

**Reading Municipal Light Board of Commissioners**  
**Regular Session**  
**230 Ash Street**  
**Reading, MA 01867**  
**September 21, 2005**

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**Start Time of Regular Session: 7:30 p.m.**  
**End Time of Regular Session: 9:51 p.m.**

**Attendees:**

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

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

**CAB:** Mr. Lessard and Ms. O'Neill

**Liaisons:** Mr. Duffy

**Guests:** Mr. Biron, Melanson Heath & Company, PC  
Ms. Happy Di Franza, Mayflower Rug Hooking Guild

Chairman Herlihy called the meeting to order at 7:30 p.m. He said this meeting of the Reading Municipal Light Department (RMLD) Board of Commissioners September 21, 2005 is being broadcast at the RMLD's office at 230 Ash Street, Reading, MA. Live broadcasts are available only in Reading due to technology constraints. The meeting is being video taped for distribution to the community television stations in North Reading, Wilmington and Lynnfield.

Chairman Herlihy pointed out this is the first meeting of the RMLD Board since a very serious natural disaster hit the nation and he wanted to take a moment to reflect on the death and destruction that this storm has brought to these victims and the nation at large.

Chairman Herlihy stated the agenda this evening will be taken out of order.

**Presentation**

**Mayflower Rug Hooking Guild (Happy Di Franza)**

Mr. Cameron stated this is an organization that uses the RMLD's facility during the year. Mr. Cameron pointed out that Happy Di Franza contacted Priscilla Gottwald, Community Relations Manager and would like to make a presentation to the Department on something their group made.

Ms. Di Franza said that for almost ten years, the Reading Municipal Light Department has generously donated its Cafeteria for its meetings. Ms. Di Franza pointed out they meet six to seven times per year and were appreciative of the opportunity to use the facility. She said that the group wanted to give back because of the generosity of the RMLD. She said that the best way to do this was to give the Department an example of their handiwork. She said the Mayflower Rug Hooking Guild made a rug for the Department that took two hundred hours to complete. It has a light bulb motif. Ms. Di Franza asked the other members of the group who were involved in making the rug come forward in order to be recognized for their efforts.

Mr. Cameron noted the light bulbs on the rug, which are in different colors, represent the RMLD's logo. Mr. Cameron thanked the group for their hard work and said he was appreciative. Mr. Cameron said that he was pleased that the Department can offer its facility to the group.

Ms. Di Franza explained to the television audience the processes used for the colors, and the materials used. Ms. Di Franza she said she hoped the Department enjoyed the hooked rug.

Ms. Gottwald said the hooked rug will be placed in the RMLD's lobby. She said that it was a valuable piece of art because of the time put into it. (Nine months to make.) Ms. Gottwald added Ms. Di Franza is in a video the Department is creating on public power.

### **Presentation**

#### **Mayflower Rug Hooking Guild (Happy Di Franza)**

Chairman Herlihy said on behalf of the Board and CAB he was happy to accept the rug.

### **Action Item**

#### **Melanson Heath & Company, PC Audit Review (Frank Biron)**

##### **Frank Biron from will be making a presentation on their findings.**

Mr. Pacino reported that the RMLD Board Audit Subcommittee met this evening in conjunction with the Town of Reading Audit Committee. Unfortunately, the Town of Reading Audit Subcommittee had only three members present and that did not create a quorum. Thus, Mr. Pacino said, the Town's Audit Committee could not make a recommendation on Melanson Heath's presentation. Mr. Pacino reported that the RMLD Audit Subcommittee had no problem with the Audit and the Management Letter. Mr. Pacino said the Audit Subcommittee recommends to the Board that the Commission accept both items.

Mr. Fournier introduced President, Frank Biron of Melanson Heath & Company, PC. Mr. Fournier explained that their individuals were at RMLD last month performing their fieldwork for this year's audit.

Mr. Biron then went through the highlights of the Financial Statements for the six-month period ended June 30, 2005. Mr. Biron noted that the RMLD switched to a fiscal year only June 30 to be consistent with the Town of Reading. As a result his audit consisted of a six-month period.

Mr. Biron then went through the Independent Auditors Report. Mr. Biron said the Financial Statements were totally in conformance with GAAP. Mr. Biron added that the only unusual paragraph in the report was the final paragraph, a comment to the reader pointing out that it is a six-month period only. It is not comparable to a twelve-month annual Financial Statement.

Mr. Biron then went through the RMLD Management's Discussion and Analysis, which is known as GASB Statement 34. According to Mr. Biron, it requires, in addition to the numbers on the Financial Statements that there be a narrative explaining the Financial Statements for the non-accountant type.

