

Reading Municipal Light Board of Commissioners

Regular Session

230 Ash Street

Reading, MA 01867

February 27, 2003

Start Time of Regular Session:

7:38 p.m.

End Time of Regular Session:

10:30 p.m.

Attendees:

Commissioners: Hughes, Pacino, Ames, Soli and Herlihy

RMLD Staff: Mr. Cameron, General Manager, Messrs. Blomley and Fournier
Meses. Antonio, Blomley and Gottwald
Mr. Kazanjian

CAB: Mr. Carakatsane

Liaison: Mr. Veno

Guest: Mr. Hechenbleikner

This meeting of the Reading Municipal Light Department (RMLD) Board of Commissioners February 27, 2003 is being broadcast live 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.

Chairman Hughes called the meeting to order at 7:38 p.m.

Minutes

January 23, 2003

Mr. Pacino made a motion seconded by Mr. Herlihy to approve the minutes as presented.

Motion passed by a show of hands unanimously 5:0:0.

January 27, 2003

Mr. Pacino made a motion seconded by Mr. Soli to approve the minutes as presented.

Motion passed by a show of hands 4:0:1. Mr. Ames abstained, as he was not present at the meeting.

January 29, 2003

Mr. Pacino made a motion seconded by Mr. Herlihy to approve the minutes as presented.

Motion passed by a show of hands 4:0:1. Mr. Ames abstained, as he was not present at the meeting.

Report of the Chairman of the Board

Chairman Hughes stressed the weekly payables and biweekly payroll shall have the required amount of signatures by the Commissioners by 8:30 a.m. Tuesday so they can be delivered to Town Hall Tuesday morning. This is an item he is covering so that they will be expedited to the Town Hall on time Tuesday.

The RMLD Board of Commissioners Operating Budget Subcommittee met at 6:45 p.m., in the Temporary Transmission and Distribution Conference Room. Mr. Pacino stated they reviewed the budget and they are recommending the Commission accept it when they get to Item 6b. Mr. Pacino is aware that the Citizen's Advisory Board has approved it on February 12, 2003.

Mr. Hughes stated he is in equal concurrence from the CAB so we are all on the same page to approve the 2003 Operating Budget.

Mr. Veno, Selectmen liaison North Reading, stated he has missed a few meetings due to the budget meetings in North Reading. From North Reading he wanted to bring congratulations to Mr. Cameron a lengthy but wise choice as he watched the tape. Mr. Veno again wanted to congratulate Mr. Cameron and the Commission for their unanimous vote for Mr. Cameron. Mr. Cameron will do a fine job. He got us out of the storm and is doing a great job.

RECEIVED
TOWN CLERK
READING, MASS.
2003 MAR 28 P 2:47

Selectmen Liaison, Citizen's Advisory Board and Customer Comments

Mr. Veno wanted to ask Mr. Herlihy, a couple of North Reading residents have come to him about this flyer Mr. Herlihy has out. The question is, and he does not believe this either, just addresses the Reading public schools and buildings relative to rates.

Mr. Herlihy replied first the Department has not made any determination on this yet (referring to the public schools and building rates) and secondly it is a campaign brochure. Mr. Herlihy added the Department could legally set up a special rate classification for all the schools even though we have half of Lynnfield we have all the schools. Mr. Herlihy noted this would be an easy way fairly to provide relief to the school departments, the public buildings and the library. All the communities are facing the same budget issues.

Mr. Veno added this is the question all or just Reading?

Mr. Herlihy replied it is a campaign brochure it is only for Reading voters for space reasons.

Mr. Veno added he thought the refund was only \$3 million.

Mr. Herlihy replied it was \$6.5 million a combination of the purchase power adjustment of \$3.5 million and one time refund of \$3 million.

Presentation

RMLD Power Sources (Vin Cameron)

Presentation of the breakdown of the RMLD's power sources by type of energy such as renewable energy and the percentages.

