

Reading Municipal Light Board of Commissioners

Regular Session

**230 Ash Street
Reading, MA 01867
March 16, 2005**

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

End Time of Regular Session: 9:55 p.m.

Attendees:

Commissioners: Pacino, Soli, Herlihy and Kearns

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

CAB: Mr. Stevenin

Liaisons: Mr. Duffy

Guest: Mr. Biron, Melanson Heath & Company, PC

This meeting of the Reading Municipal Light Department (RMLD) Board of Commissioners March 16, 2005, is being broadcast at the RMLD's office at 230 Ash Street, Reading, MA. This evening's meeting is on tape therefore not live. Live broadcasts are available only in Reading due to technology constraints. This meeting is being video taped for distribution to the community television stations in North Reading, Wilmington and Lynnfield.

Report of the Chairman of the Board

Presentation of Meter Lamp to former RMLD Board Commissioner, Daniel A. Ensminger

Mr. Pacino stated that Mr. Ensminger was presented with his meter lamp in the General Manager's Conference Room this evening before this meeting because he had a previous engagement. Mr. Pacino presented Mr. Ensminger with his meter lamp in appreciation of his service to this Board and the Ad Hoc Committee as well.

Mr. Pacino introduced Frank Biron who is the auditor from Melanson Heath & Co. who will make a presentation on the RMLD's Audited Financial Statements.

General Manager's Report

Town of Reading Massachusetts, Reading Municipal Light Department, Financial Statements For the Year Ended December 31, 2004 (With Independent Auditors' Report Thereon)

This agenda item was taken out of order.

Mr. Biron introduced himself as the President of Melanson Heath & Co., CPA's. Mr. Biron pointed out that it is the second year they have performed audit services for the Reading Municipal Light Department. Mr. Biron also mentioned they are the auditors for the Town of Reading. Mr. Biron wanted to go through the highlights of the Financial Statements and then discuss the Management Letter. Mr. Biron noted that he going to speak very briefly about the numbers because they just came back from a meeting of the Audit Subcommittee and went through these reports in a detailed fashion. This will be presented in a more summarized format. Mr. Biron started with the Independent Auditors Report. Mr. Biron noted they were hired as the outside auditors to provide an opinion as to whether these Financial Statements are in accordance with Generally Accepted Accounting Principles (GAAP). The way the Report reads, the answer to that is yes, in their opinion the RMLD Financial Statements are in accordance with GAAP with one minor exception, which is depreciation. Mr. Biron explained the Department tracks depreciation following state DTE guidelines, which requires that all assets be depreciated at a rate of three percent. GAAP would require, however, that you report the fixed assets and depreciate them over their useful lives. If an asset had a useful life of five or ten years they would be depreciated over those periods in times instead of a straight three percent. Other than that one issue the rest of the Financials are in accordance with GAAP. Mr. Biron then addressed the Income Statement. Mr. Biron went over the key numbers. Mr. Biron noted for 2004, Operating Revenues \$60,842,221 it is up approximately \$1.5 million from the prior year. The Operating Revenues have many different components and which is \$64,149,464 but there are certain deductions, which appear after that. Mr. Biron pointed out the largest of them represents the Rate Refunds that represents refunds given to customers in the past year based on a \$3.5 million authorization by the Board.

General Manager's Report

Town of Reading Massachusetts, Reading Municipal Light Department, Financial Statements For the Year Ended December 31, 2004 (With Independent Auditors' Report Thereon)

Mr. Biron noted the subtotals for the Operating Expenses are \$57,415,068 compared to the prior year of \$57,076,423 reflecting an increase of \$300,000 but the expenses are very similar. Mr. Biron noted the Operating Revenues less the Operating Expenses this represents an Operating Income \$3,427,153, which is up from the prior year by approximately \$2.2 million. Mr. Biron added that there are other Nonoperating Revenues and Expenses the largest of which is the Return on Investment to Town of Reading, which is \$1,894,829. This is based on an agreement with the Town of Reading and is a calculated number that increases based yearly on the Consumer Price Index. Of the \$3.4 million Net Operating Revenues approximately \$1.9 million was returned to the Town of Reading. There are other plus and minus items, which are considered Nonoperating Revenues, and Expenses, the net of all of those totals \$1,057,788. The bottom line is the Change in Net Assets is \$2,369,365. If you were operating a commercial business operation, that would be considered your Net Income for the year. Revenues exceed Expenses in accordance with GAAP, by roughly \$2.4 million. It is up from the year before which was \$1,264,693. The state has maximum amounts that the Department can have for Net Income. In the Department's case it is based on eight percent of Net Fixed Assets. The \$2.3 million is about two thirds of the maximum amount the Department would have been allowed. The Department would have been allowed another \$1.2 million above and beyond that. Mr. Biron reminded the Board they did approve refunds to the customers in the amount of \$3.5 million. The bottom line is the Department had a very strong year this year. The Financial Statements are in very good financial condition. Mr. Biron pointed out on page nine, the Department has a Pension Trust Fund which has a balance of \$8.2 million and these were monies set aside by the Board years ago in order to help fund the charges that you have to make to the Town's Retirement system. Mr. Biron noted on page ten, it summarizes the Income Statement for this the Revenues, which include the amount, which came from the operations of \$607,735, the Investment results of approximately \$250,000 and amounts paid to Reading Contributory Retirement System and the bottom line of the Pension Trust Fund was close to breakeven with a surplus of \$2,303.