Mr. Biron addressed the Statement of Revenues, Expenses and Changes in Net Assets. He said that, typically, they provide comparative Financial Statements for the current period and prior year. However, since this is a six-month audit it didn't capture comparative Financial Statements.

Mr. Biron highlighted the key numbers in the report. Mr. Biron said that the numbers are consistent with the twelve-month period. Mr. Biron addressed the Fuel Charge Adjustment (\$1,543,103), which represented monies the Department used to meet its fuel expenses above the revenues collected. He said that the number of \$1,543,103 million is what the Department should have charged its customers because of the escalating fuel costs but it did not. He said that instead the Department tapped into its Deferred Fuel Reserve.

Mr. Biron then turned to Contributions in Aid of Construction \$1,091,669 million. He said that it is a larger number because the Department followed up on the prior year Management Letter comments. He said that there were a lot of monies on deposit which were being held that were received from outside parties for work done by the Department. Those amounts that were held on deposit went back five or six years back. He recommended that the Department research all of those and make determinations to see if the work was done on those projects. He said that the majority of the cases the work had been completed and the money was reflected in revenues.

Mr. Biron pointed out to the Board certain items, which did not appear on the Income Statement, but in a normal twelve-month period would. He said one item was refunds to customers. That is, toward the end of each calendar the Commission will issue refunds to customers based on the operating results for the entire twelve-month period. He said that in 2002 and 2003, the refunds were as follows: 2002 and 2003, \$3.0 million and 2004, \$3.5 million. He said, there are no refunds reflected in the audit because the Commission has not authorized refunds yet. For similar reasons, the retirement costs are not reflected in the audit.

**Action Item**

**Melanson Heath & Company, PC Audit Review (Frank Biron)**

**Frank Biron from will be making a presentation on their findings.**

Mr. Biron said typically, in a normal year the retirement funds come out of the operations and go into the trust fund then another amount comes out of that trust fund and goes to the town. He noted that none of that these transactions show up in this six-month period due to the timing of the payment.

Ms. Kearns asked if last year's payment was about \$600,000?

Mr. Biron replied that was correct. He said that amount came out of this account and went into the trust, but that the total amount that went to the town was \$800,000.

Ms. Kearns inquired if they have received anything from the Department relative to how much the payment will be this year?

Mr. Fournier replied that this is the year the Department performs an actuarial study prior to making a payment. The Department is looking into sitting down with the town because they are also due for their actuarial this year. Mr. Fournier said that RMLD is looking to see if the actuarial study can be performed jointly.

Mr. Biron noted that one item, does not appear on the Income Statement. It is the Payment In Lieu of Taxes. He said the last couple of years the payment has been approximately \$1.8 million for a twelve-month period. Due to the timing of this payment there was no payment for this six-month period.

Mr. Pacino said this payment is qualified as a Return on Investment, that it represents a below the line payment.

Mr. Biron explained that the bottom line of the audit is the Change in Net Assets, otherwise known as Net Income \$3,340,435. He said the bottom line is very positive and a favorable operating result for the six-month period.

Mr. Biron then went over the changes in the Retirement Trust Fund. He said that normally, in the Additions line there would be monies coming in from the operations of about \$600,000. In the deductions there would be the amount paid over to the town's retirement system about \$860,000. Because these items have not occurred, all that has changed is the investment income of \$115,511 and related expenses of \$1,748, which leaves a balance of \$8,339,065 million. He said that the Department has actuaries that look at the amount that should be set aside, but he thought the \$8.3 million on reserve will cover the retirement liability.

Mr. Biron stated the bottom line is that it in his opinion was a very strong financial position for the six-month period ending June 30, 2005. Mr. Biron then explained the footnotes offer a more detailed explanation.

Chairman Herlihy thanked Mr. Biron for his presentation.

Ms. Kearns asked Mr. Biron to compare the June 2005 Net Revenue of \$3.3 million with the same number as of December 31, 2004?

Mr. Biron replied that the bottom line was about \$2.4 million in 2004 and \$1.3 million in 2003. Mr. Biron emphasized that the expenses that appeared in those calendar years and did not appear in this report were the refunds to the customers of \$3.0 million and the Return on Investment.

Ms. Kearns hypothesized that if this were a twelve-month budget versus a six-month budget, removing the expenses as disbursed, would the net reflect a \$3.3 million amount?

Mr. Biron replied no it would not be \$3.3 million. Assume the Refund \$1.5 million and the Return on Investment would be \$900,00 the amount left would be \$900,000.

