

Reading Municipal Light Board of Commissioners

Regular Session
230 Ash Street
Reading, MA 01867
October 19, 2005

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Start Time of Regular Session: 7:45 p.m.
End Time of Regular Session: 9:28 p.m.

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Attendees:

Commissioners: Pacino, Soli, Herlihy, Kearns and Hahn

RMLD Staff: Messrs. Cameron, Fournier and Seldon
Meses. Antonio, Cavagnaro, Gottwald, O'Leary and Parenteau

CAB: Mr. Carakatsane and Ms. O'Neill

Liaisons: Mr. Duffy

Chairman Herlihy called the meeting to order at 7:45 p.m. He said "This meeting of the Reading Municipal Light Department (RMLD) Board of Commissioners October 19, 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. This meeting is being video taped for distribution to the community television stations in North Reading, Wilmington and Lynnfield."

Minutes

August 24, 2005

Mr. Hahn made a motion seconded by Mr. Pacino to approve the Regular Session meeting minutes of August 24, 2005 with the changes presented by Mr. Soli.

Motion carried 3:0:2. Secretary Kearns and Commissioner Pacino abstained from the vote because they were not present at this meeting.

Report of the Chairman of the Board

Chairman Herlihy stated he received from Commissioner Pacino a request to have the RMLD address the rising energy costs. Chairman Herlihy stated that he would like to inform customers of what to expect on this issue. He asked Mr. Cameron to address the issue.

Mr. Cameron asked Jane Parenteau, Energy Services Manager. Energy Services Manager to address this issue. Ms. Parenteau explained that, currently, the RMLD is charging 5.41¢ for the Fuel Charge adjustment. This amount is anticipated to increase per Board policy at a rate of half a cent in November and an additional half a cent in December. Currently, the Independent System Operator (ISO New England) is preparing a winter action plan to address the reliability issue relating to potential insufficient supplies of natural gas. Ms. Parenteau pointed out their efforts will have an effect on wholesale electric prices. She said the RMLD currently has a power supply portfolio the Department uses to manage its cost, however, a portion of that portfolio relies on the wholesale market. She added that with those increases, the Department is projecting that the Fuel Charge potentially will increase to just below 7¢ in the January/February time period. She said that if the New England region were to experience a mild winter these projections could be on the high side. However, if other extenuating circumstances, which affect the natural gas industry or the wholesale market do occur those will go higher as well. Ms. Parenteau said they are working with Community Relations to inform both the residential and commercial customers stressing the need for conservation. She said that as ratepayers, one thing you are able to do is manage your bill by using power as efficiently as possible. She added that the Department will be putting out press releases, put an article in the *In Brief*, and continue the Good Neighbor Energy Fund. "This will help during the extremely critical time of rising fuel costs."

Mr. Pacino asked if Ms. Parenteau meant that there could be a 20% increase in the fuel costs?

Ms. Parenteau replied yes.

Mr. Pacino agreed that the base rate would stay the same even with the increases of fuel costs. Mr. Pacino asked, "If I am an average homeowner using 500 kilowatts what can kind of numbers can I expect?"

Report of the Chairman of the Board

Ms. Parenteau replied that for 500 kilowatt usage that translates into \$2.50 increase per month, which would be compounded at monthly increments.

Mr. Pacino noted that the increase could be \$2.50, \$2.50 then \$5.00 potentially.

Ms. Parenteau agreed.

Chairman Herlihy stated, that the increases being described by the RMLD are lower than investor owned utilities increases.

Ms. Parenteau commented that the RMLD's rates are significantly below the investor owned utilities and are very competitive with the surrounding municipalities.

Update on presentation to the Town of Reading Finance Committee

Mr. Cameron stated that liaison to the RMLD from the Finance Committee is Paul Bolger. Mr. Cameron said in the spring at a Board meeting, Mr. Bolger had asked if the Department could explain the formula and the genesis of the payment to the Town of Reading (return to the Town of Reading). Mr. Cameron commented that he and most of the Board in September attended a Finance Committee meeting and spent an hour explaining the history of the Town Payment. Mr. Cameron explained that in 1997, the actions that were taken to develop the Town Payment Subcommittee. Based on these actions, the subsequent formula was developed which calculates the payment and is used to date. Mr. Cameron added he thinks all their questions were answered.

Chairman Herlihy stated it was a positive evening and a way to address some of the questions the Finance Committee had.

Mr. Hahn said that the General Manager did an outstanding job explaining a fairly complicated issue.