Mr. Biron then addressed the Management Letter. Mr. Biron explained that the Management Letter includes issues that come up during the course of the audit. It shows areas where improvements can be made because of weaknesses in the internal control system or efficiencies and such and the recommendations are in the Management Letter. Mr. Biron went on to say that when they came in to perform the audit a couple of weeks ago the records were in very good shape. The books were balanced, tied out and closed out nicely. The information they requested for the audit was ready for them. The audit ran very smoothly. Mr. Biron complimented the Department for maintaining records and keeping things reconciled. What is contained in the Management Letter are not Reportable Conditions. Reportable Conditions represent a serious breakdown in the internal controls. The issues in the Management Letter concern areas in which improvements can be made but are not serious issues. There are two issues repeated this year that were mentioned in last year's Management Letter. There needs to be a review of the Customer Advances in Aid of Construction. It is a liability account, which appears on the Balance Sheet it has \$1.3 million; it represents monies received from outside contractors and customers over the years. The years go back from 1988 to current. These represent balances received by the Department so they could perform some kind of service. A look back needs to be done to ensure that the Department has in fact performed the work in order to close out these accounts. The closing would be returning the money back if the work is not done or not closing it back to Operations if the work is completed. Mr. Biron also mentioned the new employee authorization form. When testing the payroll and there is a new employee the Personnel Department sends an e-mail to the Accounting Department so they can set up for the new employee. What is not happening is the form is not being hand signed by the Personnel Director or the General Manager. There should be a form that documents all the key pertinent information for a new employee including the rate of pay and other information. This form then needs to be physically signed by the Personnel Director and the General Manager. Mr. Biron then turned to the current year issues. Mr. Biron discussed the Century Bank account where all the deposits go into. Twice a week the Department turns the collections over to the Town Treasurer. There has always been an excess balance that is sitting in this account. This has happened for years and is not a clean fixed number. It is not \$50,000 or \$100,000; it is a number that goes down to pennies. Mr. Biron point is there should be a fixed clean number in there, if it is \$100,000 then it should be kept that way. When the bank reconciliation is done on a monthly basis there is a number to shoot for. It will make life easier when trying to reconcile the accounts. The next issue is somewhat similar because it involves the receipts and the turnover to the Town of Reading. As he mentioned earlier, turnovers are made to the Town Treasurer, twice a week, Tuesday and Friday. The Town maintains its own General Ledger and Cash Account to track the cash balances. The Department also has its own General Ledger to track cash balances. On a monthly basis a proof is done between the two.

General Manager's Report

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Mr. Biron noted one of the complicating factors is when the turnovers are done on Tuesday and Friday, if at the end of the month and especially at the end of the year if the last day of the year does not fall on a Tuesday or Friday there is a cut off issue. Not all the receipts for this year are going to in the Treasurer's hands therefore there is a different cash balance. This has been an issue in the past and identified in the reconciliation process is not a major issue but the reconciliation process would be simpler and cleaner if there was not this cut off difference. The other issue is credit card receipts. Mr. Biron explained the Department allows five different credit card companies to be accepted here at the Department. Each of them handles things differently when it comes to fees. Some of them have the fees withheld from the receipts so the deposit into the Department's account is the net number. Others have a gross number that you have to show for that fee. It gets complicated trying to prove the receipt collected at the counter tie with the deposits that appear in the bank accounts. The Accounting Department has done a good job getting it from the clerks and to the Department and there is a lot of paper work involved. A spreadsheet should be created to streamline that process and make it simpler and easier to understand. The last issue is relating to the receipts and it deals with an Excel spreadsheet that is being maintained that the Accounting Department uses to prove all of the receipts collected to the counter make its way back to the deposit to the bank statements. There are different deposits being made in the form of payment currency, check and credit card receipts. There is an elaborate spreadsheet being used for that proof. There are three employees in the Accounting Department involved in this internal audit to prove the numbers. This proof involves what hits the General Ledger versus what the Clerks say they collected versus the money that made its way to the bank deposits. At least three different employees are involved in the process but there are no initials or tick marks that indicate what person did what. The point of the recommendation is the spreadsheet should be revised so that you can tell who did what with initial sign offs. It would provide for a better audit trail and would show the oversight has been performed as intended.