**Action Item**

**Melanson Heath & Company, PC Audit Review (Frank Biron)**

**Frank Biron from will be making a presentation on their findings.**

Ms. Kearns said that if you compared the \$900,000 to \$2.4 million, that there was quite a change in the Net Assets from 2005 to 2004.

Mr. Biron replied this is correct.

Ms. Kearns asked Mr. Biron if he addressed this fact in the audit?

Mr. Biron replied that one of the big reasons for the difference is the Fuel Charge, which is represented by the Fuel Charge Adjustment (\$1,543,103) million, which was not charged to the customers, that customers received a break in the amount of \$1.5 million.

Mr. Soli asked Mr. Biron to discuss the bonding.

Mr. Biron explained that the Department funds its construction through its own operations. Mr. Biron stated annually a Depreciation Expense is taken for whatever amount gets reported as Depreciation, which is an amount, equal to 3% of gross plant and is put into the Depreciation Fund. That fund is used to pay for Capital Projects. He said that all of the Capital Projects are financed in that way. He said that the only Bonds Payable on the books were \$3.3 million, which will be paid off over the next five years. If no new bonds are taken out then there will be no debt once the bonds are paid.

Mr. Soli noted this is very low debt.

Mr. Biron agreed with Mr. Soli by stating that this is a very low debt level.

Mr. Hahn had a comment on the Summary in the second paragraph, which speculated on what the Board may or may not do. Mr. Hahn suggested that this comment should not be in the document because it is historical data.

Mr. Biron agreed it might not be necessary to go over it at this point. Mr. Biron said they did have a couple of Management Letter recommendations that were follow-ups on the prior year, and there were a couple of new Management Letter recommendations but none of these were considered serious weaknesses. The normal terminology used is a reportable condition, which is a serious breakdown but none of the Management Letter comments were reportable conditions. The comments suggested some better internal controls and efficiencies had improved. He said the bottom line is the Department did a good job in closing the books particularly in dealing with the new fiscal year for the first time. He said the Accounting and clerical staff did a very good job preparing for the audit and maintaining good records.

Chairman Herlihy inquired of Mr. Cameron as to whether the CAB gets a copy of the audit?

Mr. Cameron said the Department does not bring a copy of the audit to the CAB. He said that if CAB members want copies of the audit the Department will provide them. Mr. Cameron stated two audits in a six-month period was strenuous. Mr. Cameron said Mr. Fournier should be commended by the way he keeps his records in the Accounting Department. He said that Mr. Biron has mentioned how well the records are kept, and that made the audit easier. Mr. Cameron also thanked Mr. Biron for the professional job on the audit.

Ms. Kearns inquired of Mr. Cameron if going to a new fiscal year will that offer the payments in the second half of the year such as the pension payment?

Mr. Cameron replied no. The schedule of the payments will not change.

Mr. Pacino added that at the Audit Subcommittee meeting held that evening, the Town of Reading Audit Committee members who were present had no problem with the audit report, however they did not have a quorum for vote.

**Action Item**

**Melanson Heath & Company, PC Audit Review (Frank Biron)**

**Frank Biron from will be making a presentation on their findings.**

Ms. Kearns made a motion seconded by Mr. Soli that the 2005 Audited Financial Statements from Melanson Heath & Company, PC be accepted on the recommendation of the RMLD Board of Commissioners Audit Subcommittee subject to the final approval from the Town of Reading's Audit Committee.

**Motion carried 5:0:0.**

**Minutes**

**June 15**

Mr. Soli made a motion seconded by Mr. Hahn to approve the Regular Session meeting minutes of June 15, 2005 with the changes presented by Mr. Soli.

**Motion carried 4:0:1. Mr. Soli abstained because he was not present at this meeting.**

**July 13**

Mr. Soli made a motion seconded by Mr. Hahn to approve the Regular Session meeting minutes of July 13, 2005 with the changes presented by Mr. Soli.

**Motion carried 4:0:1. Mr. Pacino abstained because he was not present at this meeting.**

**Report of the Chairman of the Board**

**Hurricane Katrina aftermath/impacts and Hurricane Relief Effort**

Chairman Herlihy stated that he had heard from people voicing their concern as to how Hurricane Katrina will impact the RMLD and its service territory.

Mr. Cameron replied that the American Public Power Association contacted the RMLD and said that there were enough utility construction assistance in the hurricane-affected states. The Department did, however, release one of its contract crews to work in that region. Mr. Cameron said that a local Masons group asked the Department if they could get a total of fifty wheel chairs and walkers to Logan Airport, which would be delivered to New Orleans. Mr. Cameron stated Brian Hansen of the RMLD's Facilities Department came in early one morning on his own time and used the Department's flat bed truck to pick up the wheelchairs and walkers. The local Masons were appreciative of this assistance. Mr. Cameron said it was in the local newspapers. Mr. Cameron said that this was one small thing the Department could do as part of a large relief effort. Mr. Cameron thanked Brian Hansen for volunteering his time.

