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Reading Municipal Light Board of Commissioners
Regular Session
230 Ash Street
Reading, MA 01867
March 28, 2007

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Start Time of Regular Session: 7:40 p.m.
End Time of Regular Session: 9:22 p.m.

Attendees:

Commissioners: Messrs. Pacino, Soli, Hahn, Mses. Kearns and O'Neill

RMLD Staff: Messrs. Cameron, Dion and Fournier
Mses. Antonio, O'Leary and Parenteau

CAB: Mr. Herlihy

Vice Chair Kearns called the meeting to order at 7:40 p.m.

General Manager's Report

Financial Report, January 31, 2007, presented by Mr. Fournier

Mr. Fournier reported that the Financials are for the first seven months of the fiscal year. The Net Change in Assets Loss for the month is \$1.6 million of that \$1.15 million reflects the customer refund that went out in January in essence the Department lost \$433,000. For the actual versus budget the same theme, Base Revenues are on target, and the residential are a little over budget whereas the commercials are under budget. Purchase Power Base is right on target at less than 1% under budget. Operating, maintenance expenses are under budget, which results in the Divisional expenses being under budget. The main areas in the operating expenses that are under budget are professional services, insurance costs, and general spending. Maintenance expenses are \$123,000 under budget. The maintenance line of transformers and hazardous spills are items that are over budget. All the Divisions are under budget for the first seven months.

The manpower report shows 83 employees budgeted whereas there are 80. The differences are the Project Engineer, Station Supervisor and a retiree.

The Department's balances are high with the interest rate over 5% that produced a number that is more than was anticipated.

Chairman Pacino arrived at this point in the meeting.

Minutes

February 27, 2007

Mr. Soli made a motion seconded by Mr. Hahn to approve the Regular Session meeting minutes of February 27, 2007 as presented.

Motion carried 5:0:0.

March 9, 2007

Mr. Hahn made a motion seconded by Mr. Soli to approve the Regular Session meeting minutes of March 9, 2007 as presented.

Motion carried 3:0:2. Ms. Kearns and Mr. Hahn abstained because they were not present at this meeting.

Report of the Chairman of the Board

Chairman Pacino said that the Commission would meet after the election; the reorganization of the Board will take place at this meeting and be the first order of business.

Selectmen Liaison, Citizens' Advisory Board and Customer Comments

Mr. Herlihy had one comment more as a personal comment. He watched on local cable, the Town of Reading School Committee meetings, and there are tough choices that need to be made. Mr. Herlihy said that the Department could explore a school rate or what can be done with the schools on the conservation side.

Mr. Herlihy said that he is overdue to report with the Town of Reading Selectmen.

March 28, 2007

Report of RMLD Board Subcommittees

General Manager Subcommittee (Commissioner Hahn)

Mr. Hahn said that the General Manager Subcommittee met this evening and completed the review of the General Manager's performance relative to his performance plan for calendar year 2006 to 2007, which ended February 6, 2007. Mr. Hahn stated that a performance plan for the General Manager for the 2007 to 2008 year has been created with a set of goals and weighted scoring system that has been done in the past. Based on the result of the 2006 to 2007 performance, the Subcommittee voted to recommend to the Board that the General Manager's compensation for the current year be increased by 4%.

Mr. Hahn made a motion that the General Manager's Subcommittee moves that on the recommendation of the Reading Municipal Light Department Board of Commissioners General Manager's Subcommittee that the General Manager's compensation from the period February 7, 2007 to February 6, 2008 be increased by 4% seconded by Mr. Soli.

Motion carried 5:0:0, unanimously.

Mr. Hahn explained that in terms of discussion, the performance plan that was established for the year just reviewed had a couple of significant items. The most important item was the Calpine issue. The approach to the evaluation is to rate performance on each of twenty-five or thirty items. Based on the consensus of the Subcommittee the General Manager achieved 88% of the maximum points. The compensation formula is tied to the cost of living as measured by the CPI which is a common indicator used, the 88% put the General Manager in a .9% above the CPI. Mr. Hahn said that there were a few items that were not completed; the most significant was the Cost of Service Study. Mr. Hahn stated that in 2006 to 2007 the General Manager did a very good job on behalf of the customers of Reading.

