion.

Presentation

Commercial Lighting (M. Benson)

Mr. Cameron introduced Key Account Manager in Energy Services, Ms. Benson. Mr. Cameron explained this year Energy Services developed a Commercial Lighting Rebate program. Mr. Cameron commented they did a lot of work in the collection of data across the United States of what other companies had put in place. When lighting is replaced with more energy efficient lighting the study is very easy because it is and absolute savings. Under Ms. Parenteau's direction, Energy Services Manager, Ms. Benson and Mr. Bilicki came up with this program. The program offers rebates to customers to replace their lighting with more energy efficient lighting and the amount of the rebate is based on the savings from the new lighting. The savings is based on the wattage savings and the estimate of the market price the RMLD pays for electricity. In 2005, \$50,000 is budgeted for this program.

Ms. Benson explained that this program is a common program for lighting rebates. The customer performs the bulk of the work. You get more bang for your buck if the customers do it themselves. Ms. Benson noted in this program it takes one year to recoup the RMLD's investment in the change in lighting. Ms. Benson added this is pretty simple: cut and dry. This program is performed across the nation and the RMLD built their program on this. Ms. Benson pointed out they took the best from the different lighting programs to come up with this program. Ms. Benson pointed out the customer performs most of the work on this project. The customer documents their lighting and the Key Account Managers in turn verify the lighting matches what they are proposing to change. Ms. Benson commented that the maximum rebate is \$5,000 per customer, \$10,000 per Town annually.

Presentation

Commercial Lighting (M. Benson)

Ms. Benson stated they have received calls over the years of customers inquiring if the Department has such a program. Ms. Benson stated she and Mr. Bilicki have several customers already interested in taking advantage of this program. Ms. Benson has in the past told them they are looking into such a program but nothing is etched in stone.

Ms. Kearns inquired about the T5 versus the High Intensity Discharge (HID) replacing the HID high-bays with T-5's can exceed fifty percent in savings?

Ms. Benson replied yes. Ms. Benson replied that HID's they are not these type of fluorescents. This lighting is typically used in a stadium, gym or warehouse, which use a substantial amount of electricity.

Ms. Kearns inquired if that the savings in kWh usage is true, why should the Department pay for customers to reduce kWh usage? Ms. Kearns used the hypothetical, if customer A uses a large amount of kilowatts and the Department is going to encourage them to put in a different lighting system then pay them to do it.

Ms. Benson replied that is the essence of a rebate program. The Department is already offering rebates on the residential side for energy efficient rated appliances.

Ms. Kearns added businesses are a little bit different than residential. Ms. Kearns added it seems pretty high.

Ms. Benson replied it brings down the Department's power supply cost also; it is a benefit to the Department and all customers to get this down. It is the Department's incentive to do this.

Mr. Cameron added the Department has based this program on a one-year payback, which is very good.

Ms. Kearns inquired this is good for who?

Mr. Cameron explained it is good for the customers of the RMLD because when these lights are replaced it keeps the RMLD from purchasing high priced energy during high load periods. There will be a savings every year when you invest the equivalent of one year's savings. These lights are on for the most part between 7:00 a.m. to 8:00 a.m. to 5:00 p.m. and 6:00 p.m. for office buildings. These time frames represent the high load period for the RMLD. During this period the RMLD pays the highest amount for electricity in POOL prices. The savings for every light that is changed out is ongoing by paying the equivalent of one year's savings to get that done.

Ms. Kearns believes her question is do we know if these companies would not do this without the Department giving them \$10,000 to do it? Why is it in their best interest to do this because the wattage is going to go down? Why does the Department have to do this?

Ms. Benson replied the amount is \$5,000.

Mr. Cameron added the \$10,000 per town.

Ms. Benson commented that for the largest customers it does not make a hill of beans to them whether they do this or not. The larger commercial customers will invest \$100,000 to change out lighting, \$5,000 will not make or break them. Ms. Benson pointed out for the smaller commercial customer this is a benefit and it will make a difference whether they can invest to do this or not. It is also a benefit to the RMLD for customers to be more efficient.

Mr. Herlihy thanked Ms. Benson for her efforts in bringing this program forward. Mr. Herlihy noted that he attended an economic summit in which Massachusetts Electric was offering such services. Mr. Herlihy believes it is important that the Department offer such services to its commercial and industrial customers. Mr. Herlihy commented although it is a closed territory, the Department needs to offer similar types of programs and products to such customers. Mr. Herlihy did have one question relative to the \$10,000 per town. Can the schools be considered a separate customer and is that possible?