Chairman Herlihy asked Mr. Cameron if there was any way Katrina would impact the Department?

Mr. Cameron replied that the hurricane affected the Fuel Charge. He said that Jane Parenteau, Manager of Energy Services will be speaking on the Fuel Charge.

**Discussion on holiday pay for RMLD contractors**

Chairman Herlihy stated that he noticed when the bid for tree trimming came forward that the RMLD assumes on behalf of the contractor, the cost of holiday pay. Chairman Herlihy suggested that the Department should not be paying for contractor holidays. He said that if a vendor does not work for the Department then the Department should not pay them. Chairman Herlihy reiterated that vendors should be paid only for the work performed. Chairman Herlihy said that it is not prudent for an elected or appointment Board to be involved too heavily with technical specifications of a bid. It is best to leave that kind of expertise with the Department. However, he said they do not have enough direction or control on behalf of the ratepayers such as holiday pay and overtime written into bids. Chairman Herlihy said the only chance for Board involvement is voting on a bid. Chairman Herlihy feels the vendors do good work. The union employees of the Department bargain for holiday pay. Chairman Herlihy said he was looking for feedback on this issue.

Mr. Soli asked Mr. Cameron to explain the holiday pay.

Mr. Cameron said when contractors bid they bid based on the union agreement they have to deal with. This holds true on the tree trimming, overhead line crews and underground crews. In those union agreements, it is set forth how many holidays the employees get paid for.

### Report of the Chairman of the Board

#### Discussion on holiday pay for RMLD contractors

Mr. Cameron explained when the contractors fill out their Stock Sheets daily there would be a notation for holiday pay. In most instances, the Department does not have the contractors come in to work on holidays that the RMLD observes. He said that if it is the direction of the Board to have contractors bid so that holidays do not show up on the bills the Department will try to do this. What the contractors would do is roll that into the regular rate. He said the Department is going to pay one way or another. Mr. Cameron pointed out it is cleaner to pay the holiday separate on the Stock Sheets. If the holiday pay is rolled into the bid as part of their regular pay or hourly it is just a different way of bidding. Mr. Cameron said that he has not heard from employees saying they thought holiday pay for contractors was unfair. Union employees at the RMLD are represented by a union and get certain holidays off. It is understood that the contractors are unionized, have their union contracts, and get holiday pay as well. However, he said if it is the direction of the Board to conform to this, it can be done and hopefully is cost neutral.

Mr. Soli said there is no free lunch.

Mr. Cameron stated they do not pay for vacations for the contractor's employee. Mr. Cameron added the Department does not pay for contract crews not showing up other than holidays.

Mr. Hahn inquired if this was a built in rate the fact they take vacations?

Mr. Cameron replied it may depend on whether or not they are working out of the union hall or for vendors.

Mr. Hahn added he is pretty sure the rates IBEW quotes include an adjustment for vacation.

Mr. Cameron said the Department is concerned that fifty-two weeks a year they will have a four-person crew and will not be shorthanded due to vacations.

Mr. Hahn echoed Mr. Cameron's comment that the Department will pay one-way or another, since some of these jobs are quoted as lump sum prices.

Mr. Cameron agreed that some of them are quoted as lump sum prices.

Mr. Hahn suggested working from the union contract to figure out the mark up.

Ms. Kearns asked, what is the industry practice with respect to other municipals and investor owned utilities regarding this issue? Ms. Kearns said she does not see a need to change the bid process unless the RMLD is the only utility handling this issue in this manner. Ms. Kearns said she has spoken to Mr. Cameron several times because the Timesheets consistently state in the Account Payables forty-five hours a week that the contractual employee worked. Ms. Kearns has consistently asked Mr. Cameron about this issue since the Department does not pay the overtime.

Mr. Cameron said he has asked Asplundh to provide a letter. The Department has received letters on this issue back from Mass Bay and Halpin.

Ms. Kearns said that she assumes Asplundh follows FLSA but that does not stop them from putting on the invoice "forty-five hours for employees." The invoice shows employees receiving straight time for those hours and that concerns her. Ms. Kearns is representing a client who is being named as a joint employer because the subcontractor did not pay minimum wage and overtime, and they are going after the developer. It is a concern of the developer because if the subcontractor does not pay minimum wage and overtime, then plaintiffs will look to the general contractor for overtime payment.

