

Reading Municipal Light Board of Commissioners
Regular Session
230 Ash Street
Reading, MA 01867
June 15, 2005

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Start Time of Regular Session: 7:45 p.m.
End Time of Regular Session: 9:35 p.m.

Attendees:

Commissioners: Herlihy, Pacino, Kearns, and Hahn

RMLD Staff: Mr. Cameron and Ms. Antonio

CAB: Messrs. Lessard, Stevenin, Carakatsane, Norton, and Van Magness

Liaisons: Mr. Duffy (Selectmen)

Chairman Herlihy called the meeting to order at 7:45 p.m. He stated:

This meeting of the Reading Municipal Light Department Board of Commissioners on June 15, 2005, 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 of June 1, 2005

Mr. Hahn made a motion seconded by Mr. Herlihy to approve the Regular Session Minutes of June 1, 2005 with the changes as presented.

Ms. Kearns raised a point of procedure. She asked if three Board members were needed to approve the minutes of a regularly scheduled Board meeting? She noted that neither Ms. Kearns nor Mr. Pacino was present at the June 1, 2005 meeting.

Chairman Herlihy responded that a Board member does not have to be present at the meeting to approve the minutes.

Mr. Cameron recommended that the Board table these minutes until the next meeting.

Mr. Pacino made a motion, seconded by Ms. Kearns, to table the approval of the June 1, 2005 minutes.

Motion carried 3:1:0.

Report of the Chairman of the Board

Chairman Herlihy stated he had the privilege of representing the RMLD at a function honoring the Town Treasurer, Beth Klepeis, on her retirement. He stated Ms. Klepeis has made some significant contributions to the RMLD, and he hoped to have her attend a future board meeting to recognize her achievements.

Citizens' Advisory Board (CAB) members Stevenin and Van Magness will be presented with their meter lamps at the RMLD Board meeting.

Chairman Herlihy said he has the privilege this evening of presenting CAB members, Roger Stevenin and Fred Van Magness, with their Meter Lamps.

Mr. Cameron stated for the viewing audience that it is customary at the RMLD for employees, Board members, and CAB members to receive a meter lamp upon their retirement.

Report of the Chairman of the Board

Citizens' Advisory Board (CAB) members Stevenin and Van Magness will be presented with their meter lamps at the RMLD Board meeting.

Chairman Herlihy presented the lamps and thanked Messrs. Stevenin and Van Magness for their dedicated service.

Mr. Pacino also thanked Messrs. Stevenin and Van Magness for all their work and contributions on the CAB.

Mr. Cameron stated he has always considered the CAB a very astute Board, and he believes the CAB, over the past three years, has done a great job particularly with the budgets.

Chairman Herlihy said that both men did an excellent job in their roles on the CAB: Mr. Stevenin representing the business community in Wilmington, and Mr. Van Magness representing the ratepayers in Reading.

Mr. Van Magness thanked the Board for the recognition and for the opportunity to be part of the RMLD in a small way. He said that the RMLD is the crown jewel for all of the participating communities. He commended the RMLD's employees and business ethic, and said that the staff does a great job in helping to keep costs down for all of the ratepayers. He added that the RMLD Board has a tremendous responsibility and really does its job. He said the future is bright, and the RMLD is the best operation he has seen in a utility. He said the employees that run the Department daily in terms of reliability of service and the value that people get are also to be commended.

Mr. Lessard, Mr. Stevenin, Mr. Norton, and Mr. Van Magness left the meeting at this time.

Mr. Cameron asked if Action Item #5, the two bids, could be taken out of order since Peter Price, the Engineering Project Manager in charge of the Station 4 Project, was present.

Chairman Herlihy agreed.

Chairman Herlihy added that Commissioner Soli was out-of-town.

Action Item

Disposal of Oil Circuit Breakers and Insulating Oil

Mr. Cameron introduced Mr. Price and explained that the bids pertain to installing the new breakers at the Gaw Station.

Ms. Kearns asked Mr. Price, "if Clean Harbors came in at \$90,000 and TCI came in at \$54,000, what is the significant difference between the two bids?"

Mr. Price responded that TCI has more familiarity with disposing of transformers. He noted that the RMLD currently uses TCI for disposing of overhead distribution transformers, and he believes that TCI's pricing is more accurate than Clean Harbors. He pointed out that Clean Harbors calculated the fuel charge differently than TCI, and added that the Department does use Clean Harbors for emergency response.