Motions from Citizens' Advisory Board (CAB) meeting held on Wednesday, October 5, 2005:

Chairman Herlihy received a letter from the Citizens' Advisory Board at their last meeting in which they made a couple of recommendations to the RMLD Board. Chairman Herlihy said the first item for Board consideration is the CAB's recommendation that RMLD discontinue the Surge Protector Program.

Mr. Cameron said that the Surge Protector Program was started in 2000. This particular program is a Whole House Surge Protector Program. The surge protector is a collar, which is installed in between the meter box and the meter. It is supposed to protect the household from surges; it is basically a lightning arrestor. Mr. Cameron explained the RMLD purchased these protectors and charged the customer \$3.95 monthly. Mr. Cameron added the cost of the arrestor is approximately \$97. He said that the agreement between the Department and its customers if the surge protector failed the Department would go out and change it out at no cost. The lease amount would continue at \$3.95 monthly. Mr. Cameron said that TESCO manufactured these Whole House Protectors. He said if there were a power surge that affects the appliances inside a house that has a surge protector then customers would report the incident to TESCO and TESCO would have their appliances replaced at no charge. He said it was like an insurance policy. Another part of the agreement says if there were a prolonged power surge, TESCO would not be liable. Mr. Cameron said the Department looked at these facts and decided to discontinue the program. Mr. Cameron added customers could go to TESCO in the future if they felt they had a surge that damaged their appliances. The Department would like to discontinue this program, but needs the Boards' approval because it is part of the Residential rate and Residential Time of Use rate. Mr. Cameron explained that letters will be sent to the customers informing them that they will not be charged for the Whole House Protector anymore and it is theirs to keep.

Ms. Kearns asked what would be the cost of not recouping the remainder of the surge protectors that have been installed and not paid for?

Mr. Cameron replied that there are very few surge protectors that have not been paid for, less than 5%.

Ms. Kearns inquired what percentage of the residential base bought into this program?

Mr. Cameron replied 72 customers.

Report of the Chairman of the Board

Motions from Citizens' Advisory Board (CAB) meeting held on Wednesday, October 5, 2005:

Chairman Herlihy asked if the letter will notify these 72 customers, and expressed that he hoped there is a follow up by other means of communication?

Mr. Soli said the Rate Subcommittee met on this issue and voted to support Mr. Pacino's motion.

Mr. Pacino made a motion seconded by Ms. Kearns that the Residential Surge Protection Program be discontinued on the recommendation of the General Manager.

Motion carried 4:0:0.

Potential Rate Refund

Chairman Herlihy said he wanted to make a statement to the Board on this issue. Chairman Herlihy said if the Board wanted a discussion on how the Deferred Fuel Cash Reserve may be used it can happen on another night. The discussion this evening will be about putting money into the Deferred Cash Reserve, not a matter of taking it out. Chairman Herlihy said there is a letter from the CAB, which recommends to the RMLD Board that \$1.678 million be put into the Deferred Fuel Cash Reserve so that the balance in the fund is brought back to the recommended level of \$1.75 million.

Mr. Cameron said that over the past few years, the Board has asked the Department to report to them on the possibility of a rate refund to the customers. In the past, the Department's fiscal year had been a calendar year. The Department is now on a fiscal year ending June 30. However, Mr. Cameron talked with Ms. Parenteau and Mr. Fournier and they looked at what was going on financially within the Department. Mr. Cameron pointed out Mr. Fournier prepared a cash schedule from September to the end of December. Mr. Cameron commented what this shows is that the Department has \$1.678 million over and above what the Department needs in the Operating Fund. Mr. Cameron stated the Department has used between \$3 and \$3.5 million since the beginning of 2005 to balance its fuel expenses. Mr. Cameron added fuel prices have gone up over this period and these monies were used to assist the customers of the RMLD meeting its fuel expenses. The Deferred Fuel Reserve, which the Department uses to balance its fuel expenses, is in the red. Mr. Cameron said taking into account all this information the Department would not be recommending a refund this early in the fiscal year. Mr. Cameron added the Department could come back to the Board in April or May to possibly recommend a refund. Mr. Cameron is recommending \$1.678 million should be put into the Deferred Fuel Cash Reserve. Mr. Cameron said if his projections are correct it should get the Deferred Fuel Cash Reserve up to \$1.75-\$1.8 million balance by the end of the fiscal year. This would not only get the Department to where he believes the Deferred Fuel Cash Reserve should be but it would also assist the Department in balancing the fuel costs during the winter period. If this transfer is not made, the RMLD is charged with having that \$1.8 in the Deferred Fuel Cash Reserve by the end of the fiscal year. Mr. Cameron would rather take it out of the Operating Fund now and put it in the Deferred Fuel Cash Reserve and have it available if necessary for the winter months. Mr. Cameron said the subject of a rate refund could be taken up in the spring. Mr. Cameron emphasized it is prudent that money be put in the Deferred Fuel Cash Reserve now. Mr. Cameron said his view was jointly agreed to by Mr. Fournier and Ms. Parenteau.