Mr. Soli pointed out what is attached is the responses to the Management Letter by the Department. Mr. Soli had a question for the General Manager about review Customer Advances in Review in the Aid of Construction. Since the Department is going to change the fiscal year and do an audit in the next six months he would be interested as too see how quickly these can be closed these out. Mr. Soli asked of the General Manager does he think that by the next meeting provide an estimate of how many years can be closed out before the Department goes through the next audit process?

Mr. Cameron replied that when Mr. Biron delivered the Management Letter he and Mr. Fournier discussed this. Mr. Cameron went to Engineering. Currently, everything is closed up until 1998.

Mr. Soli inquired if in the next month Mr. Cameron could ensure that this be progressed by the end of June?

Mr. Cameron replied yes. Mr. Cameron noted they are still working on it but have already closed out eleven years.

Mr. Fournier pointed out in the Management Letter, Melanson Heath & Co. gave the Department a deadline of June 30, 2005; we have put a serious dent into that Customer Advances account. Mr. Fournier added also instructed the Engineering Department that any jobs outstanding to give Accounting a status so they know exactly where they stand so they are not just hanging out there. Mr. Fournier mentioned the next time that Melanson Heath & Co. does its presentation the issues in this Management Letter point should be attended to.

Mr. Pacino noted that the Audit Subcommittee met before the meeting and went over the numbers with Mr. Biron in greater detail. It is the Audit Subcommittee's recommendation that the Board accept both the Audited Financial Statements and the Management Letter. The Audit Subcommittee accepted this therefore it directs the General Manager to print this in the RMLD's Annual Report. Mr. Pacino did point out, however, there is one item the Town of Reading Audit Committee was originally was supposed to meet before the meeting but they had an issue with trying to get a quorum. They also tried for a meeting other times. Mr. Pacino stressed that the Department has to go forward with this to get this into the Annual Report and have it printed on time. The Audit Subcommittee is recommending acceptance of the Audit at this meeting with the possibility the Town of Reading Audit Subcommittee could meet with them.

General Manager's Report

Town of Reading Massachusetts, Reading Municipal Light Department, Financial Statements For the Year Ended December 31, 2004 (With Independent Auditors' Report Thereon)

Mr. Soli made a motion seconded by Mr. Herlihy that the RMLD Board of Commissioners accept the Audit and the Management Letter and instruct the General Manager to include it in RMLD's Annual Report.

Motion carried 4:0:0.

Messrs. Pacino and Cameron thanked Mr. Biron.

Selectmen Liaison, Citizens' Advisory Board and Customer Comments

Chairman Pacino asked if those in attendance wanted to speak.

Mr. Stevenin had nothing at this time.

Mr. Duffy mentioned that Frank Hadley was honored for his fifty years of service at the Department at last evening's Selectmen meeting. Mr. Duffy congratulated Mr. Hadley for his years of service.

Mr. Herlihy stated he had the privilege and opportunity to represent the Board at last night's Selectmen's meeting. Mr. Herlihy noted that Frank Hadley was presented a certificate from all the Selectmen recognizing his fifty years of service to the Town of Reading. Mr. Herlihy thought it was beyond a nice gesture. It was a good moment, and more than appropriate. Mr. Herlihy commented that Frank Hadley demonstrated his usual professionalism and class about the whole thing.

Mr. Cameron added himself, Commissioner Herlihy, Paula O'Leary who works closely with Frank Hadley in the Line Construction and his wife Clare Hadley were present. They all said a little something on his behalf.

Action Item

13.8 Kv Padmounted Capacitor Bank Equipment

Mr. Cameron updated the Board by explaining that some of this equipment is going to be placed at the Gaw station. Capacitors help regulate the power factor. NEPOOL likes the power factor to be unity. Mr. Cameron pointed out the more expensive units will be placed at Gaw. The Department also has units, which need to be put two residential developments being built in Reading. Two of the units will be put in inventory because the Department has to have spares.

Mr. Kearns clarified, "lowest qualified bidder was part of the motion" and with looking at that the unit costs and total net costs, is she correct that Northeast was not the lowest bidder, it was the lowest qualified bidder?

Mr. Cameron replied yes. Mr. Cameron pointed out in addition to price some bidders took exceptions whereas the successful bidder did not. The exceptions kicked out the lowest bidder.