Ms. Benson replied that lighting has already been addressed in most schools within the service territory. Also within the Department's service territory recently there have been more new schools, which utilize newer efficient lighting.

Presentation

Commercial Lighting (M. Benson)

Mr. Herlihy commented this would also include football lights.

Mr. Cameron replied no.

Mr. Soli mentioned that Mr. Cameron neglected to point out the Department pays for kWh, but also for the peak kW. Mr. Soli stressed if those lights are using fewer kilowatts when the peak occurs in the summer the Department's bill goes down proportionately. The amount of that peak gets reduced.

Mr. Cameron replied Mr. Soli is correct. Mr. Cameron added he will not ignore that fact but the pricing in the POOL is a little different than in years back. Mr. Cameron explained that is why the Department looks at this on a kWh basis because kW in the NEPOOL is very inexpensive now.

Mr. Van Magness inquired if this is a budgeted line item?

Mr. Cameron replied yes.

Mr. Van Magness has been thinking about this because it appears to him that the fact it is a budgeted line item based on the assumption it is a Cost of Service utility, which is trying to get through a rate study and he is assuming this cost \$50,000 would be assigned in a rate study, in the commercial/industrial customers as it benefits them. Mr. Van Magness commented therefore where the Department has the incentive program in place and it is part of the rate that the commercial/industrial pay for the electricity they consume on a Cost of Service basis.

Mr. Cameron clarified with Mr. Van Magness, are you saying the cost should be assigned to the commercial sector customer in the new Cost of Service?

Mr. Van Magness replied he thought it was assigned in the first Cost of Service Study.

Mr. Cameron added this is a new program.

Mr. Van Magness commented there will be a Rate Study or Cost of Service Study the fact it is in the budget will it be assigned to the Commercial/Industrial customers?

Mr. Cameron replied yes he is following Mr. Van Magness on this. Mr. Cameron added the benefit of this program goes back to all the customers of the RMLD not just the commercial customers.

Mr. Van Magness pointed out that \$50,000 isn't coming out of the bottom line revenue of the Department as a non-budgeted item.

Mr. Cameron agreed. Mr. Cameron explained there is an argument that can be made since the savings go back to all customers and then all the customers should pay for this.

Mr. Van Magness added the commercial/industrial customers are the ones who are incurring the cost on their behalf, which is the premise of Cost of Service.

Mr. Cameron is not going to agree with Mr. Van Magness one hundred percent until he looks at it a bit more.

Mr. Van Magness added that the theory of this is the cost of this is not coming out of revenue, it is not rebate of revenue it is in fact a cost built into the rate structure and would be built into the rate structure based on Cost of Service Study.

Ms. Benson clarified that within the Energy Services budget \$50,000 has been earmarked to this rebate as well as Energy Audits.

Ms. Kearns commented Ms. Benson is responsible for Key Accounts and said something like that \$5,000 is not on the radar screen. It does not count when compared to the cost of changing the lights over from her perspective.

Presentation

Commercial Lighting (M. Benson)

Ms. Kearns added the program should zero in on those customers it does matter to as opposed to the larger customers.

Ms. Benson replied it is not that the larger commercials do not care. There are companies that are waiting. The smaller commercial customer will derive the best benefit but the RMLD will not disallow the larger customers.

Ms. Kearns interjected they will be getting the greatest benefit in terms of if they change their lights then they will not be paying such a large electric bill.

Ms. Benson further explained that whether the bill balance is \$500,000 a month or \$5,000 a month, there is a benefit.

Ms. Kearns inquired did they take into account to offer this program to the smaller customers.

Ms. Benson explained the cut off is \$5,000 per customer.

Mr. Cameron added this has been a spirited discussion but this is a presentation to make sure the Board understood what the Department is doing and it is an operational issue. Mr. Cameron noted he is not looking for the Board's blessing and there is no vote or motion required. This has however, been a good information process and flow of information.

Mr. Soli inquired what happens if there is a case of oversubscribed money and there is a concern is if it is dolled out fairly.

Ms. Benson replied this will handled be on a first come first serve basis. The funds will be set aside when it runs out, it runs out for the year. Ms. Benson pointed out this is a pilot program to see if there is in fact the interest and will continue forward based on interest only.

Board Discussion

Capital/Operating Budget Subcommittee Update

Chairman Pacino pointed out this is Item 7B on the agenda.