Mr. Hahn asked if only two bids were received and were there other companies that did not bid?

Mr. Price said only two bids were received, and there were no bids from two other companies who received bid information.

Mr. Hahn asked if the Department knew where the breakers and the oil would be taken, and also if the storage facility had been investigated? Mr. Hahn stated the reason he was asking is because once a piece of the RMLD's equipment goes there and something happens, the RMLD could be held liable.

Mr. Price stated the oil is going to an oil-to-energy plant, and the breakers would be scrapped. He further stated that the company will provide a Certificate of Destruction.

Action Item

Disposal of Oil Circuit Breakers and Insulating Oil

Mr. Pacino made a motion, seconded by Mr. Hahn, that bid 2005-3 for Oil Disposal be awarded to TCI for a total estimated cost of \$54,039 based on the recommendation of the General Manager.

Motion carried 4:0:0.

Hourly Rates for Service Cranes, Crane Operators, Riggers, Vehicles and Equipment

Mr. Cameron explained that this equipment would be used to remove the present breakers and install the new ones.

Mr. Price stated that to remove the breakers required a 50-ton crane as well as the operators, riggers, vehicles and equipment. He noted an hourly bid was requested so that there would be an actual cost associated with the project, and he added the lowest qualified bidder was recommended.

Ms. Kearns said she sees where Baldwin Crane came in at \$24,528, but in trying to compare that to the other bids, she asked where is the Shaughnessy & Ahern bid that is comparable to Baldwin's bid?

Mr. Price explained that the estimation is based on an eight-hour workday for seven weekend days. He said that Shaughnessy came in at seven times \$4,000 or seven times \$4,600 depending on whether it's Saturday or Sunday work.

Ms. Kearns asked if Baldwin was unionized?

Mr. Price responded that he was not sure.

Ms. Kearns asked if Shaughnessy was?

Mr. Price said he thought they were unionized.

Mr. Pacino made a motion, seconded by Mr. Hahn, that bid 2005-2 for Hourly Rates for Cranes, Crane Operators, Riggers, Vehicles and Equipment be awarded to Baldwin Crane & Equipment Corp. for a total estimated cost of \$24,528 based on the recommendation of the General Manager.

Motion carried 4:0:0.

Mr. Price left the meeting at this time.

Report of the Chairman of the Board

Chairman Herlihy received a letter dated April 29, 2005 from Citizens' Advisory Board (CAB) Chairman Roger Lessard.

Chairman Herlihy stated he had received the above letter and proceeded to read the letter aloud. The letter included two motions from the CAB: one reducing Account #01-53-5924-000 in the Operating Budget to \$50,000, and the second approving the FY06 Operating Budget based on a Net Income Amount of \$2,787,076.

Operating & Capital Budget Subcommittee

Chairman Herlihy stated the Operating & Capital Budget Committee met on June 7, 2005, and Commissioner Pacino and Chairman Herlihy recommended the FY06 Operating Budget with a Net Income Amount of \$2,787,076.

Mr. Pacino made a motion seconded by Mr. Hahn that the Commission approve the Operating Budget for the FY2006 with a Net Income Amount of \$2,787,076 on the recommendation of the Board's Budget Subcommittee.

Ms. Kearns asked if the \$50,000 reduction in the Reserve for Deductible was incorporated in the Net Income Amount of \$2,787,076?

Mr. Cameron responded yes.

Chairman Herlihy asked the General Manager to speak on the highlights of the FY06 budget.

**Report of the Chairman of the Board
Operating & Capital Budget Subcommittee**

Mr. Cameron stated that Power Supply estimates versus the 2005 budget are higher because of the Locational Installed Capacity (LICAP) case that is at FERC. He said the Purchase Power Fuel has gone up about \$1.6 million, which takes into consideration higher fuel costs. Mr. Cameron said the Purchase Power Base increased about \$600,000 out of a base of \$16 million. He said the budget itself is about \$2.5 million higher than the 2005 budget. He noted items have been cut to try to balance these increases. He said the Department is mindful of the increase and that it would prefer a zero increase, but find that's impossible partly due to the rule making by the Independent System Operator in New England (ISO-NE). The Department not only has to spend legal dollars to fight actions of the ISO-NE, but when the rules come into effect, those costs also have to be paid. He commented that the staff who worked on the budget tried to keep the line items as low as possible. He commended the staff for completing two budgets in a seven-eight month period, and for bringing the fiscal year change to fruition.