Mr. Cameron noted this is response to Commissioner Herlihy, as he wanted to find out what the Department's energy sources were by fuel type. Mr. Cameron noted there is a memo describing the four types of energy the Department has entitlements for. The second page shows an exploded pie chart. The renewable is the hydropower the Department has. It is considered a renewable because run of the river. There is very little nuclear consisting of Millstone and Seabrook. The fossil fuel is the Stony Brook Intermediate and Peaking Units. The system power is power supply from NU Select and Calpine system power contract.

Mr. Herlihy wanted to thank Mr. Cameron and the staff for putting this together. Mr. Herlihy wanted to know if it is something the public is interested in.

Mr. Pacino suggested putting this in the newsletter.

Six Year Plan (Vin Cameron)

Mr. Cameron stated every year the RMLD puts together a Six Year Plan and for the new members of the Board it is a quasi-corporate model. What it does is it models the financial operations of the RMLD. This is the first draft and the Six Year Plan is not put together until the Operating Budget and Capital Budget is in substantial shape as to be approved. Mr. Cameron highlighted the two years you want to zero in on is 2002 and 2003, 2002 has eleven months of actual data and one month of projected data using the 2002 Operating Budget 2003 represents the 2003 Operating and Capital Budgets. Mr. Cameron went over the base revenues, purchase power adjustment, revenues, total expenses and net income. Mr. Cameron highlighted the Six Year Plan the cause and effect of SMD in March of this year. Mr. Cameron further elaborated on the Six Year plan.

Mr. Cameron stated relative to the Rate Stabilization Fund he would like to come back to the Commission with a plan that the Department could use some of those monies for balancing the fuel costs. In 85-121 it specifically states the Rate Stabilization Funds can be used for this. Mr. Cameron noted some of the Rate Stabilization Funds will be given back to the customers within this year. Mr. Cameron went over forecasting for future years, cost of service levels, base rates, fuel expenses and revenues.

Mr. Pacino questioned on the capital budget 2004, 2005 and 2006 the CAB was seeking the capital projects listed. Mr. Pacino would like to see this part of the presentation to quantify these numbers. Mr. Pacino inquired are there any numbers quantifying the capital projects now?

Six Year Plan (Vin Cameron)

Mr. Cameron replied that at the CAB meeting last evening Mr. Van Magness asked basically the same question. Mr. Van Magness made a point that the Department should have a detailed capital plan. The Department is working on it. The detailed capital plan will be a part of the Six Year Plan. Mr. Cameron replied he will be coming back to the Commission with his first recommendation, which would be funds taken out of the Rate Stabilization Fund and earmark it for the stabilization of fuel. The standard market design could raise the fuel costs. The market was a mature bid based market and now is a more mature bid based market. In certain areas which congestion occurs in Northeast Massachusetts. The amount of congestion depends on how the generators bid and how much congestion the Department is subject to on an hourly basis. The Energy Services Department has been very diligent in trying to come up with models, talking with people and attending meetings. This is very specialized work there are two vendors the Department is looking at perhaps to perform a study.

Mr. Pacino voiced his concern in the event if we do go to war potentially the fuel costs could skyrocket, is it possible to use the Rate Stabilization?

Mr. Cameron replied yes. This is contained in 85-121 there are several uses of Rate Stabilization and one of them is for the stabilization of rates including fuel.

Mr. Pacino inquired does legal counsel agree with this, section 164 counsel?

Mr. Cameron replied he has had past conversations with legal counsel and legal counsel agreed this was a correct use of rate stabilization funds however, will check again.

Mr. Ames added there should be a memo specifically addressing this.

Mr. Soli noted looking at the Rate Stabilization realizing these are tough times and recalling last summer's conversations where they discussed getting that fund under \$10 million dollars. Out to 2007 the Department is still not there. Mr. Soli wants Mr. Cameron to look at that more aggressively.

Mr. Cameron replied that is part of the plan to get the Rate Stabilization down this year with a refund it will have a ripple through effect to 2007 given the fact the Department does not over or under recover drastically.