Mr. Herlihy updated the Board that the Capital/Operating Subcommittee met this evening and voted to recommend the Capital Budget. They are recommending the 2005 Capital Budget to the Board tonight for approval. Mr. Herlihy added the Subcommittee did a thorough review.

Mr. Herlihy commented that the Citizens' Advisory Board (CAB) did a thorough job on the Capital Budget. Mr. Herlihy complimented Mr. Carson and others for their informative explanations. Mr. Herlihy added this is a solid Capital Budget, which addresses the systematic needs of the Department.

Ms. Kearns inquired is the dollar amount for the budget the same as recommended by the CAB?

Mr. Pacino replied yes.

Ms. Kearns inquired if the \$4 million number accounted for the personnel changes in the Line Department as a result of the discontinuance of the street lighting program?

Mr. Cameron replied the street lighting program was never capitalized because the Department installed lights outside its system. The effects of the street lighting program appear on the Operating Budget side.

Mr. Herlihy reiterated for the record three comments he made at the Subcommittee meeting future 1. Consider grant funding for GIS or any state grants. 2. Concerned about transformers that are in areas of environmentally sensitive concern and try to get oil free transformers. 3. Update before year-end on the website.

Mr. Soli made an amendment to the original motion that the RMLD Board of Commissioners direct the General Manager to include unit costs for each item in the 2006 Capital Budget. Mr. Soli commented an example of this is if there is 4,000 feet of cable in a certain project then 2,500 feet of cable at another project it is much easier if the unit cost is shown because it makes it easier to understand why it is fifteen percent higher. Mr. Soli added in this year's Capital Budget wherever there were police details the unit costs were exactly the same.

Board Discussion

Capital/Operating Budget Subcommittee Update

Mr. Cameron has no problem with this.

Mr. Herlihy inquired based on the Capital Budget, for the record; there will be one vehicle purchased this year?

Mr. Cameron replied yes, there would be one line truck purchased unless something catastrophic happens. There are no other vehicles scheduled for replacement.

Mr. Soli mentioned Mr. Herlihy led discussion at the Subcommittee meeting about avoiding environmental costs at wetlands. Mr. Soli believes the Department is doing the right thing in those sensitive areas. Mr. Soli added it seems an area that Mr. Cameron may want to check into and is there excess regulation by the state. Mr. Soli pointed out some transformers have soybean oil used in them and based on the state laws are held to the same due diligence as other type oil. Mr. Soli suggested one of the bodies the Department belongs to that has lobbying might want to take up this issues with the state.

Mr. Cameron stated he would talk to MEAM or NEPPA about this.

Mr. Herlihy made a motion seconded by Mr. Ensminger that the RMLD Board of Commissioners approve the 2005 Capital Budget Draft 1 in the amount of \$4,453,361.

Mr. Soli made an amendment to the original motion seconded by Ms. Kearns that the RMLD Board of Commissioners direct the General Manager to include unit costs for each item in the 2006 Capital Budget.

Mr. Herlihy made a motion seconded by Mr. Ensminger that the RMLD Board of Commissioners approve the 2005 Capital Budget Draft 1 in the amount of \$4,453,361 and that the RMLD Board of Commissioners direct the General Manager to include unit costs for each item in the 2006 Capital Budget.

Motion carried 5:0:0.

Mr. Cameron then turned the discussion addressing Mr. Van Magness on how much work the CAB did in analyzing the Capital and Operating Budget.

Mr. Herlihy stated they are continuing their meetings on the Operating Budget and want to give the same due diligence as the CAB. Mr. Herlihy wants to process all the information from minutes and tapes of the CAB on the Operating Budget and it will be addressed before the next meeting.

General Manager's Report

Financial Report September 30, 2004

Mr. Fournier highlighted the September Financial Report. Mr. Fournier went over page 3A, the change in Net Assets is about \$6.2 million compared to budget of \$4.6 million. Mr. Fournier noted historically the Department has done the fuel as a pass through the Fuel Expense/Fuel Revenue under GASB rules. The difference between Fuel Revenue and Fuel Expense is \$1.4 million. The Base Revenue is \$.5 million ahead, which is indicative of 4 million kWh above last year's actuals. The Purchase Power base is \$300,000 under budget. The Operating and Maintenance Expense is under budget. The Outside Street lighting shows a \$63,000 loss. There was a \$400,000 write off for the old computer system. On page 12A, Actual Expenses versus Budget Expenses and there are no surprises. The Accounting Manager's position has been allocated \$136,000. There is \$200,000 for Property Insurance under budget decreases in property, auto and equipment insurances. The insurance retainer has not been spent. Employee benefits are over budget by \$400,000, which reflects the Pension Contribution, made last month. The full affect of this was in the August Financials. Mr. Fournier added the Garage and Stockroom Expense is under budget by \$125,000, which includes \$68,000 for Homeland Security, which has not been spent.