Ms. Kearns inquired why would someone bid a on a job and not comply with the Department's requisites and why were the requisites necessary?

Mr. Cameron replied there are terms in conditions in the Department's bids. The terms could have to do with such an item as delivery, which the bidder does not want to comply with. Mr. Cameron pointed out that Northeast Power Systems did not have any exceptions to the RMLD's terms and conditions. Through the bid analysis this is how it turned out. The other bidders do have the right to come in and question the bid. If exceptions are taken to the requirements and the Department cannot live with these it has the right not to accept these bids.

Mr. Herlihy clarified the Department budgeted \$123,770 and the bid is over budget because it is \$191,000?

Mr. Cameron replied yes. There is routine construction that the Department can cover for this. The Department did not realize they needed these units for Spence Farms and Johnson Woods during the last budget. The additional materials would be covered under routine construction.

Mr. Pacino inquired if they are building on Spence Farm?

Action Item

13.8 Kv Padmounted Capacitor Bank Equipment

Mr. Cameron replied the RMLD has received a design from the developers.

Mr. Soli clarified for the Gaw the budget was \$123,770 and the bid is \$107,400 therefore the Department is roughly \$16,000 under budget here. The remainder will appear in other areas in the budget.

Mr. Cameron replied it is in the routine construction.

Mr. Helihiy made a motion seconded by Mr. Soli that bid 2005-1A for 13.8 Kv Padmounted Capacitor Bank Equipment be awarded to Northeast Power Systems, Inc. for a total cost of \$191,100.00 as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 4:0:0.

Report of RMLD Board Subcommittees

Accounting Manager Subcommittee (Commissioner Soli)

Mr. Soli updated the Board by stating the Subcommittee has met a couple of times on this. It started out with the general position for the Accounting/Business Manager. At their last meeting they looked at the position description and made some minor additions. One of the things is that the Accounting Manager shall be in conformance with Massachusetts General Laws and all Board policies. They assumed it was good to put in there. Mr. Soli noted a couple typos are found. They are found in the job summary on the second line where it says, "and will be subject" he/she should be added. In the next to last line "activities" has a typo in it. They need to be corrected. The Subcommittee discussed this in some detail and since his fellow Subcommittee member is a labor lawyer she had some very insightful input to this. The upshot at the last meeting was that the Subcommittee voted to bring this forward to the Board for their approval.

Ms. Kearns thanked Mr. Soli for saying she was participatory. Ms. Kearns stated one factor of this position that bothered her was according to the Reading Home Rule Charter, the RMLD Board appoints the Accounting Manager and it is silent to the rest of his life at the RMLD. Ms. Kearns was concerned if he maintained his employment, at will status at the RMLD, and if so, who had the right to say Mr. Fournier the 'at will status' is now over. Ms. Kearns thanked Mr. Cameron for the opportunity to discuss this with him. Ms. Kearns pointed that Mr. Cameron provided a creative and satisfactory resolution. Ms. Kearns noted that if the Board believed Mr. Fournier should not continue and requests the Mr. Cameron, General Manager to get rid of Mr. Fournier and he decides not to it is up to the Board to decide what to do with Mr. Cameron. The Board does not have any independent right to fire, discipline or discharge Mr. Fournier. Ms. Kearns can accept that. It is a Board's responsibility to decide what to do with Mr. Cameron alone.

Mr. Soli made a motion seconded by Ms. Kearns to adopt the position description for Accounting Manager/Business Manager with the two technical corrections.

Motion carried 4:0:0.

Mr. Cameron pointed out the Policy Subcommittee needs to get together because Policy 19 needs to be changed.

Mr. Soli clarified it is because of this most recent change.

General Manager's Report

Financial Report December 31, 2004

Mr. Cameron offered that Mr. Fournier could go through the audited financials.

Mr. Pacino commented that they are all set.

Mr. Fournier stated Mr. Biron, Melanson Heath & Co. went through the annual audit. The revenues and expenses were addressed in that report. Mr. Fournier pointed out in the supplemental Variance Report the Department is \$500,000 below the expense budget. The Department came in \$487,000 under budget. The Department adhered to the Board approved budget for 2004. The Department did not overspend what was allowed.

General Manager's Report

Financial Report December 31, 2004

At this point, Mr. Soli readdressed the fact the Accounting Manager Subcommittee had to bring a vote to the Board. One is first to get the job description and second then to get someone to fill the job description. The Subcommittee actually made a motion on that at the last meeting. The motion was that Mr. Fournier being appointed to the Accounting Manager/Business Manager and he would like to forward that as a motion.