Mr. Pacino added in terms of addressing this that the Department should be very aggressive in the event of fuel costs skyrocketing due to a war it is an appropriate use of the Rate Stabilization fund as a means of bringing it down.

Mr. Herlihy inquired if the memo Mr. Cameron is going to distribute on 85-121 would spell out what you can and can't do with the Rate Stabilization Fund?

Mr. Cameron replied the Rate Stabilization Fund is appropriately named. What the Department has done with that it has not had a rate increase since 1993 in the base rates not the fuel. In certain times the Department has drawn it down to \$3 million. This is the highest it has ever been. It comes down to the power deals being very advantageous and now its time to get the base rates back in line. Some may have argued the Department should have decreased the rates prior to this and he will not argue this. The money should go back to the customers in a way that makes sense. The one time refund the way it was done had a lot of merit.

Mr. Herlihy is dismayed as to how much the Rate Stabilization Fund is going up in these times. Mr. Herlihy would be hard-pressed next year to vote for a budget with \$15 million in the Rate Stabilization fund, it is too high. Mr. Herlihy would appreciate information on fuel expense, how it is derived, how you come up with it and what its impact is, how the Department purchases its fuel and how it impacts the rates. More information on that would be helpful.

Mr. Hughes noted the congestion is out in the media he would like Mr. Cameron to address this.

Mr. Cameron replied Attorney General Reilly is making an effort to see if the implementation date of the standard market design March 1, 2003, if Independent System Operator (ISO) of New England would consider stalling that off for one month at least.

Six Year Plan (Vin Cameron)

Mr. Cameron attended a Participant's Committee meeting earlier this month in Boston. The RMLD voted along with Braintree and Taunton that this standard market design date be put off for a month. The reason the vote was this way is because he did not believe the computer system and the reporting system that ISO New England put in place is ready to accommodate the design of the market. There is the belief the reports are not going to be correct, it will be detrimental to performing your daily analysis. The generators want this to go through, there is one sector in ISO who will benefit is the generators. Generators are going to make more revenue in this market. The vote did not stall off the March 1st date. Attorney General Reilly's arguments were similar to that of the Department.

Action Item

General Manager Indemnification

Mr. Pacino made a motion seconded by Mr. Ames that the Reading Municipal Light Board voted to indemnify Vincent F. Cameron, Jr., for all costs, including, but not limited to, all attorneys fees and expenses, judgments or damage awards, settlements or compromises incurred as a result of any claim, suit or action under any theory of law that may be brought against Mr. Cameron as a result of Mr. Cameron exercising responsibilities as General Manager effective February 7, 2003 through June 30, 2003, which responsibilities include, but are not limited to, serving as the Mass. General Laws Chapter 164, Section 56, Manager.

Motion carried by a show of hands with the amendment to add after February 7, 2003 to June 30, 2003 5:0:0 unanimous.

Mr. Hechenbleikner noted he received a copy of the agenda today and this item looked familiar. It was used for the previous General Manager and the Acting General Manager. Which is an area he does not have a lot of expertise in. It was faxed to the General Manager today and covers all town employees. Mr. Hechenbleikner is unsure if these two things are consistent and which one is needed. Although he is reluctant to have the Light Department spend counsel dollars you might want to see if there is redundancy.

Mr. Cameron noted it was too late to put this in the Board Books. Mr. Cameron is unsure what he has for protection and ran the Department under a similar motion. Mr. Cameron would feel comfortable until such time until someone looks at the indemnification policy.

Mr. Veno noted he is not an expert and suggests granting the indemnification under the motion for Mr. Cameron.

Mr. Carakatsane is speaking not as a CAB member however does suggest bringing in some sort of counsel as it is extremely poorly worded. The ex General Manager should have not been indemnified for any intentional actions, negligence or actions you exclude gross negligence. Any claim or suit is not very inclusive and the person would want inclusive language. One area of importance is an indirect claim. The example used if a Lineman gets in an auto accident and the RMLD sued they often will sue their superiors. Mr. Carakatsane suggested to adopt this motion and revisit in a couple of months to be fair to both sides.