Mr. Hahn said that the current year's performance plan included a few items that were added to last year's performance plan such as monitoring the success in implementing the power supply procurement program which has been approved by the Board. The current year's plan also includes key industry-recognized reliability measures as specific goals and making the GIS system useful in managing the distribution system as well as assisting through distribution planning.

Mr. Soli added that two new goals added for the General Manager in the current year's plan are to manage the Fuel Charge and the Deferred Fuel Charge to achieve the RMLB set objectives.

Mr. Hahn said that the current year's plan also included a year-end report on capital projects that span more than one year. Mr. Hahn mentioned that items the Department is working on such as the circuit breaker replacement project at Gaw and 4KV upgrade work are examples of items they would like reporting on.

Mr. Soli said that the same basic formula for a pay raise is in the new General Manager performance plan, but the maximum pay raise be limited to 4%.

Chairman Pacino, Ms. O'Neill and Kearns expressed their appreciation for the work Messrs. Hahn and Soli put into the performance review process and plan.

Action Item

IFB 2007-17 Engineering Services for Gaw Substation Upgrades

Mr. Soli made a motion seconded by Mr. Hahn that bid 2007-17 for Engineering Services for Substation Upgrades be awarded to: PLM, Inc. for a total cost of \$80,000.00 as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 5:0:0.

Explanation of upgrades, presented by Mr. Dion

Mr. Dion said that this bid falls into the category of a multi-year project and the transformers are the first part of the project at the Gaw station because the existing transformers are thirty-seven years old. The load at that station has reached its firm capacity. The upgrades are needed due to the age of the transformers and the load at that station. The study will provide the size of transformers required and provide a bid specification in order to go out for bid on this project. There will be another subsequent piece of engineering work that will be contracted out as well. Once the transformers are bid and bought in the fall, a detailed construction design will be performed.

Action Item

IFB 2007-17 Engineering Services for Gaw Substation Upgrades

Explanation of upgrades, presented by Mr. Dion

This bid covers the first two components, needs assessment and bidding of such equipment. The transformer procurement has an eighteen-month lead-time.

The \$20,000 differential between the bidders arose because one bidder built in the insurance whereas the other listed it as a line item.

The Department is looking at the type of oil it uses as well as the RP3 and efficiencies. Phase two of this project, is preparing the bid specs for the transformers. Phase one will include the sizing, designing and layout of the transformers.

The existing transformers are thirty-seven years old and have some life left in them, however, the Department's load has increased. The upgrade is warranted for reliability purposes. In the future, the Wilmington substation most likely will be presenting the same issues. The Department envisions three large stations, however, the next three years the focus will be on Gaw.

Engineering and Operations Update/Monthly Reliability Report, presented by Mr. Dion

The biggest combined capital project in Lynnfield is in the process of changing out the final transformers with the final conversion performed in April. RMLD's customers will receive area outage notification for the final cutover.

In one area the outage may be four hours, because they have to cutover one live section of cable. Mr. Dion said that it is anticipated the rest of the outages will be shorter.

All customers will receive advance notification and they strive to perform this work on a weekday morning when there is good weather to minimize impact.

The Department's role is to inform customers who have life support needs and that these customers are responsible to make other provisions. Mr. Dion commented that life support customers should have other provisions such as generators and battery backup.

Mr. Carakatsane was at the last Board meeting and was informed of the planned outages in Lynnfield due to the cutovers.

By May the 4KV should be retired. In next year's budget the decommissioning of the Lynnfield substation will appear.

The relay cutovers at Gaw are complete, but the project is running over budget due to the material cost and due to the timing of when the equipment was delivered. 3W14 Extension at Park Street cutovers are complete but there is a little work on Flint and Mount Vernon. The three circuits that presented reliability issues have been split into two separate circuits that will minimize the numbers in the future in the event of an outage. The Department has been in contact with Verizon on the poles on Chestnut Street. Regarding underground work on Marblehead and Pleasant Street the cable will be pulled the week after next. The high capacity feeder on Concord Street should be done in another week.

Mr. Dion explained to the Board that the key drivers on routine construction are those projects over \$3,000.

Mr. Dion said that the (Customer Average Interruption Duration Index) CAIDI average is up because there was an extended outage at the George Washington Apartments in Reading Square; the cable went and the Department replaced the underground transformer as well. System Average Interruption Frequency Index (SAIFI) statistics are way down.