Mr. Herlihy clarified Mr. Fournier serves at will under the direction of the General Manager. If he were to be dismissed by the General Manager the Board would appoint another one and deal with the General Manager.

Mr. Soli made a motion seconded by Ms. Kearns to appoint Mr. Fournier as the Accounting/Business Manager position.

Motion carried 4:0:0.

Fuel Charge, This is in response to the discussion at the RMLD Board meeting on February 16.

Mr. Cameron noted this is in response to a discussion, which took place on February 16 Board meeting.

Mr. Cameron refreshed the Board by noting the discussion revolved around the fuel charge and how much it can be increased on a monthly basis. There was some confusion whether it was \$.0025 per kilowatt-hour or \$.005 per kilowatt-hour. The minutes March 20, 2001, at the bottom of the second page state "Mr. Ames made a motion seconded by Mr. Swyter that the Board give the GM and staff the authority to adjust the fuel charge up to \$.005 / kwh on a monthly basis on the recommendation of Mr. Cameron." Mr. Cameron explained what happened was that prices became volatile in that period and this is the genesis of where the Department is with changes in fossil fuel prices. Mr. Cameron wanted to ensure that the Board understood the adjustment is up to \$.005 per kilowatt-hour without Mr. Cameron coming back to the Board to seek permission to adjust it higher or lower. Mr. Cameron pointed out Commissioner Herlihy made a point; does this limit the Department from solely raising this by intervals of .25¢ or .50¢ per kilowatt-hour? Mr. Cameron said no. Mr. Cameron commented this is a matter of past form rather than anything else. In talking with the Energy Services staff they are going to try to slice this up a little bit finer. Given how the Accounting is under GASBY with respect to Fuel Revenues and Expenses it will help the Department if those numbers are closer on an ongoing basis throughout the year. The Department came within under \$500,000 of Fuel Revenues. Revenues were higher than Expenses in 2004 but they were within 2% of each other, which is pretty good considering the enormity of the Fuel Expense during the year. It is around \$26 million.

Mr. Soli pointed out that last fall he attended a course on the Cost of Service Study. This was represented by from people from all around the United States and Canada. One of them was a representative from Santee Cooper in South Carolina, which is a huge municipal. On their bill each month they are trying to zero out the Fuel Charge. They have adjustments of hundredths of a mil every month. There was some discussion on this because some in attendance thought this was hard to deal with. Santee Cooper had some coal plants to generate electricity and had some very fine contracts but some of their coal suppliers went bankrupt and some people thought it was to get out of union contracts. Santee Cooper was left stuck. Their legal advice was not as good at the RMLD's. If some of the RMLD's suppliers go bankrupt there are clauses they have to put money in escrow as a means of protection. Santee Cooper did not have such clauses and were subject to the whims of the market so they have to do it every month.

Mr. Cameron replied that was an information only item for the Board.

February, 2005 Update to the Six Year Plan

Mr. Cameron noted this is information put together at the beginning of the month using pro forma balances before the audit became finalized. The Six Year Plan contains three pages of narrative. What Mr. Cameron pointed out that what he tried to do was give the essence of what the pre audit numbers are telling the Department? To sum it up this update to the Six Year Plan is that the RMLD will not make its 8% Return. Mr. Cameron does not suggest making the 8% Return by making any transfers out of the Rate Stabilization Fund. The Department is allowed to make up to 8% of net plant and if less than that is made it is fine. Mr. Cameron noted there is enough money in the Construction Fund coming into this year, including That the RMLD does not have to make its allowable 8% return. Mr. Cameron noted this is using pro forma numbers.

General Manager's Report

February, 2005 Update to the Six Year Plan

Mr. Cameron noted that Mr. Fournier has done his calculation on the 8% Return. It is prudent on an ongoing basis that Messrs. Cameron and Fournier look at these numbers to make a determination whether to recommend to the Board that our allowable 8% Return. This needs to be looked at on an ongoing basis. Mr. Cameron added that Mr. Fournier has ensured that this conforms to the current format of the Financial Statements. The Construction Fund balance does get up to the \$19 million range in 2010. That is more for example rather than form. Mr. Cameron does not think he wants the Construction Fund anywhere near that amount. The Department would come back to the Board to make its recommendation as to whether these future funds should be refunded to the customer or put in the Construction Fund or a combination of both.

Ms. Kearns inquired this is just a minor point she noticed on page four of the narrative the 2004 Net Income is \$2.349 million and in the audited statement it is \$2.369 million. Does Mr. Cameron recall what is the difference?

Mr. Cameron replied the numbers in the narrative are pro forma. These numbers are prior to the finalized audit numbers. There is a difference.