Chairman Herlihy commented that he agreed with Mr. Cameron this is not an issue of money. He said that the lines between RMLD employees and outside contractors get blurred. Maybe it makes it cleaner for the employer who pays them for the overtime not the Department. Chairman Herlihy is concerned about the employer/employee relationship.

**Report of the Chairman of the Board  
Fuel/mileage reimbursement update**

Chairman Herlihy stated he works for a public entity and based on Internal Revenue Service (IRS) figures the mileage reimbursement has increased to 40 plus cents per mile due to the cost of gasoline. Chairman Herlihy said the Department's current fuel reimbursement is 31 cents per mile. He wanted to know if this was going to change.

Mr. Cameron replied that the Department's travel policy states that when the Town of Reading changes its mileage reimbursement RMLD does also. Mr. Cameron had his monthly meeting with Peter Hechenbleikner and raised this issue and the town is looking into this. To change the mileage reimbursement, the Board can change the Travel Policy, or wait until the town changes it.

Mr. Hahn inquired if Peter Hechenbleikner indicated any time soon when the mileage reimbursement would occur?

Mr. Cameron replied Peter Hechenbleikner said they were looking into it.

Mr. Soli added that in some cases we have no choice.

Mr. Cameron replied that going from 31.5 cents to 48.5 cents is quite a change. Mr. Cameron pointed out the mileage reimbursement is not huge on annual basis. For the nine-month period ending in August, it was \$1,500.

Ms. Kearns added, "Isn't this is a negotiable issue?"

Mr. Cameron replied he believes that it is not a negotiable issue, because it appears in the policies and not the union contracts.

Ms. Kearns responded that it was a wage issue and those issues are subject to collective bargaining.

Mr. Hahn stated that the town was going to evaluate the situation and come up with a number for the town employees within a month this would work for her. He said he was reluctant to put a number out there now if the town should come in higher. Mr. Hahn would like to know the schedule of town action.

Mr. Pacino pointed out that the mileage change stipulated by the IRS is only for the last quarter of 2005. Mr. Pacino anticipates it will go down as of January 1, 2006. The cause of the change is Hurricane Katrina. Mr. Pacino suggested there is an existing policy in place and this should be referred to the Policy Subcommittee to look at this issue. The Subcommittee can report back to the Commission.

Chairman Herlihy added that since the Town of Reading Selectmen liaison was in attendance at this meeting, he could convey the RMLD's concerns to the Selectmen. Chairman Herlihy stated that Mr. Cameron has done a very good job with curtailing any unnecessary travel, and that the Department has ordered a hybrid car.

**2005 RMLD Board of Commissioners Subcommittees**

**A vote on the membership of the Legal Services Subcommittee members was deferred from the July 13 and August 24, 2005 meetings.**

Mr. Cameron said that at the July meeting the issue of a vacancy on the Legal Services Subcommittee was raised. Mr. Cameron stated that Secretary Kearns said she would be happy to serve on this Subcommittee. Mr. Cameron raised the concern that this might create ethical issues because she is an attorney. The Board's directive was to look into this issue. Mr. Cameron called the State Ethics Commission and spoke to the staff. The State Ethics Commission staff member said it was alright to have an attorney on the Subcommittee, but if anything comes up which could be construed as a conflict it should be brought up front and the person who had the conflict could recuse themselves from the vote or up front make the disclosure of a relationship. Having a lawyer on the Legal Services Subcommittee would be fine.

As Mr. Cameron stated, Ms. Kearns would be a very good addition to the Legal Services Subcommittee.

Mr. Pacino made a motion seconded by Mr. Soli to appoint Ellen Kearns to the Legal Services Subcommittee.  
**Motion carried 5:0:0.**

**Selectmen Liaison, Citizens' Advisory Board and Customer Comments**

Chairman Herlihy asked if the Town of Reading Board of Selectmen liaison, Mr. Duffy if he had any comments?

Mr. Duffy stated the Reading Municipal Light Department continues as the jewel of the four towns it serves.

Chairman Herlihy stated that he was going to steal Mr. Cameron's thunder by recognizing the newest appointee to the Citizens' Advisory Board from the Town of Reading, Mary Ellen O'Neill.

Ms. O'Neill thanked Chairman Herlihy.

Chairman Herlihy asked Chairman Roger Lessard if he had any comments?

Chairman Lessard wanted to echo Mr. Duffy's comment that the Reading Municipal Light Department is doing a great job.

