

Reading Municipal Light Board of Commissioners

Regular Session

230 Ash Street
Reading, MA 01867
May 30, 2007

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Start Time of Regular Session: 7:30 p.m.
End Time of Regular Session: 10:45 p.m.

Attendees:

Commissioners:

Ellen Kearns, Chair
Mary Ellen O'Neill, Secretary
Robert Soli

Richard Hahn, Vice Chair
Philip Pacino

Staff:

Vinnie Cameron, General Manager
Pete Dion, Engineering & Operations Manager
Robert Fournier, Accounting/Business Manager
Jane Parenteau, Energy Services Manager

Beth-Ellen Antonio, Human Resources Manager
Jeanne Foti, Executive Assistant
Patricia Mellino, Operational Assistant
Bill Seldon, Senior Energy Analyst

Opening Remarks

Chair Kearns opened the meeting by explaining that the RMLD Board agenda is a little different because the agenda items have designated times. The time slots are not mandatory, however, everyone is encouraged to be respectful of time. It is hoped that the RMLD Board will be in Executive Session at 9:00 p.m.

Chair Kearns stated that there are active and involved Commissioners on the Board. Chair Kearns mentioned that at a Board Subcommittee meeting to discuss the Operating and Capital Budget all five Commission members were present. Chair Kearns thanked the Commission for electing her Chair.

Chair Kearns said that in her one-year term as Chair she intends to emphasize the role of the Commissioners in establishing policy. Chair Kearns encourages current Board efforts to establish a strategic plan, commence a Cost of Service Study, and formalize the Board's commitment to its green power initiative. The employees at the RMLD are very committed to their work and work hard. It is the Board's responsibility to foresee the needs of the customers and the community for now and in the future and to ensure that policy and procedures are in place at the RMLD to meet those needs.

Discussion of Subcommittee Structure

Chair Kearns initiated a discussion of whether a subcommittee of the Board could have more than two members. Recent re-organization of the subcommittee structure has resulted in the Operating Capital Budget Subcommittee being combined with another subcommittee and now having three members, the same number as the quorum for a Board meeting.

After further discussion, Mr. Soli made a motion seconded by Ms. O'Neill that the question of subcommittee membership in Policy 19 Board of Commissioners be sent to the Policy Subcommittee for recommendation.

Motion carried 5:0:0.

Discussion of Subcommittee Structure

Mr. Soli made a motion seconded by Mr. Hahn that the RMLD Board approve the list of RMLD Board of Commissioners Subcommittee members from April 2007 to April 2008.

Motion carried 5:0:0.

Introductions

Citizens Advisory Board Members

Mr. Herlihy said that he would like to discuss the motions taken at the last CAB meeting when they come up on the agenda.

Approval of Minutes for April 25, 2007 Board Meeting

Ms. O'Neill said that one of her goals is to make the minutes a useful public document that will contain consistent terminology and abbreviations.

Approval of Minutes for April 25, 2007 Board Meeting

Ms. O'Neill made a motion seconded by Mr. Pacino to approve the Regular Session meeting minutes of April 25, 2007 with the change presented by Mr. Soli.

Motion carried 5:0:0.

Quarterly Financial Reports

Mr. Fournier stated that the Financials containing the quarterly reporting and the Six Year plan have been given to the Board.

Chair Kearns said that she had discussed with Mr. Cameron a presentation of key items with a one-page summary as part of Mr. Fournier's presentation for future Board meetings.

Mr. Fournier reported that for the month of April the Change in Net Assets or Net Loss is \$1 million, due to the Fuel Expense exceeding Fuel Revenue by \$800,000. Year to date the Change in Net Assets or Net Income to \$2.4 million is approximately \$90,000 under budget. Base Revenues are 1% under budget. The Purchase Power Adjustment in April was negligible. The Operations and Maintenance expenses are under budget by \$830,000.