Mr. Fournier explained the difference is due to an adjusting entry the auditors picked up.

Mr. Pacino added it is the auditor's final adjustments.

Mr. Cameron noted the Department will have the Six Year Plan for the next budget 2005-2006. The pre audit numbers will become finalized numbers. The numbers they are going to focus on are the 2005 numbers.

Ms. Kearns had a second question on the last paragraph that states, "The Change in Net Assets was \$2.349 or \$2.9 million less than the \$5.282 million that was forecasted for 2004. The bulk of the difference in the actual versus budget for the change in net assets was the \$3.5 million rate refund in November, 2004." Ms. Kearns inquired what do you think that \$5.282 number will be in 2005?

Mr. Cameron replied right now with the 2005 budget that number is forecasted to be \$6.7 million.

Mr. Fournier pointed out that in 2005 the Department did a full calendar year when the budget was completed. Mr. Fournier added this is a half-year and it will need to be adjusted. Mr. Fournier noted what will be presented in the future is the 2006 budget that will run from July 2005-June 2006. Mr. Fournier pointed out the 2005 budget is a six-month budget and it is skewed because it is the transition year for the fiscal year change.

Ms. Kearns' point is clearly the same phenomenon would occur that is the change in net assets is going to be \$3.5-\$4.0 million. When are and Mr. Cameron are going to sit down and make a recommendation regarding a refund?

Mr. Cameron replied what he has said in the past is to wait until the August Financials. That still would still hold true.

Ms. Kearns inquired even if you perform the June 30 audit?

Mr. Fournier replied he will know exactly where he will stand and he will have twelve months to spread that rate refund. Historically, they would wait until late summer. Last year it was based on the Department's strong cash position.

Mr. Pacino added it is best to wait because of the weather.

Ms. Kearns stated you do not think this weather has been a boom for us.

Mr. Cameron pointed out the Department does not make as much money in the cold weather as the hot weather.

General Manager's Report

February, 2005 Update to the Six Year Plan

Ms. Kearns thought the Six Year Plan was helpful. It gives you a sense of what the projection is and where the RMLD is going. Ms. Kearns thought a valuable exercise for the Board is to have a Board retreat or strategic planning session not only for the numbers but to review goals of the RMLD Board. The Board could measure itself against some stated goals.

Mr. Soli questioned can the Board do this within the confines of Open Meeting Laws?

Mr. Pacino replied the Board can do this as long as it is posted. Mr. Pacino it could be held at the Department.

Mr. Cameron would have to get more information as to what the agenda would look like. Mr. Cameron cautioned the Board if you have strategies that are of a competitive nature that should be taken up in Executive Session. You have to be careful of what is discussed in Regular Session because if it is of a competitive nature it needs to be taken up in Executive Session.

Ms. Kearns is interested in bringing in some mediator or moderator and get some information from APPA and other experts what is going on around the country vis á vis public power and the municipals. It would provide for an opportunity to think out of the box and look for a five-year strategic plan. What can they do as Board members to think outside the box to get the RMLD in the vanguard?

Mr. Herlihy added he concurs with Commissioner Kearns. Mr. Herlihy thought of including it in the last budget but it was a half-year budget. In the Budget Subcommittee he will be pursuing the addition of strategic planning exercise type funds. The Board has had strategic planning before. There is only one Commissioner remaining from those days.

Mr. Herlihy added there will be four Commissioners that have not undergone anything like that including himself and it would be worthwhile in the next year to look at that. The other point he wanted to make is one of the better things the Board has done over the years he has been here is to get a handle on the Rate Stabilization Fund, which in his opinion was out of control when he took his seat on the Board. It was in the \$13-\$15 million dollar range. Mr. Herlihy noted should the Board look at placing a limit on the capital fund balance, which is going to be growing by leaps between now and bounds by 2010. Maybe there is some way to put parameters around that. Mr. Herlihy does not want it to have similar balances as the Rate Stabilization Fund did have at one time. It is a very aggressive capital budget now. Mr. Herlihy wonders how much more capital work the Department will be doing in the future versus maintenance.

Mr. Cameron replied that the way to look at it now, on annual basis, is to evaluate what the Six Year Plan looks like and see what the medium term capital requirements are. Mr. Cameron is not a proponent of the construction fund going up. What is in the Six Year Plan is for example rather than form. Mr. Cameron does not envision this going up for more than \$3-\$4 million. Mr. Cameron does not think this it is necessary. Mr. Cameron noted he would be hesitant to put in a range for the Construction Fund right now. Until such time as the Department can make capital additions to the substations there are plans for the older substations for change outs. Feeder work needs to be done for upgrades. Between himself and Mr. Fournier he can come to the Board with a recommendation that would keep an amount in the construction fund necessary for construction programs. Mr. Cameron is not a proponent of letting that get out of hand. Mr. Cameron would recommend a refund to the customers before it got out of hand.