Mr. Dion updated the Board that on Industrial Way in Wilmington. The Department lost two poles and two commercial customers were affected for an extended period of time. Mr. Dion explained that a guy wire broke with three poles coming down. Mr. Dion said that the crews responded well.

General Manager's Report

Engineering and Operations Update/Monthly Reliability Report, presented by Mr. Dion

The weight of one pole took the others down. Mr. Dion said that the Department has increased the size of the poles as well as identified three more for replacement. The pole was about ten years old, and the phone company set the pole.

Mr. Dion replied that the capital budget based on requests from the Board will have a broader number of categories such as system planning and reliability. There will be more detail and explanation of projects. System reliability and investment are needed in some areas, upgrades and circuit expansion, replacement of porcelain cutouts, and maintenance of underground residential developments.

Mr. Cameron explained that the Capital and Operating budgets will be delivered this Friday to the RMLD Board and the Citizens' Advisory Board (CAB). The CAB is scheduled to meet twice in April in the second and fourth week that covers their thirty-day review period. Mr. Cameron said that he hoped after the second meeting there will be recommendation to the RMLD Board.

Power Supply Update, presented by Ms. Parenteau

Ms. Parenteau reported that the load in January was 3.7% higher than in 2006, the peak demand of 109.5 megawatts occurred on January 17 at 7:00 p.m. that was 2.1% higher than 2006. The January energy costs were \$2.94 million, which equate to 4.7¢ a kilowatt hour, as a result the Department under collected by \$681,000. This resulted in a Deferred Fuel balance of \$3.3 million. Last week the Department received \$1.1 million for the Mystic RMR refund for the January to June 2006 period. The RMLD anticipates next month an equivalent amount for the July to December 2006 period. Those charges were allocated through the Deferred Cash Reserve so those funds will be applied to the energy costs. It is anticipated that there will be an additional \$2.2 million in the Deferred Cash Fuel Reserve.

They will endeavor to manage the Fuel Charge to the customers and use those monies to manage the Fuel Charge. The ISO spot market prices increased in the both the day ahead and real time markets, the day ahead prices went up 8.2% and real time went up 6.7%. The RMLD purchased 27% of its kilowatt hours in the spot market as a result of the combined cycle units at Stony Brook having a very low dispatch rate of 2%. The average spot market price was \$65 per megawatt hour.

Capacity costs were \$6.81/kw-month which included 110 megawatts of deficiency at \$3.05/kilowatt month that is the transitional charge for the forward capacity market. Ms. Parenteau said that costs were a little under \$400,000 and that will remain the same for the June to May period. The Department has to carry capacity based on last year's peak that was 173 megawatts plus a reserve is added to this. Ms. Parenteau explained that the peak that occurred during the summer of 2006 is carried for the next twelve months along with the reserve.

Ms. Parenteau said that the Department would like to help the customers with rising costs through the use of conservation measures.

Ms. Parenteau said that there is not a lot of green power in New England. She and Messrs. Cameron and Seldon spoke with a developer of a 50 megawatt wood burning plant in Russell, Massachusetts. They will be developing a summary to report to the Board to give them the flavor of what it is available. Ms. Parenteau said that there are cost differentials with renewable resources and a regular resource. In order for it to be a renewable resource the Department has to purchase the REC's along with the project. A regular contract with capacity credit is about 8¢/kWh and a renewable project, similar to the wood burning project, would cost about 11¢/kWh. The RFP for the Demand Side Management (DSM) is in the Purchasing Department and should be ready to go out soon.

Green Choice Update, presented by Mr. Fournier

Mr. Fournier reported during the month of March, the ratepayers received a prepaid postcard on Green Choice with their billings. Mr. Fournier commented that to date there have been 56 additional sign ups for 96 blocks. Mr. Fournier said that through February 161 customers signed up for 217 blocks. Mr. Fournier said that not all billing have been sent out and at the April meeting the numbers will reflect the full billing cycle.

General Manager's Report

Green Choice Update, presented by Mr. Fournier

Energy Services has been buying REC's for this program at approximately 3¢ per kilowatt hour. The Department when purchasing the REC's has tried to purchase, as many Massachusetts REC's as possible with the balance being hydro in Maine.