Mr. Herlihy asked for comments on the motion.

Mr. Soli asked if the material given to the Board shows that in June, July and August \$2.95 million was spent. He added what impact did that have on the profit to date compared to budget?

Mr. Fournier replied that it reduced the Department's profit.

Mr. Soli asked where does the Department stand vis á vis its projections?

Mr. Fournier said for the first two months of this year the Department is at a \$200,000 loss when compared to the budget. Mr. Fournier added the Department is \$2.2 million under budget for this year.

Mr. Soli asked Mr. Fournier how the Department planned on making up this deficit?

Report of the Chairman of the Board

Potential Rate Refund

Mr. Cameron replied that \$2.5 million was spent by RMLD in order to make up the difference between fuel charges charged to the customers and the fuel charge incurred by the RMLD.

Mr. Fournier explained based on the Department's projections starting in September the Fuel Revenues would be exceeding its Fuel Charges a little bit. To answer Mr. Soli's question, will it be turning around the bottom line, yes, but probably not to benefit the ratepayer.

Ms. Kearns asked of Mr. Fournier, "if at the end of the year, the Department does not make up the \$200,000, will Department come under budget by \$200,000 or more in if so how will that affect the payments to the Town?"

Mr. Fournier replied payments to the Town will be made regardless. It is a matter of whether the RMLD will make its 8% allowable return on plant or not.

Chairman Herlihy asked Mr. Fournier if for the first 6 months did the Department over recover?

Mr. Fournier replied for the first 6 months the Department used \$1.5 million whereas the charges exceeded the revenues.

Chairman Herlihy asked Mr. Fournier for the overall Net Income?

Mr. Fournier replied \$3.3 million for the 6-month period.

Mr. Cameron added that is part of the 8%.

Mr. Fournier said the Department did over recover by 1.78%.

Chairman Herlihy added the Department has saved the ratepayers a substantial amount of money, which they did not have to payout of their pockets for fuel charge. Chairman Herlihy commented that the Department has a fund for excessive fuel costs and it is using it. That is why that fund is set aside and applauds the Department for this.

Mr. Pacino believes it is prudent to offset fuel charge increases and if there are funds left over they can be transferred. Mr. Pacino commented that the money can be taken out if not needed in the future. Mr. Pacino pointed out this issue should be addressed now and the transfer satisfies this.

Mr. Soli asked if he could make a presentation and Mr. Herlihy agreed.

Mr. Soli said that there are some problems with the proposed transfer. Mr. Soli said that residential customer subsidize businesses by \$131,000. Mr. Soli added that the RMLD approach will not work in the current market. In three months almost \$2.95 million in fuel charge was not collected from customers. It seems to short change the Town of Reading, the Return on Investment the Department is allowed to collect 8% by the amount of \$800,000.

Mr. Soli said fuel is charged directly on kilowatt-hours. The Department's customers' use is as follows: Commercial/Industrial 62%, Residential 34% and others 4%. Mr. Soli explained if the 6 months Fuel Charges divided by kilowatt-hours, the average is 4.07¢ on the billing. Mr. Soli said the total revenues per kilowatt-hour for the Commercial/Industrial 8.67¢, Residential 10.43¢. Mr. Soli said the base amount for Commercial/Industrial is 4.6¢ and for the Residential is 6.36¢. Mr. Soli noted that if you want to make a transfer out of the base revenue of \$100; Commercial/Industrial will pay \$67, Residential \$41.46 and the others \$40. Then, Commercial/Industrial put in \$57 and Residential \$41, Other \$1.33. Commercial Industrial receive 65% or \$65 even though they put in \$57, it is not enough. The Residential \$34 but they put in \$41.46, losing \$7.81.

Mr. Soli explained last year's fuel funding history. The Department started out last December at \$2.4 million and went on for a number of months not in bad shape. But in June, July and August, in only three months, the increase in fuel charges was \$1.5 million.

**Report of the Chairman of the Board
Potential Rate Refund**

Mr. Soli stated it says to him the method the Department has for collecting and increasing the rates is great if you are paying your bill, but the Department is not catching up fast enough. Mr. Soli pointed to June and July the Department was charged 5.5¢, in August it was almost 8.5¢. Mr. Soli added the final point is the Town of Reading is going to be short changed \$800,000. Mr. Soli explained the Department over collected \$850,000 and what is being proposed is these two amounts will be transferred into the Fuel Reserve. Mr. Soli commented the Fuel Reserve gets this \$800,000 that the Town of Reading does not get on Return on Investment. Mr. Soli thinks it is a bad motion. Mr. Soli did not vote for the transfer in 2001, he does not want the residents to subsidize the businesses in the amount of \$131,000.