In response to a question from Mr. Soli, Mr. Fournier replied that the Six Year Plan for 2007 is based on nine months of actual financial information and three months of budgeted numbers.

A brief discussion of the Six Year Plan and its predictions for the allowable 8% return followed.

Mr. Cameron explained that the Six Year Plan reflects possible rate increases, bonding and the RMLD making its allowable eight percent return with Rate Stabilization Fund. Mr. Cameron said that the RMLD may not want to make the allowable eight percent return once the books are closed.

Chair Kearns said that the Six Year Plan should be a subject for future discussion. Chair Kearns would like to discuss the Six Year Plan as well the assumptions that went into it and whether or not the assumptions should remain the same.

Mr. Fournier said that it was suggested by Mr. Hahn to have a cash/finance plan that ties into the RMLD's financials.

Chair Kearns asked if the members of the Operating and Capital Budget Subcommittee would like to review the Six Year Plan before the next RMLD Board meeting or, if not, sometime in the near future.

Discussions then turned to what the assumptions are and if it is based on a multiplier that is reasonable.

Mr. Fournier addressed the Budget Variance Report, noting that the five divisions, excluding Purchase Power Base and Fuel, are under budget by \$1.3 million for the first ten months of FY 2007.

Chair Kearns indicated that she would like to see the "manpower report" renamed, perhaps to "staffing report."

Ms. O'Neill noted that the Operating Fund, at \$10.3 million in February is at \$13.2 million in April and asked why.

Mr. Fournier replied that numerous factors change the cash flow such as receivables balances at that time, inventory, and accounts payables.

Ms. O'Neill also asked why the meter reading labor expense is not in line with its budgeted amount.

Mr. Fournier replied that the mobile Itron unit, which has decreased the number of cycles read each month, was still being tested. It required employees to go out and re-read the routes, thus increasing this amount.

Reports from RMLD Board Subcommittees

Operating and Capital Budget Subcommittee

Mr. Hahn reported that Operating and Capital Budget Subcommittee had met twice the previous week to review the proposed operating and capital budgets for fiscal year 2008.

Reports from RMLD Board Subcommittees

Operating and Capital Budget Subcommittee

Mr. Hahn reported that the controllable costs in the Operating Budget had an overall increase of 2%. The drivers behind these are the labor contracts and maintenance activities. Five years of budget history was reviewed and compared to the proposed 2008 budget. The Capital Plan is significantly higher than the 2007 capital plan because there are major system improvements that will be implemented in 2008 and on as noted in the Six Year Capital Plan. There was detailed discussion on the need for such projects to maintain the reliability of the system. The Department is focused on reliability and customer service as well as on keeping the rates as low as possible. This involves a balancing act because skimping on capital projects can affect the Department's ability to serve its customers and it is then extremely difficult to catch up. The biggest project they looked at is the replacement of the transformers at Gaw substation. The Subcommittee did vote to recommend to the RMLD Board that it accept the Operating and Capital Budgets as discussed at the meeting.

Mr. Hahn made a motion, seconded by Mr. Pacino, that the Operating and Capital Budget Subcommittee recommend to the RMLD Board that the RMLD Board of Commissioners accept the Fiscal Year 2008 Capital Budget discussed at the May 21 meeting. No vote was taken at this point.

Mr. Herlihy said that the CAB did its normal and usual vetting of the entire budget. Mr. Herlihy stated that the CAB appreciates the time of all of its members and the staff throughout the budget review process. Mr. Herlihy said that the CAB was concerned about the Fuel Expense but it was in line with other budgets. The CAB recognizes that the Capital Plan contains serious projects that will have tremendous ramifications for system reliability and other initiatives down the road.

Ms. O'Neill commented that a large portion of the Line Department's labor expense was capitalized in the budget, and that the material provided in the Board books show it going down, not a complete and accurate portrayal.

Chair Kearns pointed out that, as a point of information, the budget labor summary material is not part of the budget material.

Ms. O'Neill said that since this material is contained in the Board book, it is a public document.