Mr. Fournier then went over the Summary by Division. Energy & Operations is under budget by \$700,000, Energy Services is over by \$13,000 attributed to Professional Services, General Manager's budget is under budget by \$62,000, Project Manager's is over budget by \$140,000 due to insurance and general budgets, Business Division is over by \$500,000 for the computer \$439,000 and potential write off in inventory.

General Manager's Report
Financial Report September 30, 2004

Ms. Kearns inquired about the General Manager's recommended rebate to the customers of \$3.5 million refunded based on the August Financials? Ms. Kearns asked if the Board would reconsider additional monies to the customers. Ms. Kearns is not an accountant but by listening to Mr. Fournier and looking at the numbers they are considerably better than the August numbers. Does Mr. Fournier agree?

Mr. Cameron replied Mr. Herlihy's motion was that the extra \$500,000 be rebated in the spring based on year-end. The Change in Net Assets is \$1.5 million between the budget and actual year to date. However, the Purchase Power Fuel of \$1.2 million is a large part of that. The Department has never looked at its Net Income including fuel because it had the Deferred Fuel Reserve. Even though it shows the Department is \$1.6 million ahead of budget when you take out the \$1.2 million of the fuel expense it is pretty tight. What Mr. Cameron plans to do, based on Mr. Herlihy's motion, is assess the end of the year financials.

Mr. Fournier added he would like to wait until the end of the year audit for the audited numbers. Mr. Fournier would like to see if the eight percent return was made. It would be appropriate because there would be hard numbers available.

Mr. Cameron pointed out that two transfers were made in August so both the pension transfer and computer write off could be reflected.

Mr. Soli asked if the fuel will be balanced out with the reductions and if that were done would it reflect \$.25 million?

Mr. Cameron replied the Department has had the Fuel Charge to 3.75¢ a kilowatt-hour for the last three months. Mr. Cameron added the Department has over recovered the last three months. Mr. Cameron commented the short answer is the Department is balancing; the longer answer is that he needs to show Mr. Soli the numbers.

Mr. Cameron addressed the issue of the Federal Energy Regulation Commission (FERC) accepting for hearing Locational ICAP.

Mr. Cameron noted basically, the FERC is now looking at the filing on how to determine how generators should be paid for capacity similar to how they get paid for congestion on the energy side. As a result of this the RMLD, Wellesley, and Concord have hired the law firm of Duncan & Allen to represent them on this issue. Mr. Cameron pointed out that if the generators are successful and the FERC allows it then it could create an additional expense of \$9.0 million annually to the Department. This is the worst-case scenario. Mr. Cameron commented they have been doing some preliminary work on this. This will go into next year because the LICAP issue is scheduled to go on line in 2006. Mr. Cameron added it will add costs to the budget this year and the FERC and ISO Outside Services will go over budget.

Mr. Pacino pointed out that the Attorney General in Rhode Island has been talking about incentive payments and is the same issue? Mr. Pacino had an article in which Attorney General Tom Riley is also mentioned. Is there any way of coordinating this effort?

Mr. Cameron replied the Department has POOL planned units including Seabrook, Millstone and the Stonybrook plants. When ISO originally filed the LICAP filing in March Pool Planned Units would get a one for one trading rights. The Department would not have to purchase more expensive capacity in the NEMA load zone if they get credit for the Pool Planned Units. The Department would have these Pool Plan Units, which, would help not incur any costs. When the ISO refiled LICAP in September they completely left the Pool Planned Unit issue out. Mr. Cameron explained that is the \$9 million issue. If the Department does not get the recognition for its Pool Planned Units in this LICAP it will in turn create a large bill for the RMLD annually of \$9 million. Mr. Cameron pointed out that MMWEC is also addressing this issue. Not all the MMWEC participants need that LICAP issue addressed.

Mr. Pacino suggested to Mr. Cameron to get in touch with each of the Selectmen in the four towns the Department services due to the potential increase.