Chairman Herlihy said that he is unsure if Mr. Soli's comments were entirely accurate but will hear from the General Manager. Chairman Herlihy asked Mr. Cameron to address these findings.

Mr. Cameron said there are several ways to refund money to customers. Mr. Cameron commented that Mr. Soli has pointed out it can be refunded by base charges by using base billings. Mr. Cameron pointed out customers can be refunded by total billings of customers and also through kilowatt-hour charges. Each one of those refund methodology will give a different percentage to the residential and commercial customers. Mr. Cameron does not think one methodology has merit over another methodology. Mr. Cameron did contact other municipalities in Massachusetts and eight General Managers replied. Mr. Cameron asked of them, when you give refunds back to the customers, what methodology do you use? Mr. Cameron said eight of the eight said they refund through kilowatt-hours. Mr. Cameron explained they use the Purchase Power Adjustment Charge (PPAC) or the Fuel Charge. Mr. Cameron commented that the Department has budgeted and will make the \$800,000 Town Payment. The Town Payment amount is in the cash projection developed by Mr. Fournier. Also, the \$1.678 million from the Department's Income Statement does include Fuel Revenues in the bottom line. The money that the Department would be putting in the Deferred Fuel Reserve, \$1.678 million would include billings not just from base but also from fuel.

Mr. Cameron asked of the staff if there was anything they wanted to comment on?

Mr. Fournier replied, the Town would not be shortchanged, and nothing is going to happen to the Return on Investment.

Mr. Cameron said he disagrees with the slide that states, "The GM is asking for subsidization"; Mr. Cameron stated he would never ask for subsidization. Mr. Cameron said he asks what is the best thing for the customers of the RMLD with respect to the Fuel Charge, and the impending winter.

Mr. Pacino said the three points made in the first slide were all very inflammatory. Mr. Pacino said that he was very disappointed that the presentation has to use those statements in front of the public. Mr. Pacino stated that he does not believe that the residential customers are subsidizing the business customers for \$131,000. The rate refund is based on kilowatt sales. This Board treats all the businesses and residents equally. Mr. Pacino said that in his opinion the Board is not favoring one class over another. They are all viewed as our customers. Not as one class versus another class. Mr. Pacino categorically disagreed that one class is charged at the discrimination of another for \$131,000. Mr. Pacino pointed out the Department could go to a system where the customers can be charged what the Department's cost, and each month but there may be spikes. He said that when the current system was put in place it was to create stability over a period of time to avoid spikes. Mr. Pacino emphasized this was part of the Twenty Year Agreement which was negotiated twenty years ago. Mr. Pacino said the Town of Wilmington voted to leave the RMLD's system twice because the commercial customers felt they were being discriminated against. Mr. Pacino does not feel the system is broken and the Department tries to even this out over a period of time to alleviate the big spikes. Mr. Pacino said that Mr. Cameron commented that in other communities they have price spikes. If said if you are a business you need to plan what your costs are. With respect to the Return to the Town, Mr. Pacino said Mr. Soli has projected out two months worth of information. For a year end position. The next ten months have been discounted at this point in Mr. Soli's analysis. Mr. Pacino pointed out the information from the Financial Statements, which are literally two months old because of the change to a new fiscal year. If you project these numbers out the six-month timeframe plus the two months it will be comparable to numbers to from last year's.

**Report of the Chairman of the Board
Potential Rate Refund**

Mr. Pacino also addressed the third point that the Department is endangering the Return to the Town. Mr. Pacino said this is not true. You do not know what the economics are going to be in the next ten months. There could be customers who come in and use more electricity and over recover again.

Mr. Hahn concurred with Mr. Pacino. The fact of the matter is that to draw down the Deferred Fuel Reserve as shown in the slides, is exactly what the fund is for. Mr. Hahn thinks having the fund is a fiscally prudent thing to do given the uncertainty in the electric and fuel markets as Mr. Pacino talked about. Mr. Hahn said that he concurred with a lot of what Mr. Pacino said and restoring this fund is in the best interest of all customers of the RMLD.