Chairman Herlihy asked if this budget included the increase of one additional employee?

Mr. Cameron responded yes.

Chairman Herlihy said he hoped the General Manager would hold the line as far as hiring additional employees. He stated he would support this budget, however, he is concerned about the level of training and how it is appropriated in the budget. Chairman Herlihy hopes the Department will continue to train and cross train the staff and used the examples of the staff doing an outstanding job designing the web site and doing energy audits instead of relying on outside sources. He is also concerned about the telecommunications cost, and thought if the telecommunications costs could be combined/bundled, then discounts could be realized.

The Motion to approve the Operating Budget carried 4:0:0.

RMLD Board of Commissioners, Town of Reading Audit Committee

Chairman Herlihy said that Mr. Pacino's term on the Audit Committee expires on June 30, 2005.

Mr. Pacino said that he has sent in the papers notifying the Town of Reading he would be interested in serving another year.

Ms. Kearns made a motion, seconded by Mr. Hahn, that Mr. Pacino serve another year on the Town of Reading Audit Committee.

Motion carried 4:0:0.

Northeast Public Power Association (NEPPA) 2005 Annual Conference

Mr. Cameron stated that at the last meeting the Board approved Mr. Cameron's attendance at the NEPPA Annual Conference, and told the Board they should have a formal vote on who plans to attend.

Mr. Carakatsane suggested that if a Board member could not attend the entire conference that the full day on Tuesday would be worthwhile.

Mr. Pacino made a motion, seconded by Ms. Kearns, to authorize four members of the Commission to attend the NEPPA 2005 Annual Conference.

Motion carried 4:0:0.

Selectmen Liaison, Citizens' Advisory Board and Customer Comments

Mr. Duffy said to keep up the good work and keep the rates low.

Mr. Carakatsane stated that at the CAB meeting prior to this meeting, the CAB focused on wrap up comments, and the retirements of Messrs. Stevenin and Van Magness. He reported that the CAB also discussed that it appears they will have only three members over the summer months or until such time the vacancies are filled.

Report of RMLD Board Subcommittees

Operating & Capital Budget Subcommittee

Chairman Herlihy stated he had spoken to the General Manager about the possibility of holding regular Operating and Capital budget subcommittee meetings prior to Board meetings to review the Monthly Variance Reports. He stated it could still be discussed at a Board meeting, however, it would give the Board a chance to go over certain concerns prior to the Board meeting. He said he was open to any suggestions.

Mr. Hahn said that at the last Board meeting, Mr. Fournier suggested that the Board submit any questions in advance to him prior to the meeting, and as long as that option is still available, he thought it would be the most efficient way, because Mr. Fournier would arrive with the answers.

Mr. Cameron said that it would please the Department to get as many questions in advance as possible.

Ms. Kearns noted that at the last meeting Chairman Herlihy told Mr. Fournier that when the percentage differences are large - either plus or minus, a question would most likely be asked on that line item.

Chairman Herlihy said he would like to see a better discussion on these items and a better flow of information. He added that he is open to any suggestions on how to run the meeting.

General Manager's Report

Reading Memorial High School Field Lighting

Mr. Cameron stated that Carl McFadden, School Committee Member, and Pat Schettini, School Superintendent, contacted him regarding lighting the new high school field. Mr. Schettini asked if the RMLD could provide any services relative to the proposed lighting of the football field. Mr. Cameron said he is letting the Board know that he has had conversations with the Town, and he has explained to them the Department's policies on either volunteer work or paid work.

Ms. Kearns asked if it were the General Manager's understanding that no equipment (trucks, buckets) will be used?

Mr. Cameron stated that the RMLD can provide services to the Town both on a voluntary basis and on a paid basis, and that the voluntary basis in the policy has strict rules. He said that if the Town needs the RMLD to provide some work for them, they will do it at the RMLD's cost, which is also part of the policy.

Ms. Kearns stated that the Fair Labor Standards Act (FLSA) prohibits an employee from volunteering his or her services for the same type of work that he or she is paid for by that public entity. She said it would be a violation of the FLSA for an employee to perform the same service for the Town that he/she performs for the RMLD.