**Action Item**

**Bid for Tree Trimming Services – ITB 2005-5**

Mr. Cameron said that in the past the Department has had tree crews in the system. At one point there were three crews then it went down to two crews and most recently one crew with a provision for a second crew for three months for specialized trimming. Mr. Cameron stated the system has many trees. Trees create many of the outages the Department experiences. Mr. Cameron noted the recent summer storm in North Reading, which caused a lot of damage on Park Street. Mr. Cameron said the Department tries to mitigate as many tree outages as possible. It is important that the Department keep one tree crew busy. Mr. Cameron said that the reason only one qualified bid was received is because Asplundh personnel are specifically trained to trim trees around live wires. The Department has had the same Asplundh foreman and crew for the last five years and they have worked well.

Mr. Cameron said the Department needs tree trimming on a regular basis given that the service territory is a heavily treed area. Tree trimming prevents numerous outages on an annual basis.

Ms. Kearns said she was concerned that Asplundh was the only bidder for tree trimming. She asked if there were anything the RMLD could do to encourage some of the other tree companies in the area to submit bids? Ms. Kearns said that her gut is telling her that the problem is the Department is requiring one crew be available at fifty-two weeks a year at forty-five hours a week. Ms. Kearns asked could the Department expand the universe with respect to who submits a bid? Ms. Kearns noted that the Asplundh bid is high compared to last year's quote. Ms. Kearns asked if the Department expands the bid to more persons, will it get a better price?

Mr. Cameron responded that the Department requires "live" line trimming this requirement narrows the universe. Mr. Cameron stated that is the reason the Department gets only one bid. Asplundh is nationwide.

Mr. Hahn said that he knows some of the companies on the bidding list and he finds it hard to believe that Asplundh is the only bid. Mr. Hahn said there is a lot utility work around for the municipalities and investor owned utilities. He said that he thought it amazing that Asplundh is the only one who has the capability of trimming around live wires.

Mr. Cameron explained that when they schedule tree crews to come in, they need a lot of lead-time to get tree crews. There are not a lot of people available doing live tree trimming. For instance the 35 KV line along the railroad tracks is trimmed from the Gaw Station out to Woburn and Concord streets and such crews have to be scheduled well in advance. The three-month specialized Asplundh trimming crew needs lead-time on this as well.

Chairman Herlihy commented that there should be more competition for this kind of money (\$1 million). Chairman Herlihy said perhaps this is an industry problem and could be brought to NEPPA's attention. Chairman Herlihy added he is concerned about the overtime issue. The Department is paying overtime for non-RMLD employees over three years and the Department is locked in. Chairman Herlihy has no issue with the quality or safety of the work they perform.

Mr. Soli suggested surveying MEAM.



**Action Item**

**Bid for Tree Trimming Services – ITB 2005-5**

Mr. Cameron replied that he could do this.

Mr. Hahn asked when the bid would become effective?

Mr. Cameron replied January 1, 2006.

Mr. Hahn suggested gathering more information. He suggested that the vote can be deferred tonight where the contract is not effective until January 1, 2006.

Chairman Herlihy echoed Mr. Hahns' concerns.

Mr. Soli inquired how long the bid pricing was valid?

Mr. Cameron replied it is either ninety or one hundred twenty days.

Mr. Hahn said he thinks Asplundh does a great job.

**Report of the Public/Community Relations Subcommittee (Secretary Kearns)**

Ms. Kearns reported that at the request of the RMLD at this meeting the Subcommittee met with Center for Research and Public Policy - Michael Vigeant, Executive Vice President and with Satisfaction Development Systems - Dale Inkley, President, who is connected to Home Town Connections. Ms. Kearns said both presentations were professional. The Subcommittee will meet with Mr. Cameron regarding the length of the survey and which of the two bidders will produce the best and most useful results.

**General Manager's Report**

**Fuel Charge (Jane Parenteau)**

Mr. Cameron told the Board that he wanted to update them on the Fuel Charge because there was an article in the *Daily Times Chronicle* regarding that issue. Mr. Cameron said that Ms. Parenteau will speak on, Fuel Charge and what to expect in the near future.

Ms. Parenteau reminded the Board members that the RMLD had utilized approximately \$1.5 million from January to July, of the Deferred Fuel Cash Reserve Fund. Per the current RMLD Board policy, the RMLD is able to increase or decrease the FCA by no more than half of one cent each month. In July, the Fuel Charge was about 4.1 cents; currently it is 4.9 cents with a quarter of one cent increase from July to August. From August to September, there will be a half cent increase and the Department is anticipating an additional half-cent increase in October and November. She said that when looking at the fuel expenses from January to July, and comparing them to years 2004 with 2005, the Department has incurred an eighteen percent fuel expense increase. Ms. Parenteau explained that the Fuel Charge Adjustment, which is charged to the customers, represents on average, about an about 1.2 percent increase. The Department was using the Deferred Fuel Reserve Fund to smooth out the spikes in the fuel costs that the Department charges its customers. Ms. Parenteau added the Department is trying to be proactive. They are bringing this to the Board's and the communities' attention now.