Mr. Hahn wanted Ms. O'Neill to clarify what she would like to see differently.

Ms. O'Neill commented that she would like to see all the labor costs, not just on the operating side. Ms. O'Neill said that she is committed to a strong department, but not the ever-increasing energy growth, which she feels is not sustainable, nor a wise path to go down. Ms. O'Neill asked for a brief description of the programs the Department is implementing to support of the Reading Cities for Climate Protection, a pledge that the Board signed last May.

Mr. Cameron stated that the Energy Services Division offers a commercial lighting retrofit program that is an energy conservation program, a commercial energy audit program which is an energy conservation demand side management program, and recently went out to bid for a technical potential study which will examine the potential for demand side management within the service territory. Energy Services is actively looking for opportunities for renewable energy acquisition in New England.

Mr. Cameron also said that the RMLD follows the Tier 1 and Tier 2 rules set out by the Commonwealth of Massachusetts for residential energy conservation and has the appliance rebate program. In addition, the RMLD has the Time of Use rate. As part of the Cost of Service Study the successful bidder will be asked to look at demand side management.

Chair Kearns said that not accepting unfettered demand without looking at some means of encouraging the RMLD's customers to reduce their use of electricity as well as implementing these measures is required. Chair Kearns pointed out that the electricity growth is there and it needs to be addressed.

Mr. Soli expressed his continued concern with the contents of the Six Year Plan and stated his wish to see a funding plan. Discussion of these issues followed.

Chair Kearns said that at the subcommittee meetings on the FY 2008 budgets there was concern relative to the large number of capital items how they were going to be paid for and funded. Chair Kearns stated that a plan was requested of the RMLD staff for the funding of these projects.

Reports from RMLD Board Subcommittees

Operating and Capital Budget Subcommittee

Mr. Pacino said that there was a lot of discussion at the Budget Subcommittee about the funding plan. Mr. Pacino commented that the transformer project will not go forward until the Board sees the funding plan; it has been made a prerequisite. Mr. Pacino also said that the in the Six Year Plan is a planning tool and that perhaps it can be brought to the Board before the budgets. The Budget Subcommittee can look at the Six Year Plan on both the operating and capital side.

Mr. Soli made a motion seconded by Ms. O'Neill to table the motion to vote on the Capital and Operating Budgets until the next Board meeting.

Motion did not carry 1:4:0. Mses. Kearns and O'Neill, and Messrs. Hahn and Pacino voted against this motion.

Mr. Hahn made a motion seconded by Mr. Pacino that the RMLD Board of Commissioners accept the FY 2008 Capital Budget discussed at the May 21 Budget Subcommittee meeting.

Motion carried 4:0:1. Mr. Soli abstained.

Mr. Hahn made a motion seconded by Mr. Pacino that the RMLD Board of Commissioners accept the FY 2008 Operating Budget discussed at the May 23 Budget Subcommittee meeting.

Motion carried 4:0:1. Mr. Soli abstained.

Chair Kearns thanked both the Subcommittee and staff for their hard work and efforts.

Green Power Subcommittee

The CAB recommended to the Board that one of its members, Mr. Quincy Vale, be appointed liaison to the Green Power Subcommittee of the Board.

Discussion of the role of a CAB liaison followed. Mr. Herlihy stated that it was the CAB's sentiment that the liaison would be more involved with the department's green power activities by receiving the materials and notices received by the Board member of the subcommittee, attending the subcommittee meetings on a regular basis, and reporting back to the CAB. Mr. Herlihy also pointed out that Mr. Vale brings a specialized skill set to the table. Commissioners indicated their interest in having Mr. Vale serve as a CAB liaison to the Green Power Subcommittee.

Power Contracts, Rate Setting, Customer Choice Subcommittee

Mr. Soli reported that within the current rate structure there is a program that leases energy efficient light bulbs. Mr. Soli said that Mr. Cameron has proposed to eliminate that part of the rate structure and that the customers would retain these bulbs at no charge. The CAB voted to approve the elimination of this rate. The Power Contracts, Rate Setting, Customer Choice voted similarly.