Chairman Herlihy inquired if there is something the RMLD can do?

Mr. Cameron stated that the RMLD can provide advice on this issue.

Chairman Herlihy said he wants to state publicly in that spirit that he hoped the RMLD can be as cooperative as possible.

Financial Report, April 30, 2005

Mr. Cameron stated that Mr. Fournier is not present. Mr. Cameron referenced Page 3A, Budget vs. Actual to-date and stated the following:

- Base Revenues compared to the budget are down about \$330,000.
- Fuel Revenue is about 1% below budget.
- Forfeited Discount is 7.9% lower than what was predicted.
- Total Operating Expenses are \$574,000 above budget and the bulk of that is in the Purchase Power Fuel.
- Purchase Power Base is about \$133,000 or about 2.4% over what was budgeted.

General Manager's Report

Financial Report, April 30, 2005

- Change in Net Assets is about \$784,000 more than what was budgeted. He noted that most of that amount is in the Contributions in Aid of Construction. Mr. Cameron explained that this amount is a result of the 2004 Management Letter from the Auditor's Report instructing the Department to resolve the activity in the Contributions in Aid of Construction Account. He further stated that the Department has made a concerted effort to clear up this account.

Mr. Cameron said that he really was not prepared to explain the variances on Page 12 and 12A, but he could answer questions on Page 13, Outside Services. He said the FERC legal issues that are \$105,000 over budget are the legal fees for the LICAP case. He stated that the overall Outside Services Actual vs. Budget is about \$1,000 difference year-to-date.

RMLD Budget Variance Summary Report through April 30, 2005

Mr. Cameron stated the Report shows that each division is under budget except for Energy Services, which is over budget because of Outside Services and the Purchase Power Base and Fuel. Mr. Cameron stated he was not prepared for detailed explanations, and told the Board to contact Mr. Fournier with any questions, or to raise questions at the next meeting.

Ms. Kearns stated that at the last meeting she had suggested to Mr. Fournier to capture the Labor Regular and the Labor Overtime for each of the divisions to get more of an idea on the total labor costs, and that Mr. Fournier was going to look at that.

Mr. Cameron stated Mr. Fournier did have that information.

Ms. Kearns asked to have the information e-mailed to her. Ms. Kearns then asked Mr. Cameron if it appeared that as the budget goes on, and expenses exceed income, would he consider cutting back on the Asplundh work or the Halpin work?

Mr. Cameron responded that most of the Halpin work is capital work, and cutting back would not have an impact on the expenses. He stated cutting back on the Asplundh work could have an affect, however, when there is a storm such as the May storm, all the damage that occurred was related to trees.

RMLD Board Expense Variance Analysis April, 2005

Mr. Cameron stated the Board has spent \$40.00 out of their \$7,500 budget.

Mr. Cameron wished to take up an item not on the Agenda. He stated the CAB suggested that the RMLD send a letter to the Town or Selectmen stating that the RMLD is now on a fiscal year budget concurrent with the Town of Reading.

Ms. Kearns asked if Mr. Duffy could convey the message?

Mr. Duffy stated he would.

Chairman Herlihy said he would like to make it official by sending a letter.

Mr. Cameron would send a letter to the Chairman of the Board of Selectmen with copies to Mr. Duffy and the Town Manager.

Board Discussion

Rate Comparisons, May, 2005

Mr. Cameron stated the fuel charge in May was \$.0448 per kWh, which made the difference in the RMLD residential rate compared to Peabody and Middleton. Mr. Cameron then began outlining the comparisons.

Chairman Herlihy asked Mr. Cameron to include NSTAR and Mass Electric in the next comparison.

Board Discussion

Rate Comparisons, May, 2005

Mr. Cameron compared the following with the RMLD:

- Residential Rate-Mass Electric is 12.6% higher; NSTAR is almost 45% higher; Wakefield is 21% higher; Peabody is 16% lower; and Middleton is 19% lower.
- Residential Time-of-Use-Mass Electric is 21% higher; NSTAR is 56% higher; Wakefield is 21% higher; Peabody is 11.5% lower; and Middleton is almost 16% lower.
- Commercial-Mass Electric is 32.5% higher; NSTAR is 40% higher; Peabody is 2% higher; Wakefield is 35% higher; and Middleton is almost 12% lower.
- Small Commercials-Mass Electric is 4% higher; NSTAR is 12% higher; Peabody is 15.7% lower; Middleton is 17.8% lower; and Wakefield is 5% higher.
- Industrial Time-of Use-Mass Electric is 11% higher; NSTAR is almost 43% higher; Peabody is 4% lower; Middleton is 15.8% lower; and Wakefield is 34% higher.