Ms. Kearns noted in response to Mr. Herlihy's comment that he did not put any money in the budget for the short six-month period what she will do to assist the Board to determine whether it wants to have a strategic planning meeting is to look at what other municipal have done, where they have held it, who they have hired, and present it to the Board at the next meeting.

Mr. Pacino added he believes in the past they used NEPPA, who found a moderator. Mr. Pacino added for edification, he as a Commissioner on the Rate Stabilization Fund he advocated getting a control over that during previous Commissions. Mr. Pacino advocated that the Department was over recovering a long time back but he was only one vote at the time.

General Manager's Report

February, 2005 Update to the Six Year Plan

Mr. Cameron noted last week on March 10, New England Public Power Association (NEPPA) held a Customer Service Conference. It was held at Jordan's Furniture in Natick. Mr. Cameron noted they gave out the Carol Tracey Award for Customer Service Excellence. Mr. Cameron noted this year there were five or six recipients and the RMLD nominated Anna Ciarlone who is a Customer Specialist in Customer Service and who works for the Customer Service Manager, Ms. Cavagnaro. Mr. Cameron pointed out he wrote a letter to Mr. Pat Hyland at NEPPA requesting that she receive this award. One of the things Mr. Cameron outlined is very important and that is why she was deserving of this award was because of her outstanding work in 2004. Mr. Cameron explained that during the implementation of the new computer system, the CIBFMS system, Ms. Cavagnaro was out for an extended period for health reasons. Ms. Ciarlone took on the Customer Service management duties and also performed her duties as a Customer Specialist as well as the additional CIBMS implementation function. Mr. Cameron commented that type of leadership shows that someone is willing to step up and that is why she received this award.

Mr. Fournier added that Ms. Ciarlone has been at the RMLD for many years. This was a busy time at the RMLD during the summer while trying to get some new programs up and running. Not only did she have to take care of her own work but she also supervised the whole Customer Service Department, and learned a new system. Mr. Fournier stated Ms. Ciarlone is deserving of this award.

Mr. Herlihy pointed out that the Customer Service department is so good that they receive such awards on a routine basis.

Board Discussion

Rate Comparisons, February 2005

Mr. Cameron pointed out on the Residential Rates the Department is trailing Peabody and Middleton by approximately twelve to thirteen percent. Residential Time of Use is behind Peabody and Middleton by seven to nine percent. Mr. Cameron noted the third table per the Board's request shows the Commercial rates and how the Department ranks for smaller customers. This is a customer using 10 KW in demand and about 1,080 kWh per month. The average rate is 12.9¢ per kWh.

Mr. Cameron explained that on the smaller commercial customers the Department is behind Peabody and Middleton by only ten to fourteen percent. Mr. Cameron went over the Commercial rate, which has been historically used with the 25KW customer using 7,300 kWh per month the only the Department trails is Middleton by four percent. The Industrial Time of Use the Department trails Middleton by about seven percent.

Mr. Soli pointed out that a few days ago there was an article in *The Boston Globe* in which the Town of Lexington is investigating whether they should bring in municipal power. The person who wrote the article is on that committee. Mr. Soli noted towards the end of the piece he quoted a lot of towns that have municipal power and noted they beat Boston Edison currently known as NSTAR. Mr. Soli added his wife read this and questioned him why isn't Reading in the article? Mr. Soli would like to point out as far as Residential Rates for NSTAR they are almost forty three percent higher than in Reading. Mr. Soli noted perhaps it was an oversight that the Lexington writer did not include Reading in the lists of municipals. Mr. Soli emphasized that NSTAR is forty three percent higher than the RMLD's Residential Rate. Mr. Soli thinks this omission was simply an oversight on the writer's part.

Mr. Cameron noted at a MEAM meeting a couple of months ago, MEAM was instructed to put together a press release that could go to *The Boston Globe*. Mr. Cameron told MEAM that they could use the Department's 2004 average rates in order to do two things. One is to get the message out that municipals are the lowest. Also to get the message out that when standard offer goes away, municipals are not going to be affected but the Investor Owned Utilities (IOU's) will be. Mr. Cameron was told this was given to *The Boston Globe* on two occasions. *The Boston Globe* apologized because twice it got cut. Mr. Cameron added there were two articles on deregulation and nowhere were the municipals mentioned. Mr. Cameron waited until the end of February and wrote up an informational press release on deregulation. Mr. Cameron noted Ms. Gottwald, the RMLD Public Relations Manager put this into local papers on February 28. It basically said that the rates are not going up for RMLD customers. Mr. Cameron did this because *The Boston Globe* would not give the Department any mention. Mr. Cameron pointed out part of the reason for the press release is because the Department was receiving phone calls from its customers questioning if their bill was going up.