Mr. Herlihy inquired is the same language previous General Manager's have received?

Mr. Cameron replied they took the indemnification clause when he was Acting General Manager from counsel.

Mr. Herlihy was under the impression Mr. Cameron was Acting General Manager until his Employment Agreement is signed.

Mr. Cameron replied it is up to the Commission.

Mr. Hughes stated Mr. Cameron is General Manager whether he is working out his Employment Agreement and he should seek legal counsel.

Discussion ensued. The sense of the Commission is to indemnify the General Manager, have counsel look at it and revisit it.

Mr. Ames suggested appointing Mr. Herlihy to be on Subcommittee to review the indemnification and produce something in the future. Mr. Ames suggested Mr. Carakatsane might also want to be involved in this process a joint Subcommittee.

Action Item

General Manager Indemnification

Mr. Soli would like the motion to be amended after February 7, 2003 to add through June 30, 2003.

2003 RMLD Operating Budget

Mr. Pacino made a motion seconded by Mr. Ames that the Reading Municipal Light Department Board of Commissioners approve the 2003 Reading Municipal Light Department Operating Budget on the recommendations of the General Manager, the Citizen's Advisory Board, and the RMLD Board Operating and Capital Budget Joint Subcommittee.

Motion carried 5:0:0, unanimous.

Mr. Fournier pointed out as Mr. Cameron mentioned the Six Year Plan the Operating Budget is included in there. The CAB had several meetings in which the budget was discussed in detail. Mr. Fournier stated many cuts were made about \$200,000 worth of cuts. The budget basically is going to increase \$300,000 from Draft One however there was a lot of review. The Six Year Plan will show where the Department stands for 2003 forward.

Mr. Cameron stated the process this year was a very long process. Messrs. Blomley and Fournier did a lot of work in explaining to the CAB and the Commission their questions. Mr. Cameron expressed his appreciation to Messrs. Blomley and Fournier for all their work.

Mr. Hughes added he would like to compliment them and the whole Department to get this evolution completed. Thanks again to the staff for making the mission accomplished.

Mr. Soli inquired if the Commission adopts the proposed budget and the projection is at the end of the year the Rate Stabilization fund will be \$15.2 million?

Mr. Cameron replied that is correct referring to the Rate Stabilization Fund if the Department does not over recover above what is in the Six Year Plan right now. Mr. Cameron noted his intention is to come back with a plan to use Rate Stabilization money for his primary goal to abate possible fuel increases. Last year the Department had a refund suggested by Messrs. Ames and Soli. It was not his first choice but it in the end it worked out. If it is a combination of abating fuel and another one time refund so be it. Mr. Cameron does think by the end of the year that balance should come down.

Mr. Soli inquired are you going to come forward with a plan?

Mr. Cameron replied yes he would. Mr. Cameron stated he would come back to the Commission at the meeting of March 13th as it is going to be an iterative process. Mr. Cameron would be surprised if there was a solid plan at the next meeting as it took a few meetings to settle on the one time refund however, he would like to do it as soon as possible. Mr. Cameron would like to get a feeling on what the Department will be doing with respect to the fact the cost of service study will be completed within the next thirty to thirty five days.

Mr. Soli stated to go forward with the plan.

Mr. Pacino cautioned to take in account world events.

Mr. Ames stated the impact of the cost of service study states the Department should restructure the rates to significantly reduce them. There is not currently anything in the 2003 budget. It is possible for the Commission to construct new rates and have them in effect by June, which would reduce the overcharge and stop the accrual into the Rate Stabilization Fund.

Mr. Cameron replied as he stated while addressing the Six Year Plan it is the intention of the Department that if and when the rates go into effect this year the rates would be lower and would reflect a lower cost of service.