Mr. Carakatsane said that the Citizens' Advisory Board took this issue up at its last meeting. Mr. Carakatsane stated that the Board has extensively discussed this issue and agreed that it was prudent to have a gradual increase in the Fuel Charge versus the spikes that many communities are experiencing. Mr. Carakatsane pointed out that the neighboring communities of Peabody and Middleton are this month experiencing such spikes with the appropriate reactions from its ratepayers. The RMLD has in the past had the foresight to create this fund and to utilize this fund in certain instances. The fund is there and is just for the periods the Department is currently going through and anticipating going through this winter. Mr. Carakatsane said when he came onto the CAB in 2001; the Department was in a similar position as today. He said that in 2001, the fund was dipped into as a means of stabilizing the fuel rates, which was subsequently replenished. He said the alternative is to charge exact prices for the Fuel and that would be probably be utmost discriminatory against residential ratepayers. He said that it will hit them the hardest, because businesses tend to budget things out over time whereas ninety percent of homeowners go month to month. Mr. Carakatsane said this increased pricing has happened and is anticipated to happen. The alternative is unacceptable. The CAB did endorse the Department's proposal unanimously.

Ms. Kearns said that the Board did not adopt all the findings of the Cost of Service Study (COSS) because Mr. Soli made legitimate criticisms regarding how the study was performed and the results. Nevertheless, the COSS and not the Deferred Fuel Reserve is really at the heart of what Mr. Soli proposes in this move to transfer the \$1.678 million. She said that by moving this money, you continue, in Mr. Soli's judgment, the inequity between the residential and commercial customers. Nevertheless, Ms. Kearns adopts Mr. Pacino's statements that they are all our customers and are all experiencing the high fluctuations in the Fuel Charges, and this is the fairest way to address the problem at this time.

Chairman Herlihy emphasized that this motion is about putting money into the Fuel Charge, not about how it comes out. That is another discussion for another day and he is willing to have that discussion. This motion concerns putting the money in Differed Fuel Reserve. There has been too much discussion on how it may or may not come out. Chairman Herlihy would like to see on the agenda in the spring the issue of a possible refund to the customers. Chairman Herlihy is in agreement with the CAB. Chairman Herlihy was a strong proponent of going to a new fiscal year. It was one of the last recommendations of the Ad Hoc Committee. Chairman Herlihy added it is premature in the new fiscal year to give a refund and no business would do this. There is nothing etched in stone that says the refund has to be done in November. It has been done this way traditionally but it was a different time of the fiscal year. Chairman Herlihy believes it is a prudent to wait. Chairman Herlihy explained the motion is to put money in and the Rate Subcommittee can discuss taking this out in the future.

Mr. Soli said the Rate Subcommittee met this evening and brought this issue up for a vote. The vote was one for and one against.

Chairman Herlihy called for a motion on Secretary Kearns's motion.

Ms. Kearns made a motion seconded by Mr. Hahn that the RMLD Board instruct the Department to transfer \$1.678 million from the Operating Cash to the Deferred Fuel Cash Reserve on the recommendation of the General Manager and the Citizens' Advisory Board.

Motion carried 4:1:0. Mr. Soli voted against this motion.

Report of the Chairman of the Board

Selectmen Liaison, Citizens' Advisory Board and Customer Comments

Chairman Herlihy informed the Town of Reading Selectmen liaison Mr. Duffy that the Department will be seeking to make changes in the manner the Energy Services Department conducts short-term power deals. This will require amendments to the Twenty Year Agreement. Chairman Herlihy said the Department will be going to the Selectmen in the communities the RMLD service area to seek approval for these changes.

Mr. Cameron said that he would make a recommendation to the Rate Subcommittee once he assembles the information pivotal to this issue. He said there is a memo, in which the Department has outlined how it wants the parameters to change for the short-term power deals that go to the Board. Mr. Cameron stated CAB member Mary Ellen O'Neill who was present, pointed it out; it is in one of the attachments to the Twenty Year Agreement including a description of what a short-term power deal is. Mr. Cameron would like to discuss it with the CAB to see how to best resolve this issue. Mr. Cameron said that he thought the change to the Twenty Year Agreement would involve sign offs by the Selectmen in all four towns. This will be brought to the Board once the CAB has reached a decision on this.

Chairman Herlihy asked if this meant the Selectmen needed to vote on it?

Mr. Cameron replied that recently the ten-year notice period on the Twenty Year Agreement was extended and the Department had to go to all the four towns for the extension. Mr. Cameron would like to explore this with the CAB because they are the conduits back to the other Town Managers and Selectmen. Mr. Cameron believes the CAB has a good grasp on the issue at hand. Mr. Cameron said he wants to go over this with the CAB first.

Chairman Herlihy said that if there was ever an issue for the Selectmen liaisons, this is representative of such an issue. Chairman Herlihy said he would like to move forward as quickly as possible on this matter.

Mr. Carakatsane said that the CAB will be taking this up within three weeks. Mr. Carakatsane noted that just to do the rounds on obtaining the signatures for the extension on the Twenty Year Agreement after the votes took two and a half months.

