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Reading Municipal Light Board of Commissioners

Regular Session

230 Ash Street
Reading, MA 01867
July 25, 2007

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READING, MASS.

Start Time of Regular Session: 7:30 p.m.
End Time of Regular Session: 9:48 p.m.

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Attendees:

Commissioners:

Ellen Kearns, Chair
Mary Ellen O'Neill, Secretary

Richard Hahn, Vice Chair
Robert Soli, Commissioner

Staff:

Vinnie Cameron, General Manager
Jeanne Foti, Executive Assistant
Patricia Mellino, Operational Assistant
Jane Parenteau, Energy Services Manager

Pete Dion, Engineering & Operations Manager
Robert Fournier, Accounting/Business Manager
Paula O'Leary, Operational Assistant

Citizens' Advisory Board:

Andrew K. Herlihy, Member

Attendees:

Michele Benson, Key Accounts Manager, Industrial
Laurie Cavagnaro, Customer Service Manager
Joseph Donahoe, Facilities Manager
Priscilla Gottwald, Community Relations Manager
Bobbi Mailett, Community/HR Assistant
Craig Owen, Materials Manager
William Seldon, Senior Energy Analyst

Joseph Bilicki, Key Accounts Manager, Commercial
William Corley, Business Agent Local 103
Ken Evans, Engineering Project Manager
Frank Hadley, General Line Foreman
Maureen McHugh, Energy Analyst
Peter Price, Chief Engineer
Mark Uvanni, MIS Manager

Opening Remarks

Chair Kearns stated that Mr. Cameron sent out an invitation to bid for a strategic planning advisor/moderator in order to facilitate the strategic planning. Chair Kearns reported that she received a motion from the Citizens' Advisory Board asking the Board to consider mechanisms such as, but not limited to, grants, rebates, and revolving loan funds, to support and finance energy-related improvements and installations at customer-owned facilities. Chair Kearns said it would be appropriate for such a matter to be addressed at the subcommittee level and then brought back to the Board. This will be reviewed by the Power Contracts, Rate Setting, Customer Choice Subcommittee.

Introductions

Chair Kearns introduced Citizens' Advisory Board member, Andrew Herlihy.

Chair Kearns asked for Selectmen Liaison and Customer comments, there were none.

Approval of Minutes for June 27, 2007, Board Meeting

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

Motion carried 4:0:0.

Financial Report

Mr. Fournier explained that due to the audit early next month the final numbers for the year-end June Financials are not ready. Mr. Fournier stated that this evening's handout contains highlights based on preliminary numbers. Mr. Fournier will have his draft numbers the first week of August before the auditors come out. Ms. O'Neill requested that the draft numbers be sent out to the Board.

Financial Report

Mr. Fournier said that the Operating Fund is projected to be at \$12.0 million before any year-end transfers; Capital Funds will be approximately \$2.3 million before any year-end transfers; the Rate Stabilization Fund is at \$7.4 million; Calpine monies are at \$9.0 million and will be depleted by October 2007; and the Deferred Fuel Fund is not finalized pending the June close.

With regard to staffing, Mr. Fournier reported that the positions of troubleman and station operator have been filled and the positions of project engineer and line apprentice remain open.

Voluntary payments to the four towns were made in June. Total capital expenditures including the Forced Accounts will come in at about \$5.0 million, compared to a budgeted FY2007 amount of \$4.275 million.

Mr. Fournier said that all five divisions are coming in under budget by approximately \$1.5 million. Mr. Fournier noted that there were no material variances in June and that operating expenses were under budget by \$800,000 and maintenance expenses were under budget by \$400,000. Labor costs are under budget by \$193,000, mostly due to new hires starting later in the year and budgeted positions not yet filled. Overtime costs are over budget by \$150,000, primarily from the line department.

In response to a question from Mr. Hahn, Mr. Fournier stated that payment to outside professionals for transformer maintenance issues was included in the maintenance of transformer line item, not in outside services.

There was a brief discussion of the connections between the voluntary payments to the towns, energy use, and the Twenty Year Agreement.

In response to questions from Ms. O'Neill concerning overtime costs in the capital budget, Mr. Fournier stated that exact numbers on the capital side will be available after the year-end close.

Mr. Hahn said that during the budget review, Mr. Fournier provided a labor cost summary that was independent of whether the costs were capitalized or expensed. He would like to see this labor summary for FY2007 when the year-end financial information is finalized.

Reports from RMLD Board Subcommittees

General Manager Subcommittee

Chair Kearns said that at the last Board meeting there was discussion about the General Manager Subcommittee changing the General Manager's performance items for FY2008 and asked that the subcommittee provide the exact wording of the motion that it had approved.

Mr. Hahn read the motion made at the General Manager Subcommittee meeting, "Mr. Hahn made a motion to include implementation of the Security Report in the General Manager's Performance Items and to eliminate Performance Item 15B, If year-end fuel-stabilization fund level missed by more than \$0.25 million plan provided to get back on target. Mr. Soli seconded the motion.