Mr. Cameron pointed out the \$10.7 million will go back to the customers and would come from the Rate Stabilization Fund. Mr. Cameron stated that is why he would like to get some conversation and discussion on any additional funds coming out of the Rate Stabilization Fund. The Department has to plan for the effects of putting in lower rates that would be reflective of the \$10.7 million. We want to refund this year and taking additional monies out to abate fuel increases.

General Manager's Report

2003 RMLD Operating Budget

Mr. Herlihy stated this is his first chance to comment whereas he was not a member of the Budget Subcommittee. Mr. Herlihy inquired concerning when one looks at budgets one thing that is going up on state and municipal budgets is health cares costs, is this a problem? Also in the area of insurance is the Department taking a beating on this?

Mr. Cameron replied the Department's insurance costs this year increased to \$1.4 million this year in 2002 it was \$900,000.

Mr. Herlihy replied this is not abnormal. It is what is going on out there he thought the Department may be some how immune from this.

Mr. Cameron stated Mr. Herlihy wanted to know the order of magnitude and the Department was subject to the same thing.

Mr. Herlihy questioned page fourteen on the budget. He asked about Lawn and Shrubs. Does that include any RMLD property that is not located here?

Mr. Blomley replied no. The Department has five locations plus two "adopt an island" sites. This amount also includes substations, two adopt an islands and the property here.

Mr. Herlihy pointed out when the state budget comes out they list previous years figures next to new figures, can that format be available in the future?

Mr. Fournier replied on page nine in the Summary Section it goes back to 1995 actuals and shows the last two years budgets.

Mr. Cameron noted in the specific line items on the sub accounts that would be a lot of work. The Department does this on a major account basis.

Mr. Herlihy inquired the bottom line is the Department's budget is lower than last year?

Mr. Cameron replied absolutely.

General Manager's Report

Discussion of Warrant Article Number Four

Mr. Hughes wanted to address the viewing public as the Chairman of the Board and all members of the Board service area to listen very intently as what the General Manager of the Light Department is about to discuss.

If there any questions contact himself Chairman of the Board, any Commission member, any CAB member or the General Manager prior to the Special Town Meeting, 3 March 2003 for any clarification or questions you have for the Special Town Meeting related to the Department.

Mr. Cameron stated he had a statement he wanted to make and it is about four pages.

"The Selectmen have put together a warrant article for the Town Meeting on March 3, 2003 that deals with certain aspects of the operations of the Reading Municipal Light Department. This article includes recommendations from the Ad Hoc Committee on the Governance of the RMLD. I have several points that I would like to address relative to the Ad Hoc process, the Ad Hoc recommendations, and the Article Number 4 on the March 3rd warrant. First, the Ad Hoc Committee was formed to determine what governance recommendations should be made to the Selectmen that would increase the oversight at the RMLD.

I recall that there was a Task Force created by the Selectmen to deal with the IG report, the forensic audits and changes at the RMLD. I recall that there was a Task Force created by the Selectmen to deal with the IG report, the forensic audits and changes at the RMLD.

General Manager's Report

Discussion of Warrant Article Number Four

Suddenly, the Ad Hoc Committee was created and the Task Force is put aside until the Ad Hoc Committee comes back to them with its recommendations. This was never done. I also believe the Task Force is still in effect with no clear goals or direction.

When the Ad Hoc Committee met it did not make any effort to find out root causes of the problems that had occurred at the RMLD. They held many meetings that included interviews of selected groups (the RMLD Board, the CAB, the RMLD Acting General Manager and the Accounting Manager, General Managers of other systems to name a few). The Ad Hoc Committee stated at one point that they wanted to talk to the RMLD Union personnel but never did this.

The Ad Hoc Committee also performed a survey of municipals electric utilities in Massachusetts to obtain profiles of how they were set up. They asked who appointed the General Manager and whether the General Manager had a contract, if the General Manager was the Town Manager, did the municipal light departments report their financials on the town's fiscal year basis, did the town and the municipal light department have the same auditor, and other questions concerning municipal electric utility operations.