General Manager's Report

RMLD Board Expense Variance Analysis, September 2004

Mr. Cameron commented the transmission owners in the RTO had their hands out and they got their payday. Mr. Cameron told Mr. Coyle, the Department's Washington attorney, that generators will be next. Mr. Cameron pointed out this issue is fashioned in a manner as an incentive to get more generation in the right places. Generation was put in certain parts of New England due to topography and geography. Mr. Cameron is hoping the Department gets through this unscathed.

Mr. Fournier stated the Board's budget for 2004 is \$15,0000 but has spent for the first nine months a little over \$3,000. Mr. Fournier noted next year's budget has been cut to \$7,500.

Ms. Kearns inquired about the expenses she incurred for the NEPPA Conference and the \$24 dollar amount?

Mr. Fournier will check into this.

Mr. Pacino inquired on Ms. Hughes' NEPPA expense?

Mr. Cameron replied it went through last week's payables.

Mr. Fournier stated that for the first nine months all five Divisions are \$90,000 under budget. Mr. Fournier has addressed some of these in the prior segment of his presentation this evening. Mr. Fournier added just because money is budgeted does not mean it is going to be spent.

American Public Power Association (APPA) Legislative Rally February 8 to February 10, Washington, DC

Mr. Cameron has attended this for the last two years with the late Commissioner Hughes. Based on Mr. Cameron's comments a couple minutes ago with what is happening with the FERC it is important that the Legislators understand the issues that are important to the RMLD and the municipalities of Massachusetts.

Mr. Cameron responded that it has been suggested to do this locally but he has forged relationships with Markey's and Tierney' aides. Given the issues that are going on down there is a need top off such issues. Mr. Cameron noted APPA is one source to communicate in Washington but they do not allocate all their time on certain issues, and the Department's Washington legal Mr. Coyle can do this from time to time. The aides do budget from time to meet with the constituents.

Mr. Soli inquired if a Commissioner should attend?

Mr. Cameron replied yes it would be beneficial.

Mr. Pacino commented it would behoove a Commissioner to attend. It is impossible for him to attend this time of year.

Ms. Kearns cannot commit, as it is four billable days.

Mr. Cameron added if a Commissioner cannot attend it is not a big deal.

History of RMLD Streetlighting Endeavor

Mr. Cameron stated that Commissioner Herlihy asked for this information at the last meeting. It shows a total net loss of \$369,595 from 2000 to 2004. The loss was highest in 2001, \$202,965. Mr. Cameron tried to mitigate those losses and the closest he could come was in 2003 with a loss \$8,211. In that year, the most advantageous contract ran out with Lexington. Framingham, Brookline and Winchester all called recently for clean up work. Mr. Cameron added there are some issues on non-payment, which he is working on. Mr. Cameron hopes not to spend legal dollars to sort out these issues.

Mr. Pacino inquired Mr. Cameron if he remembered the order they were awarded?

Mr. Cameron replied 2000 Haverhill, 2002 Arlington, Brookline, Lexington and Winchester in 2001.

Mr. Pacino asked what makes up Marketing and Other?

General Manager's Report
History of RMLD Streetlighting Endeavor

Mr. Fournier replied brochures and management time.

Mr. Cameron commented in 2002 and 2003 Marketing there was no printing. It is the way it is booked.

Mr. Pacino wants to know how the allocation for personnel was in Other?

Mr. Fournier replied that employees would submit this time weekly on their timesheets for over the past four years.

Mr. Cameron used the example of his own time being charged if necessary on street lighting weekly. It was not a percent basis.

Mr. Soli commented this is no reflection on Mr. Cameron because he inherited the program.

Mr. Pacino added these are for information.

Board Discussion
Next Meeting Dates
Wednesday, December 1, 2004
Operating/Capital Budget Subcommittee Meeting

On another matter, Mr. Herlihy noted that in attendance at this meeting was the Customer Service Manager, Laurie Cavagnaro. She is present but has been out on a long absence and wanted to welcome her back.

Executive Session (General Manager's Conference Room)

At 8:58 p.m. Mr. Ensminger made a motion seconded by Mr. Herlihy that the Board go into Executive Session to discuss strategy with respect to litigation and negotiation with regard to power supply and to return to Regular Session for the sole purpose of adjournment.

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

Mr. Pacino called for a poll of the vote:

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

Motion to Adjourn

At 9:28 p.m. Mr. Herlihy made a motion seconded by Mr. Ensminger 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