In response to a question from Mr. Pacino, Mr. Cameron stated that the program has waned since its inception in the middle 1990s. Current pricing and the selection of energy efficient light bulbs allow customers to obtain these outside of the RMLD.

Mr. Soli made a motion seconded by Mr. Hahn to eliminate the energy efficient light bulb program and allow those customers participating to keep the leased bulbs at no cost.

Motion carried 5:0:0.

Strategic Planning Subcommittee

Chair Kearns reported that the Strategic Planning Subcommittee has met since the last Board meeting. Chair Kearns said that she and Ms. O'Neill received information on strategic plans from other public power entities. She also said that the Request for Proposal will be discussed at the next Subcommittee meeting and feedback is welcome.

In response to a question from Mr. Pacino, Chair Kearns replied that the strategic plan was projected to cost approximately \$25,000. Mr. Cameron added that it may cost more depending on the facilitator selected and how in depth the process goes.

Meeting with Town Treasurer and Acct/Business Mgr

Mr. Soli reported that one member of the Audit Subcommittee meets quarterly with the RMLD Accountant and the Town of Reading Accountant. This group met recently. Mr. Soli stated that the town has signed up with Melanson Heath for the next three years to perform its audit. At Town Meeting, a refund issue came up on Medicare and it was pointed out at that some of those funds are the RMLD's. The Town Accountant said they are looking at this and that the matter will be resolved in the next fiscal year. The Town Accountant discussed the town's new accounting system, which is expected to have a minimal impact on the RMLD payroll accounting.

Report from the Citizens' Advisory Board

Chair Kearns said that the CAB sent a letter dated May 14, 2007 that contained four motions, two that have been addressed; the liaison issue and the energy efficiency lighting, and one, a motion on the Deferred Fuel Reserve Fund which she would like to postpone until further discussion of the Six Year Plan.

Ms. Kearns made a motion seconded by Mr. Soli to adopt the recommendation of the CAB that the General Manager work to convene school and town officials throughout the RMLD's service territory to discuss energy conservation and other distributed generation possibilities by December 31, 2007.

Motion carried 5:0:0.

M. G. L. c. 30B Bids

Mr. Dion reported that for the past several years the Department has been using Mass Bay to assist in the maintenance and upgrade of the underground system. Mr. Dion said that these services were put out for bid and staff are recommending the lowest qualified bidder Fischbach & Moore Electrical Group, LLC be awarded the contract.

Mr. Pacino said that he would like to see the budget number on future bids. Mr. Cameron said that the budget number for underground work in the 2008 budget should be close to the first year estimated cost in the bid.

Mr. Dion said that Fishbach is a mid-size electrical contractor that has been in business for sometime and has been bought by a large construction company (Sullivan & McLaughlin). Fishbach and Moore have been doing a significant amount of work for NSTAR and National Grid.

Ms. O'Neill made a motion seconded by Mr. Hahn that bid 2007-19 for Hourly Rates for Professional Manpower, Vehicles, Trade Tools and Equipment for Underground Electrical Distribution Construction be awarded to Fischbach & Moore Electrical Group, LLC for \$841,888.00 as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 5:0:0.

Power Supply Report

Ms. Parenteau reported that the RMLD's load for March was up around 2.25% above last year's; the load for April was approximately 5% above last year's. On a calendar year basis, the RMLD has a year to date load growth of 4% as of April 30, 2007. March energy costs were \$1.26 million, equivalent to \$.021 a kilowatt hour. These costs include a refund of \$1.2 million that was a negotiated settlement of the Mystic 8 & 9 units. April energy costs were \$2.6 million, equivalent to \$.0465 a kilowatt hour. The RMLD over collected by \$208,000; this resulted in a Deferred Fuel Cash Reserve balance of \$4 million. Ms. Parenteau explained that if the settlement funds are netted out then the Deferred Fuel Cash Reserve level is closer to the \$1.78 million level they were striving for in January. The ISO-NE spot market prices decreased 13% in March and April as compared to February. RMLD purchased 30% of its energy from the Spot Market, which was up a little because Millstone 3 had scheduled maintenance. Capacity costs continue to be constant at \$6.50 per kilowatt month.