Motion carried: 2:0:0."

Ms. O'Neill said that she would like the strategic planning initiative added because the General Manager is allocating time to this endeavor and should receive credit for this.

Mr. Hahn read the minutes of the subcommittee on this matter: "There was also discussion about adding a goal to the General Manager's Performance Plan regarding the implementation of a strategic plan. The consensus of the Subcommittee was to defer adding this item until the strategic plan had been developed further." Mr. Hahn further noted that the RFP is out and the subcommittee will add this as required. Mr. Hahn said that at the meeting they did not have enough specific detail to craft a goal.

Mr. Hahn made a motion seconded by Mr. Soli to include implementation of the Security Report in the General Manager's Performance Items and to eliminate Performance Item 15B, "If year-end fuel-stabilization fund level missed by more than \$0.25 million plan provided to get back on target."

Motion carried 4:0:0.

Community Relations Subcommittee

Ms. O'Neill said that the Community Relations Subcommittee met with Elaine O'Neill, an experienced consultant in the municipal arena for annual reports. This year's annual report themes will be conservation, energy efficiency, and reliability. Ms. O'Neill said that consideration is being given to including photos of both the RMLD Board and the CAB and to condensing the financial information.

M. G. L. c. 30B Bids

Cost of Service Study - IFB 2007-30

Mr. Cameron explained that two bidders out of twelve responded to the bid. One bid came in at \$62,500 whereas the other priced out at \$125,000; both bidders took exception to the standard terms and conditions. Mr. Cameron's recommendation is to reject both bids and make some amendments to the existing IFB based on researching other municipal utilities' language in similar bids.

Chair Kearns asked Mr. Cameron if he went to the two bidders relative to the exceptions taken?

Mr. Cameron replied that he did not. He said that the standard terms and conditions the RMLD has are not burdensome and that some of the exceptions had to do with confidentiality and payment schedules.

In response to questions from Mr. Hahn, Mr. Cameron stated that neither he nor Mr. Owen, the Materials Manager, contacted the non-bidders and that the re-bid will be sent out to an expanded group that will include the original twelve companies.

In response to a question from Mr. Soli, Mr. Cameron said that there is not an exception to the 30B bid process for a cost of service study.

Ms. O'Neill made a motion seconded by Chair Kearns that bid 2007-30 for a Cost of Service Study and Rate Analysis be rejected due to exceptions by both bidders, which deem them non-responsive.

Motion carried 3:0:1. Mr. Soli abstained.

Following a brief discussion, Ms. O'Neill made a motion seconded by Ms. Kearns that the RFP for the Cost of Service Study require one or two meetings between the consultant and the RMLD Board to obtain their input on standards for the Cost of Service Study.

Motion carried 3:0:1. Mr. Hahn abstained.

Three Phase Pad Mounted Dead Front Loop Pad Mount Transformers IFB 2007-27

Mr. Dion reported that at the last meeting this bid was deferred due to questions and a missing page. Mr. Dion stated that the bidder that is being recommended quoted its standard transformer but within the bid included options to meet our specs for cabinet sizing. Mr. Dion said that the other bidders took exceptions to the cabinets and did not offer any option to upgrade.

In response to a question from Ms. O'Neill, Mr. Dion said that HD Supply's exceptions were minor issues and he feels comfortable with the transformers. Mr. Dion also pointed out that although Power Sales did not take exceptions to the bid, the evaluated life cycle cost of its transformer was more expensive.

Ms. O'Neill made a motion seconded by Mr. Hahn that bid 2007-27 for Three Phase Pad Mounted Dead Front Loop Feed Transformers be awarded to HD Supply Utilities for a total cost of \$114,372.58 as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 4:0:0.

Power Supply Report

Ms. Parenteau reported that RMLD's load for the month of June 2007 was approximately 2% lower than June 2006, but on a cumulative basis, the year to date growth is about 2.7% over 2006. Energy costs for June were approximately \$2.5 million, equivalent to a little less than \$0.04/kilowatt hour.

Power Supply Report

Preliminary figures indicate that the RMLD under-collected by approximately \$390,000, resulting in an estimated Deferred Fuel Cash Reserve (DFCR) of approximately \$3 million.

ISO New England spot market prices decreased when compared to May in both the day ahead and real time market and the RMLD purchased about 13% of its energy from this spot market. On the capacity side the RMLD hit a demand of 165 megawatts on June 27 at about 4 p.m. The UCAP requirement for June '07 was 204 megawatts. This was based on last year's peak of 172 megawatts. The RMLD's capacity costs came in at \$7.27/kilowatt-month.

In response to a question from Chair Kearns, Ms. Parenteau stated that the increase in capacity costs was just marginal. She explained the current system of transitional payments and the ICAP requires load-serving entities to pay for the total supply available in New England. If the pool requirement is only 28,000 megawatts and there is a supply of 33,000 megawatts, the RMLD must pick up slightly more based on its pro-rata share of the entire power supply pool peak. The total supply includes Demand Side Management Programs as well as power generation.