Mr. Cameron stated the percentages don't change too much. The differences are in the fuel charge particularly with Middleton and Peabody.

E- Mail Explanation for Accounts Payable and Payroll Removal Sheets

Mr. Carakatsane stated he finds these sheets invaluable for getting more insight into the payables. He appreciates the opportunity to do so.

Next Meeting Dates

Wednesday, August 24, 2005

Chairman Herlihy hoped not to have too many meetings in the summer months. He said that Commissioner Soli spoke to him today and said the General Manager's contract needs to be reviewed.

Ms. Kearns stated another issue that may need to be addressed is the FERC decision, because parties usually have only thirty days to appeal.

Mr. Cameron stated that he did not see any bids coming in soon, but the litigation may warrant an Executive Session Meeting.

Chairman Herlihy stated tentatively the next regularly scheduled meeting is Wednesday, August 24, 2005.

Discussion ensued whether or not it might be a good idea during the months of September to June to have the RMLD Board Meeting always fall on the same day each month, i.e., third Wednesday of the month or the second Wednesday of the month. Concern was raised as to the turn around of the financials.

Mr. Hahn, Ms. Kearns, Mr. Pacino, and Mr. Cameron stated that the third Wednesday of the month worked best for them.

Chairman Herlihy stated the Board could vote on dates at the next meeting.

RMLD Board of Commissioners Subcommittee Meetings

Mr. Cameron stated the following subcommittee meetings are needed:

- General Manager
- Rate
- Community Relations (Survey)

Mr. Hahn stated that the GM Contract Subcommittee and the Rate Subcommittee have been scheduled three times, but have had to be canceled.

Chairman Herlihy stated he would be talking with staff about getting those meetings posted.

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

Mr. Pacino will cover the next CAB Meeting.

Ms. O'Leary stated the CAB meeting date has not been scheduled, and will probably not be scheduled until after the NEPPA Conference unless an issue arises prior to that.

Chairman Herlihy asked the General Manager if there were any legal news that he could update in General Session.

Mr. Cameron stated the decision has come out on the Return-on-Equity (ROE) case, and the recommendation to the FERC is that the ROE for the transmission owners be 10.72%. He also stated there were adders that were denied and may not be acted upon. He stated the RMLD's share of the savings is about \$1.2 million, and noted the RMLD spent about \$50,000 in legal fees and shared the costs with others. Mr. Cameron said he had just received an e-mail relative to the LICAP case. He said the decision is out, however, he would not receive a summary for a day or two.

Mr. Hahn asked what the dollar per kW figure for capacity was in the FY06 budget?

Mr. Cameron explained that the market is at \$.50 now, and the Department believed that would escalate to \$2-\$3 in the fall, and he feels that whatever the decision is, it may not be implemented until April, 2006. The amount in the budget will continue to steadily increase to \$7 kW/month. Mr. Cameron stated he feels that what has been budgeted will cover the RMLD unless the FERC orders a higher amount.

Mr. Hahn said he thought that based on the formula that was proposed originally, FERC would be hard pressed to get to \$8.

Executive Session

Executive Session (General Manager's Conference Room)

At 8:54 p.m. Mr. Pacino made a motion, seconded by Ms. Kearns, that the Board go into Executive Session to discuss strategy relative to litigation and the release of Executive Session Meeting Minutes and to return to Regular Session for the sole purpose of adjournment.

Motion carried by a polling of the Board 4:0:0.

Mr. Hahn – Aye; Ms. Kearns – Aye; Mr. Pacino – Aye; Mr. Herlihy – Aye.

Motion to Adjourn

At 9:35 p.m. Mr. Pacino made a motion, seconded by Ms. Kearns, to adjourn the Regular Session.

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

Mr. Hahn – Aye; Ms. Kearns – Aye; Mr. Pacino – Aye; Mr. Herlihy – Aye.

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

Ellen C. Kearns, Secretary
RMLD Board of Commissioners