Mr. Hahn would like Ms. Parenteau to report on the congestion costs.

Engineering and Operations Update

Mr. Dion reported that the summary of the variances of the projects is found on the first page of the Engineering and Operations report. Mr. Dion reported that the Chestnut Street Upgrades/Stepdown Transformers, Wilmington were delayed because the pole setting being done by Verizon will cause a portion of this work to be extended into fiscal year 2008.

Mr. Dion explained that in Lynnfield the overhead and underground work is complete. Feeder 3W14 Extension Park Street, North Reading is 90% complete, Overhead Underground Tie Circuit Pleasant/Marblehead Street North Reading is 90% complete and High Capacity Feed Concord Street, North Reading is complete.

Engineering and Operations Update

Mr. Dion said that the Customer Average Interruption Duration Index (CAIDI) was 105 because of the April 16 and April 17 storm. Although the restoration number was high, the number of customers impacted was minimal. Most of the outages were area outages. One circuit was out for two hours, which drove the CAIDI number up. The System Average Interruption Frequency (SAIFI) is doing well.

General Manager Report

Mr. Cameron reported that 10 more customers signed up in May for the green choice program for a total of 35 blocks. The RMLD now has 260 customers with 353 blocks participating in the program.

Mr. Cameron reported that there was a thank you letter from Ms. Nancy Najmi, Reading Memorial High School Physics teacher, thanking Priscilla Gottwald, Ken Evans and Pete Dion for participating in a class at the RMLD on electricity.

Mr. Cameron reported that the energy appliance rebate program that is part of the RMLD's Tier 1 and Tier 2 services has been expanded to include dehumidifiers and programmable thermostats for Energy Star appliances. Mr. Cameron stated that each customer can receive one rebate for each qualified Energy Star appliance for appliances purchased dated back to July 1, 2006.

Chair Kearns asked how the Department will be informing its customers?

Mr. Cameron replied that the Department will do press releases, put it on the web site and will have information available on the counter as customers come in.

In response to a question from Mr. Soli, Mr. Cameron explained that customers would now be eligible for one rebate per Energy Star-rated appliance, for a total of five per customer provided all receipts are submitted.

Mr. Cameron reported that the film "Who Killed the Electric Car" will be shown at the RMLD on Thursday, June 21, 2007 at 6:30 p.m.

Mr. Cameron introduced Patty Mellino, Facilities Operational Assistant and Norman Bates, President, Liability Consultants, Inc.

Board Member Issues

Mr. Pacino commented on the practice of the Department allowing parking for employees who have had to take the commuter rail into Boston. He said the parking at the Depot is limited and employees should try to park at the RMLD and walk or get a ride to the Depot. Mr. Pacino would like the Department to arrange for employees to get to the Depot.

BOARD MATERIAL AVAILABLE BUT NOT DISCUSSED

General Manager Subcommittee meets on Tuesday, June 12 at 9:00 a.m., NEXT BOARD MEETING: June 27, 2007, 7:30 p.m., FUTURE SCHEDULED MEETINGS FOURTH WEDNESDAY OF THE MONTH

Executive Session

Ms. O'Neill made a motion seconded by Mr. Soli that the Board go into Executive Session to discuss power contracts under MGL Chapter 164 Section 47D, the deployment of security devices, and collective bargaining strategy and return to Regular Session for the sole purpose of 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.

Motion to Adjourn

At 10:45 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.

Mary Ellen O'Neill, Secretary
RMLD Board of Commissioners