In response to a question from Ms. O'Neill, Ms. Parenteau stated that the Technical Potential Study contract had been signed with GDS and that Bill Seldon is leading the project. A kick off meeting was held last Tuesday and everything is moving along.

Ms. O'Neill indicated she wanted to speak out in favor of doing whatever was possible to encourage green building efforts in the community and cited the redevelopment of the Addison Wesley property in Reading as an example of where the RMLD should speak with developers as early in the process as possible.

Chair Kearns stated she had also addressed this with the General Manager and asked if he would like to note what committees his staff may be on that would keep them up to date on town plans. Mr. Cameron stated Pete Dion has attended CPDC (Community Planning and Development Commission) meetings in Reading. The RMLD will know what is going on prior to construction most of the time because the electric service has to be right up front. The building plans are submitted so the RMLD can review them and see the needs of the new customer.

Chair Kearns asked who would sit with them and discuss Green Power issues. Mr. Cameron stated at this point new commercial customers already knows what their energy costs are going to be based on a rate schedule. In Mr. Cameron's opinion, smaller business customers are more apt to use conservation measures.

Mr. Hahn stated that one of the programs that GDS will likely recommend is a New Construction Program that will, at a minimum, include rebates for new buildings. Mr. Hahn believes that bigger companies will be interested in Demand Side Management programs if there are incentives to do so. Mr. Cameron also explained that the RMLD does have key account managers who talk with commercial customers and meet with them as quickly as possible to discuss conservation measures.

Ms. O'Neill explained that she believes it is too late to talk with developers when they go to the CPDC for site plan approval. Ms. O'Neill would like the RMLD to have an advance team that talks with developers about potential green building design ideas before the architectural plans are drawn up.

Chair Kearns stated she thinks that the whole concept of trying to keep in the forefront of green energy and green issues is very important, but that we need to plan and establish costs before we can choose.

Engineering and Operations Update

Mr. Dion reported that circuit 1J-12, a 4 KV circuit out of Station 1, was completely retired last month.

Mr. Dion also reported that cutovers are still being done in Lynnfield and should be completed in the next several weeks. Some additional conversion work is being done along the way.

New construction, Mr. Dion pointed out, continues to be a big driver of the routine construction costs in the capital budget.

Engineering and Operations Update

On the reliability side, the system performed extremely well during the heat wave in June. Mr. Dion complimented the line department and engineering staff for the great job they did managing the system during the entire event. The RMLD replaced six transformers this year, compared to 61 during last summer's heat wave.

Improved performance is reflected in both the Customer Average Interruption Duration Index (CAIDI) numbers where the average restoration time was approximately 39 minutes, bringing the overall average down to under an hour. The System Average Interruption Frequency Index (SAIFI) was well below the industry average. Our customers are at a rate now of fifteen months between interruptions.

In response to a question from Chair Kearns, Mr. Dion explained that the recently repaired fiber optic cable in North Reading belongs to the RMLD and is part of the loop that connects each of the RMLD substations.

General Manager's Report

Mr. Cameron reported that as of June there are 260 RMLD customers participating in the Green Choice program, and they are purchasing 536 blocks.

Mr. Cameron reported that he had attended the American Public Power Association 2007 National Conference from June 24 to June 27. He will provide a write up of the conference to Board members and make materials available in the GM conference room.

Mr. Cameron informed the Board of the following upcoming events:

Green Power Subcommittee Meeting

Tuesday, August 7, 2007 at 8:00 a.m., General Manager's Conference Room.

Operating and Capital Budget/Pension/Legal Services Subcommittee

Thursday, August 9, 2007 at 7:00 p.m., Cafeteria.

Strategic Planning Invitation To Bid response date is August 14, 2007.

Northeast Public Power Association Annual Meeting, Sunday, August 19 to Wednesday, August 22.

Vehicle Day

Tuesday, August 21 at 7:30 a.m. to 9:30 a.m. at the Reading Public Library.

NEXT BOARD MEETINGS:

August 19, 2007, Northeast Public Power Association Conference

August 29, 2007, 7:30 p.m., Regularly scheduled meeting

Chair Kearns noted that one of the items Mr. Cameron brought back was a document written by Bryan Singletary entitled "Strategic Planning for Community Owned Utilities" which she felt would be very useful to Board members wanting more information on the strategic planning process.

Ms. O'Neill asked if there would be material for the scheduled subcommittee meetings available prior to the meetings. Mr. Cameron replied that there would be.

Move to Executive Session

At 8:19 p.m. Ms. O'Neill made a motion seconded by Mr. Hahn that the Board go into Executive Session to discuss the deployment of security devices, and collective bargaining strategy and return to Regular Session for the sole purpose of adjournment.

Motion carried 4:0:0.

Motion to Adjourn

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

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