Mr. Hahn wanted to add to the comments of the General Manager because if an attractive transaction occurs in the power market, it will enable the staff to make deals and save money to reduce electric bills. Right now, the current market that Reading and other municipalities participate in is different then when these guidelines were put into place. Mr. Hahn commented this is not a risky venture by any means, this is simply allowing the staff the flexibility to take advantage of a good transaction when it comes along. That is why this is being done because in the long run it will save money even if it may take a little effort to proceed forward with this.

Mr. Soli asked Ms. Parenteau to explain what happened in the summer and how she was limited by the current policy.

Ms. Parenteau explained that she, Bill Seldon and Maureen McHugh review the Department's power supply, load profiles and try to evaluate where there are opportunities to conduct short-term transactions. Based on current guidelines, short term is considered six months or less and within ten percent of the Department's peak load or replacing a unit outage. This limited the Department to purchase seventeen megawatts of Off Peak for the summer months. She and Mr. Seldon determined it would have been attractive for the Department to purchase thirty-five megawatts but because of the limitations of the guidelines they were restricted to seventeen megawatts. Ms. Parenteau stated as a result of this short-term power deal they were able to save the Department approximately \$114,000. Ms. Parenteau pointed out had they been able to purchase at a larger increment that would have produced larger savings to the Department. This is one example of how the guidelines are prohibiting the Department from conducting transactions.

Chairman Herlihy said this issue will come back to the Board and would like to see this process be expedited as much as possible.

Chairman Herlihy asked of Selectman Duffy if he had any additional comments.

Report of the Chairman of the Board

Selectmen Liaison, Citizens' Advisory Board and Customer Comments

Mr. Duffy replied he had nothing to report at this time.

Mr. Carakatsane pointed out that the Reading-North Reading Chamber of Commerce will be honoring Mr. John Norton on November 19.

Chairman Herlihy pointed out that CAB member Mary Ellen O'Neill, was present and she pointed out the short-term power deal issue in the Twenty Year Agreement.

Action Item

Bid for Tree Trimming Services – ITB 2005-5 Resubmitted

Chairman Herlihy pointed out that this bid had come to the Board before but was sent back to the Department to see if additional bidders were available.

Mr. Cameron explained that specifications were sent and advertised according to 30B to the following companies: Bartlett Tree Experts, Polanski Tree Service, Asplundh Tree Expert Co., Northern Tree Service, Inc. and Viking Tree Service. Mr. Cameron said that from these companies the Department received one bid. The bid they received was from Asplundh Tree Expert Co., which has provided tree trimming to the Department in the past. The bid was for \$1,440,933.38. The Board had discussion revolving around concerns that a \$1 million bid the Department only received one bid. Mr. Cameron was told to find out what other people do in the industry, how many people use Asplundh, do they use other companies? Mr. Cameron commented the Department did try to contact all the non-responders; Viking Tree could not cover the manpower requirements, and Bartlett Tree does not cover the North Shore. The Massachusetts municipalities that responded said, four used Asplundh Tree, three used Lewis Tree, and five use local tree trimming companies. Mr. Cameron mentioned the \$5 million insurance requirement of the Department is sometimes considered high by tree trimming companies, he said is a guideline the Department uses. In certain instances the Department will lower this requirement but tree trimming around live wires should require the maximum insurance requirement.

Mr. Cameron added many tree trimming companies do not have staff that possess the expertise to trim around live wires. Also private companies make more money doing private work. Sometimes companies do not bid when Asplundh bids because they cannot compete with them. Mr. Cameron said the last three years was \$932,000 for the three-year bid, which the Department is working off now. Mr. Cameron said the new bid is \$1.44 million that represents a twelve percent increase. The increase represents higher costs for labor, fuel and maintenance for the vehicles. Since this went out to bid the last time, fuel has increased significantly. Mr. Cameron said at the last meeting he misspoke. This bid goes through the end of this month not the end of this year. Mr. Cameron's recommendation is still to accept this bid and he will endeavor for the next bid to try to attract more bidders. Mr. Cameron agreed that he too does not like having one bid for over \$1 million worth of work for three years either.

Mr. Soli asked that Lewis Tree be added to the bid list for the next time.

Ms. Kearns wants local tree trimming companies to be added to the bid list for the next time.

Mr. Hahn asked if the \$5 million insurance requirement is a standard industry provision?

Mr. Cameron replied he believes the state endorses this amount. Mr. Cameron added he believes the investor owned utilities may require more. The Department has a comfort level with the \$5 million amount. The nature of this business it is very dangerous. Tree trimming crews answer to emergencies in all kinds of adverse weather conditions.