Attendance at American Public Power Association (APPA) Legislative Rally

Mr. Cameron reported that he wrote a memorandum to the Board relative to his attendance at the 2007 APPA Legislative Rally will took place March 12 to March 15. Mr. Cameron said that he was part of a Northeast Public Power delegation that were given a list of Congressmen within New England to visit as well as representatives of the Energy Committee outside of Massachusetts.

Ms. Kearns asked what was the theme that the delegations were trying to get across to the legislators?

Mr. Cameron said that they were delivering messages on green power, energy conservation, oversight of the FERC and the LICAP decision. Mr. Cameron said that the other issue addressed was the oversight of the NE-ISO and other ISOs across the nation. Specifically, he talked about the NE-ISO whose budget since the late nineties has increased six times and which appears to be rubber-stamped at the FERC each year. Mr. Cameron commented that the representatives have been spoken to on some of these issues in the past.

Vehicle Replacements

Mr. Cameron said that in this year's budget there was \$190,000 for a digger derrick to be purchased and delivered in this fiscal year. Mr. Cameron pointed out the Department is not going to take delivery on the digger derrick this year; it is next year's budget. Mr. Cameron explained that four pool vehicles are being retired. Mr. Cameron said that there will be three vehicles replaced and a pick up truck for the Station Supervisor. Two of the new vehicles are hybrids, one is a pickup truck and the other is a van. Mr. Cameron stated that this cost will be \$100,000.

Mr. Cameron stated that the Procurement Policy, in addition to three other policies, would be coming to the Policy Subcommittee. Mr. Cameron said that the Department's Purchasing Policy is more stringent than 30B laws and he would like that the two converge.

Mr. Cameron said that the Cost of Service Study should be going to Purchasing by the end of this week for an invitation to bid. Mr. Cameron said that it will be brought to the Board once it is sent and there are respondents irrespective of the dollar amount for an update. Mr. Cameron commented that in order to conform with the bid laws, if it were over \$25,000 it would come to the Board.

On another matter related to vehicles, Ms. O'Neill asked if the Department is going to look into the Commercial Driver's License (CDL)?

Mr. Cameron replied that the Department needs to make a change in the CDL but cannot discuss it at a public meeting because it involves collective bargaining issues.

Board Discussion

Rate Comparisons, March 2007

Mr. Cameron said that the RMLD is lower than the contiguous utilities, except for Middleton in the small commercial sector who is 2.8% lower than the RMLD.

Next Meeting Dates

Wednesday, April 25, 2007

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

Ms. O'Neill said that she will attend the Citizens' Advisory Board meeting on April 10. Chairman Pacino will attend the Citizens' Advisory Board meeting on April 24.

Mr. Herlihy thanked the General Manager for the follow up on the proposed charitable contributions program because the General Manager was given a vague direction and followed through.

Executive Session (General Manager's Conference Room)

At 8:40 p.m. Mr. Soli made a motion seconded by Ms. Kearns that the Board go into Executive Session, to discuss collective bargaining and return to Regular Session for the sole purpose of discussing collective bargaining and adjournment.

Motion carried by a polling of the Board 5:0:0.

Mr. Hahn, Aye; Mr. Soli, Aye; Mr. Pacino, Aye; Ms. Kearns, Aye; and Ms. O'Neill, Aye.

Regular Session continued after Executive Session adjourned at 9:17p.m.

Union Negotiations Update

Mr. Soli made a motion seconded by Ms. Kearns that the Board moves to accept the Agreement between the Municipal Light Department of the Town of Reading and American Federation of State, County and Municipal Employees union, AFL-CIO, Council #93 and Local #1703 RMLD Clerical-Technical Unit for the period of January 1, 2007 to December 31, 2009.

Motion carried 5:0:0.

Union Negotiations Update

Mr. Hahn made a motion seconded by Mr. Soli that the Board moves to accept the Agreement between the Municipal Light Department of the Town of Reading and American Federation of State, County and Municipal Employees union, AFL-CIO, Council #93 and Local #1703 Line-Meter-Station Unit for the period of January 1, 2007 to December 31, 2009 contingent upon the ratification of the contract terms by the Line-Meter-Station Unit.

Motion carried 5:0:0.

Motion to Adjourn

At 9:22 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.

Robert Soli, Secretary
RMLD Board of Commissioners