Ms. Parenteau described the different ways the Department is trying to make all its customers aware of this issue on both the residential and commercial side. She said this is due to the commodity increase of natural gas and oil. Most of the generation in the New England region is fueled by natural gas and oil, which have increased significantly. She said that in the last two and half months there has been a sixty four percent increase in costs.

Ms. Parenteau said that the Energy Services Division is getting together a break down of its rate cost structure. In July over 88 percent of its energy costs were related to fixed contracts or low cost fuel. The 12 percent variable portion is related to the Independent System Operator Interchange and the combined cycle at Stonybrook. The Department is not recouping its fuel costs, and as a result of that, in June \$1.5 million and in July \$700,000 were not charged to the customers.

### General Manager's Report

#### Fuel Charge (Jane Parenteau)

Ms. Parenteau said that the August fuel charges are estimated to be \$500,000. The Department paid for that out of the Deferred Fuel Reserve (DFR). She said that these payments will pretty much empty the Deferred Cash Fuel Reserve.

Chairman Herlihy asked where this would leave the Department?

Ms. Parenteau replied it would bring the DFR to around \$200,000.

Mr. Hahn stated Ms. Parenteau should highlight the fact that the favorable contracts over the years have shielded our customers from the bulk of the increase; he said that a twelve percent open position in today's market is a good place to be.

Ms. Parenteau stated that Energy Services is constantly looking to take positions in the marketplace. In June they did a short-term purchase for July and August because in evaluating their portfolio, their resources and the projected load, Energy Services found that this was an area they could buy off peak power. She said RMLD signed a two-month short-term contract with a power supplier.

Ms. Kearns asked Ms. Parenteau if she had the opportunity to compare the increases in the Fuel Charge at RMLD vis à vis other public power companies and investor owned utilities in the area?

Ms. Parenteau replied yes. She said that Joe Bilicki who works in her department performs a monthly rate comparison. She said that it is compiled around this time of the month and she has not had a chance to look at it closely. She said as a general matter, RMLD is compared to the contiguous utilities; our rates are significantly lower than the investor owned utilities. She said that in comparing the contiguous municipalities of Peabody, Wakefield and Middleton to RMLD, RMLD is below all of them except Middleton.

Mr. Pacino asked Ms. Parenteau if she had any sense where fuel prices were going and what would RMLD do to mitigate these costs?

Ms. Parenteau replied that she was looking at some peak pricing for the November to December period, averaging \$130 a megawatt hour. Currently, the Department has a large portion of the fuel supply that is generated from the Stonybrook plant in Ludlow, which is running on oil or natural gas. She said based on our portfolio the Department is in a very good position because only a small portion of our supply is out there which is directly related to the size of the Calpine contract.

Ms. Kearns stated that when she attended the NEPPA Conference in Newport, Rhode Island there was universal acclaim for Jane Parenteau, and her skills in the Energy Services area. She said that many utilities came up to her and asked if they could borrow her for one day. Ms. Kearns thanked Ms. Parenteau for her work on behalf of the RMLD.

Chairman Herlihy asked Mr. Cameron if the customers would benefit from a cap on how much the Fuel Charge Adjustment could be increased and, if things were to drop dramatically could there be no limit to the decrease?

Mr. Cameron replied no. It is half a cent either way.

Mr. Pacino stated that this policy goes back a long way. The policy was set up so that if the RMLD wants to increase the FCA more than half a cent, they have to go to the Commission and seek approval for a larger amount.

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### Public Power Week, October 3-8

Mr. Cameron reminded Board members of Public Power Week.

**General Manager's Report**  
**Halloween Party, October 27**

Ms. Gottwald reported that the Halloween party is October 27, 2:00 to 5:00 p.m. She said the T-Shirt Contest kicks off October 2 in which all the elementary schools in the RMLD service territory participate.

**RMLD Financial Projection (Bob Fournier)**

Mr. Fournier stated that because Mr. Biron addressed the June Financials in his report, he would not repeat that material. Mr. Fournier thanked his staff and the employees of other departments for providing information in a timely manner, which allowed the audit to go smoothly.