Mr. Hahn asked whether the expertise to trim around live wires is an OSHA qualification, or is equivalent to a skill that can be learned? Mr. Hahn added not all of this work is around live wires. He wanted to know how does the Department will go about creating bigger pool of companies to work with?

Action Item

Bid for Tree Trimming Services – ITB 2005-5 Resubmitted

Mr. Cameron does not know of anyone who trains people to perform this type of work specifically. Mr. Cameron thinks the training is on the job training. When the tree trimming crew is out, there are two people on the crew. His assumption is the second person is being trained as they work. The Department trims around live wires. And not that often it is in areas where the wires are non-energized. It is either on secondaries, primaries or both that is being trimmed.

Mr. Hahn said the gist of his question is whether a certificate is required to do this work?

Mr. Cameron replied there is no certification that he knows of.

Mr. Hahn commented that companies believe they cannot compete with Asplundh. He asked Mr. Cameron whether this is because of their pricing?

Mr. Cameron replied it has more to do with working in the private sector. Mr. Cameron said that Asplundh provides a service at a price that is enhanced by an economy of scale because they are so big. Mr. Cameron commented the smaller companies tend to stay in the private market where more money is to be made and their employees can make more as this has been explained to him. Mr. Cameron stated as far as gaining this expertise, several municipalities responded saying they do not have trimming and it is performed on an as needed basis. Mr. Cameron added these municipalities are not as heavily treed as Reading, North Reading, Wilmington and Lynnfield. Mr. Cameron pointed out that before the Department was involved with an aggressive tree trimming program its outages were a lot higher and lengthier.

Mr. Hahn responded that tree trimming was a good thing to keep on top of, but a three-year contract with one bid concerned him. He asked if it were possible to have a one-year contract in order to get some competition?

Mr. Cameron answered he believes the Department would have to go out for re-bid because it has already been bid for three years.

Ms. Kearns said it is her understanding that investor owned utilities have tree-trimming crews among their own employees, does the Department have such crews?

Mr. Cameron replied no, the Department does not.

Ms. Kearns inquired why not?

Mr. Cameron replied the investment in hiring new employees and buying additional equipment is more expensive than using contractors.

Chairman Herlihy asked if the Asplundh trucks were parked on site at the Department?

Mr. Cameron replied yes.

Chairman Herlihy asked if Asplundh bares all costs on their trucks?

Mr. Cameron replied yes.

Chairman Herlihy asked if Asplundh got fuel from the DPW?

Mr. Cameron replied no it is against the law because they are a private concern. Only municipal vehicles can use the gas at the DPW.

Chairman Herlihy said he has a lot of concern about this. Chairman Herlihy appreciates all the background work that has been provided.

Action Item

Bid for Tree Trimming Services – ITB 2005-5 Resubmitted

Chairman Herlihy noted the one bid does make him question if there is somewhat of a flawed process. Chairman Herlihy suggested that if this is an industry issue perhaps Northeast Public Power Association could look at this. Chairman Herlihy also asked that this should be the last bid in which any sort of benefit that RMLD employee receive would also be received by individuals who do not work for the Department directly such as overtime, holidays and other such benefits. That kind of language should go before the Board before it is put in a bid. The Department should consider the way it does this. Chairman Herlihy has grave concerns because he is locking the Department in for three years.

Ms. Kearns made a motion seconded by Mr. Pacino that the RMLD contract for tree trimming services with Asplundh Tree Experts Company per terms and conditions of bid specification at rates submitted in response to the invitation to bid ITB 2005-5 on the recommendation of the General Manager.

Motion carried 4:1:0. Mr. Hahn voted against this motion.

Report of RMLD Board Subcommittees

Public/Community Relations Subcommittee (Secretary Kearns)

Ms. Kearns said the Public/Community Relations Subcommittee met and recommended a company to conduct the Customer Survey. The company they recommended agreed to use the survey now being used by other MEAM members. Ms. Kearns told the Reading audience they may be receiving a call in the next month and encouraged them to respond as to how well the RMLD is meeting your electrical needs.

Chairman Herlihy added the Department has contracted with The Center for Research & Public Policy (CRPP) to conduct the survey. Chairman Herlihy said the last survey was performed four years ago. The survey will be conducted in November and the results should be out by the end of the year. The Subcommittee hopes that information may be useful to the Board.

Mr. Soli asked how many customers will be contacted and at what cost?

Mr. Cameron replied 400 residential customers will be contacted and the Department budgeted \$15,000 for the survey. The survey is being performed in conjunction with eight other MEAM members for a cost of \$9,000.