Board Discussion

Rate Comparisons, February 2005

Mr. Cameron explained there are people who do not understand the public power and IOU dynamic. Mr. Cameron was satisfied the word did get out via the newspaper articles. Mr. Cameron did read the Lexington article and thought it was a good article. The fact that the RMLD was not mentioned did not bother him too much. The RMLD's customers hopefully know who their provider is and how we look out for them.

E- Mail Explanation for Account Payable and Payroll Removal Sheets

Mr. Pacino stated these are the response from the Department on the Account Payable and Payroll Removal Sheets

On another matter, Mr. Pacino brought up in view of the NSTAR problems with the sidewalks he wanted an update on this.

Mr. Cameron responded this comes up time-to-time. Recently, there have been reports about dogs being electrocuted in Boston. When that happens the Department will go around and take readings on manholes where there are secondary wires to see if any of these manholes have any stray voltage. This time of year is very wet and salty and salt can conduct electricity. Mr. Cameron added utilities that have substations near the coast in the winter do have corona problems. The salt can track electricity up the side's of the manhole to the surface with stray voltage, which is lethal. Mr. Cameron noted the Department has gone through this exercise and found nothing.

Mr. Herlihy added one of the elements of the story with NSTAR that struck him is that the underground work was subcontracted out to outside companies to perform that work. Mr. Herlihy noted that the Department subcontracts its underground work to an outside firm. The liability came back to NSTAR and the lawsuit went after the CEO' salary. Mr. Herlihy cautioned that the Department's outside contractors show the kind of care and commitment that the Department's does. Mr. Herlihy noted when he read this if the Department should perform this kind of work.

Mr. Cameron replied the underground contractor the Department uses has a very good track record for safety.

Board Discussion

Mr. Cameron noted this contractor also does a lot of primary work. Mr. Cameron added primaries are not a problem. It is the hot legs on the service voltage. A lot of the work performed by the underground contractor is rated at 13,800 volts. When that voltage contacts to ground there could be an explosion. Mr. Cameron added the concern is the secondaries. Mr. Cameron noted the contractors and the Department work on secondaries. It is mostly the primary work that the contractors do. Mr. Cameron added Mr. Stevenin knows what he is talking about.

Mr. Stevenin agreed.

Mr. Herlihy noted with that kind of liability he wants the Department staff doing this because he can trust them and how good they are. On another matter, Mr. Herlihy has noticed the Halpin line crews working on Lowell Street. Mr. Herlihy has noticed numerous double or broken poles along the gateway into Reading. There seems to be an inordinate amount from Plymouth Street to Bradford Street. Will the Halpin crews be addressing this?

Mr. Cameron replied the reason the poles were changed out is the Department is putting in aerial cable in that area. The aerial cable should be installed in two weeks. It is being installed from High Street to Beverly Road. Mr. Cameron pointed out the Department had to install new poles because the aerial cable is heavy. Mr. Cameron added as they transfer the poles they will be cut at the top and bottom secure them to the old pole until such time telephone, cable and fire alarm make their transfers. Mr. Cameron noted that fire alarm transfers quickly. As soon as the equipment is transferred it will take the poles down. The General Line Foreman is very well aware of this. Any time he sees anything that can come down it will be taken down. Mr. Cameron noted that the Department does not have any leverage with either telephone or cable TV.

Ms. Kearns added she noticed the next meeting date is April 20, which is the Wednesday of April vacation.

Mr. Pacino cannot meet until after April 15.

Mr. Soli added it consist of a full Board because it is after the elections.

Board Discussion

Ms. Kearns stated she will not be present.

Mr. Pacino added the first order of item will be Board reorganization.

Next Meeting Dates

Wednesday, April 20

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

Thursday, April 7

Executive Session (General Manager's Conference Room)

Mr. Herlihy made a motion seconded by Mr. Soli that the Board go into Executive Session, to discuss strategy relative to Federal Energy Regulation Commission (FERC) and Regional Transmission Organization (RTO), Arbitration, IBEW Local 103 issues and to return to Regular Session for the sole purpose of adjournment.

Motion to Adjourn

Mr. Pacino called for a poll of the vote:

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

Motion to Adjourn

At 9:55 pm. Mr. Herlihy made a motion seconded by M to adjourn the Regular Session.

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

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

Andrew K Herlihy, Secretary Pro Tem
RMLD Board of Commissioners