**General Manager's Report**

**RMLD Financial Projection (Bob Fournier)**

Mr. Fournier then addressed the budget variance report. He reported the following, the divisions, Business, Energy & Operations, General Manager all came in under budget. He said that this was because there was a one-time expense that had not occurred at this point. He stated that in the Purchased Power Base Expense, the Department is over budget by \$250,000. He said this is because Purchase Power fuel is over budget by \$1.6 million. He concluded overall the expenses were about 2.5% over budget, or \$750,000. This deficit, he said, is due to purchase power costs.

Mr. Fournier addressed questions that Commissioner Hahn had that were forwarded to him prior to the meeting. His responses were as follows:

(1) Explain Labor Expenses that exceed more than 5%?

Mr. Fournier replied that most of these can be attributable to the mix of capital and expense work. With respect to Engineering, Senior Techs and MIS, these departments did have some capital work, which was completed late in 2004 or early in 2005, which was approved "capital."

Mr. Hahn asked, "Are you capitalizing less than you thought you would?"

Mr. Fournier replied, "that is correct." Mr. Fournier said that the salary for a retired employee was not in the budget for 2005, but the individual worked for six weeks in 2005.

(2) Explain Overhead Line Maintenance Variances

Mr. Fournier replied that the line department has four accounts where a percentage of the expense cost is allocated to these four accounts as a "capital expense." He said if you look at the four expense accounts collectively, the Department exceeds budget by \$39,000.

(3) Tree Trimming Costs

Mr. Fournier said there were no police details associated with the tree trimming crews.

(4) Labor Variance Report

Mr. Fournier provided this to the Board members for May and will provide it for June. It breaks out all the overtime costs for the cost centers in the RMLD.

(5) Expense Account Other Deductions

Mr. Fournier explained there are two items budgeted in this account. One is the return on investment and the other is the loss on disposable assets. For the first six months of 2005, there was no return on investment made to the town because the payments are made in July and December.

(6) Operating Fund

Mr. Fournier stated that Mr. Hahn wanted to know where \$10.6 million goes and does the Department plan on maintaining this high level in the Operating Fund? Mr. Fournier explained that this may stay in the town's general fund. The operating fund balance is used determine if a rate refund will be returned this year.

**General Manager's Report**

**RMLD Financial Projection (Bob Fournier)**

(6) Operating Fund

Mr. Hahn asked if that money earns any interest at all?

Mr. Fournier replied that it did not.

(7) Ability to compare financials to other municipal utilities in Massachusetts

Mr. Fournier was unsure about specific comparisons Mr. Hahn wanted to compare.

Mr. Hahn said that he will get his specific questions to Mr. Fournier at a later time.

(8) Kilowatt hour sales down about 2%, weather related or losing customers?

Mr. Fournier explained the Department lost two big industrial customers and that caused the kilowatt sales to decrease.

On another matter, Mr. Hahn asked who was responsible for the poles located at Oak Street and Summer Avenue?

Mr. Cameron replied that the Department had to move the lines across the street. He said the poles have been set and the anchors are in. The pole at the corner Oak Street and Summer Avenue is a junction pole, which needs a fifty-foot pole placed by Verizon.

**Board Discussion**

**Rate Comparisons, September 2005**

Chairman Herlihy asked if there were any questions on the Rate Comparisons listed in the Board material.

Mr. Cameron replied that Ms. Parenteau had addressed these comparisons earlier.

Mr. Cameron stated that on Wednesday, September 28 he and Chairman Herlihy will be attending the Town of Reading Finance Committee meeting. Mr. Cameron stated that he will be making a presentation on the return to the town and the Twenty Year Agreement along with comparative data from other municipal utilities in Massachusetts regarding that subject.

**RMLD Board of Commissioners Subcommittee Meetings**

Mr. Cameron reported that a Rate/Power Subcommittee will be held in conjunction with the Citizens' Advisory Board, on October 5 at 4:00 p.m. He said that several important power supply issues will be taken up as well as the possible refund to the customers. He said that the Department is looking at a combination of a refund and putting some monies aside to abate some of the fuel increases.

**Next Meeting Dates**

**Wednesday, October 19**

**Wednesday, November 16**

**Executive Session (General Manager's Conference Room)**

At 9:31 p.m. Ms. Kearns made a motion seconded by Mr. Soli that the Board go into Executive Session, to discuss release of Executive Session Meeting Minutes and to return to Regular Session for the sole purpose of adjournment.

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

**Chairman Herlihy called for a poll of the vote:**

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

**Motion to Adjourn**

At 9:51 p.m. Mr. Soli made a motion seconded by Mr. Herlihy to adjourn the Regular Session.

**Motion carried 5:0:0.**

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