Ms. Kearns said that she thought it was a good idea to use the survey instrument used by the other MEAM members so that the Department can compare itself to other municipals.

Chairman Herlihy said that the survey company will make a presentation to the Board. This would happen in December or January.

Meeting with the Town of Reading, Town Accountant (Vice Chair Soli)

Mr. Soli said Richard Foley is now retired. Mr. Soli said Mr. Foley reported that GASBY is going to list the potential future costs of health insurance in the annual report. Mr. Soli reported that Wakefield has done this. The cost represented \$70 million in Wakefield. Mr. Soli reported both the Department's and Town's audits went well.

Mr. Fournier said that he wanted to thank Mr. Foley for all his help over the years. It was a pleasure working with him and he will be sorely missed.

General Manager's Report

RMLD Financials August 2005

Mr. Fournier presented the August Financials. Mr. Fournier he said that as noted on page 3a, for the first two months of this fiscal year, July and August the Department is showing a \$220,000 loss, which has been discussed. This is attributable to the Fuel Expense and Fuel Revenue difference. Base Revenue is up seven percent. This is due to an increase of the kilowatt-hours sold in the residential sector. Mr. Fournier noted the Purchase Power base is up eleven percent. The Operating and Maintenance is down twenty percent. All the other costs are within budget.

General Manager's Report

RMLD Financials August 2005

Mr. Fournier commented the Budget Expense Analysis, Summary Report for the first two months the Department is \$2.5 million over budget, of which \$2.531 million is attributable to the difference in Fuel Revenues and Fuel Expense, he said all the individual divisions are under budget for the first two months of the year.

American Public Power Association (APPA) Award of Excellence

The RMLD has won an Award of Excellence in Class D for its 2004 Annual Report.

Mr. Cameron said the RMLD's 2004 Annual Report won the Award of Excellence from APPA. Mr. Cameron said this is quite a distinction and pointed out that Priscilla Gottwald, Community Relations Manager and her assistant Bobbi Mailett put a lot of hard work into this program. Mr. Cameron noted that RMLD won the award in spite of cuts in the Annual Program budget.

Ms. Kearns thanked Elaine O'Neill whose creative ideas was helpful in creating the Annual Report.

Ms. Gottwald added that Chairman Herlihy came up with the theme of the map of the RMLD's service territory.

Mr. Cameron also thanked Jeff Morris for his photography.

Mr. Cameron said Laurie Cavagnaro, Customer Service Manager will attend the Customer Service and Communications and Energy Services at APPA next week and will accept this award.

American Public Power Association (APPA) Reliable Public Power Provider (RP3) Program

This to confirm that the RMLD has submitted is application for the RP3 Program.

Mr. Cameron updated that he had submitted an application for American Public Power Association (APPA) Reliable Public Power Provider (RP3) Program. He reminded Board members that the RP3 program asks for information on reliability, training, safety, and system betterment. In the spring there will awards showing how a utility that participated in RP3 rated. Cameron said that, as far as he knows, the only other municipal in Massachusetts to submit information to the RP3 program is Braintree.

Halloween Party, October 27

Mr. Cameron wanted to remind everyone the Halloween party is 2:00 p.m. to 5:00 p.m. on October 27.

Board Discussion

Mr. Hahn asked for an update on the poles on Summer Avenue at the Eaton School.

Mr. Cameron replied he received a call from the Town of Reading on this. Mr. Cameron said there was a crew up there today working. The rope is in and the messenger has been pulled in. The work should be completed by the end of next week, weather permitting.

Mr. Carakatsane commented that last summer the Selectmen in Lynnfield had issues relative to the double poles. Mr. Carakatsane is assuming that this is being audited.

Mr. Cameron explained that as the Department is going along and abandoning the 4 KV in Lynnfield. Mr. Cameron said that Paula O'Leary sends out an e-mail out every Friday on what has been completed in Lynnfield.

Ms. O'Leary said this e-mail goes to the Town Manager, Verizon, and fire alarm.

Mr. Cameron said there is one crew dedicated to complete the work in Lynnfield.

Board Discussion

Rate Comparisons, October 2005

Mr. Cameron said in October Middleton is the only contiguous electric utility with rates below the Department in every category.

Chairman Harley asked how the adverse weather has impacted the Department?

Mr. Cameron replied there have been tree-related problems. It is expected with that amount of rain the limbs and roots coupled with the high winds pose problems. There were isolated area outages.

Board Discussion

Next Meeting Dates

Wednesday, November 16, 2005

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

Mr. Pacino said he would be in attendance at the next CAB meeting.

Motion to Adjourn

At 9:28 p.m. Mr. Soli made a motion seconded by Mr. Hahn 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