From these conversations, meetings, surveys, and other activities it is not clear that the Ad Hoc Committee found the root cause of the problem at the RMLD that was outlined in the IG report, the Melanson Heath forensic audit, and Price Waterhouse forensic audit. The problem focused around "Credit Card and Certain Other Spending Practices".

The Town of Reading's forensic auditor, Melanson Heath, specifically outlined the following root causes in their Executive Summary: "What the RMLD policies did not contain was a process for the Accounting Services Manager to follow when non-compliance issues occurred with the GM or AGM whom he reported to."

The other recommendation they had in their Executive Summary "A key element for assuring adequate internal controls is to provide the accounting department with sufficient authority and independence to perform internal audit functions. This can be done by having the individual responsible for determining compliance periodically report directly to the Board of Commissioners."

In order for the Ad Hoc committee to do a proper study of what happened at the RMLD with respect to the IG report, I believe the Ad Hoc Committee should have performed a root cause analysis. This wasn't done. The Ad Hoc Committee didn't identify specific root causes and identify measures to correct them. Total Quality Management (TQM) is a useful management tool that is used at the RMLD to determine weaknesses in a process and identify measures to correct the weakness.

The Ad Hoc Committee held meetings and interviewed many groups but never did get to the root cause of the problem. Consequently, the Ad Hoc Committee came up with several recommendations, some of which have nothing to do with correcting the problems that occurred and were outlined in the Melanson Heath forensic audit, which was commissioned by the Town of Reading. If the Ad Hoc Committee had performed a proper root cause analysis its recommendations probably would have extended to the Town Manager and the Town Accountant oversight.

The Ad Hoc Committee recommendation, which makes changes to the RMLD's Operations, are listed below.

The RMLD Board will hire the Accounting Manager or Chief Account of the Reading Municipal Light Department. This recommendation is similar to what Melanson Heath had recommended in its Executive Summary.

The Reading Municipal Light Board shall employ the Town Auditor appointed by the Town of Reading Audit Committee. This has already been agreed to by the RMLD Board agreed to use the Town's auditor, however, the RMLD wants to ensure that the auditor has expertise in municipal electric utility accounting standards.

The RMLD Board should appoint counsel for the Reading Municipal Light Department. I don't believe this recommendation has anything to do with the oversight and governance of the RMLD.

The RMLD Board should appoint counsel for the Reading Municipal Light Department. I don't believe this recommendation has anything to do with the oversight and governance of the RMLD.

General Manager's Report

Discussion of Warrant Article Number Four

The Municipal Light Board shall approve warrants for payment of all bills and payroll of the Municipal Light Department; and approve all contracts made in accordance with M.G.L. c. 30B, except for purchasing of power. There is nothing wrong with the RMLD's purchasing procedures and, in fact, the RMLD uses 30B guidelines in many cases when purchasing supplies and equipment.

Having the RMLD subject to 30B guidelines would make the Town Manager the Chief Procurement Officer. However, in a memo recently sent to me by the Town Manager, it was stated that the Town of Reading does not intend to amend Section 5-2 (o) of the Reading Home Rule Charter, which states that the Town Manager "Be responsible for purchasing supplies, material and equipment except those of the School Committee and the Light Board."

The question is then begged, "Why does the Town of Reading want the RMLD to fall under 30B purchasing laws if the Town Manager won't be overseeing the process and the RMLD's purchasing policy is similar to the 30B guidelines. This recommendation does not make any sense.

In fact, the IG reported recently that the State of Massachusetts' purchasing laws were too strict and costly. He was specifically talking about 30B.

Additionally, according to M.G.L. 30B (14) only by a majority vote of the Light Board can the RMLD be put under 30B guidelines? It doesn't seem that this can be enacted by a Charter change.

It should be noted that many of the recommendations were really affirmations of the powers bestowed upon the present Board by Chapter 164 if you read the full Article 4.

The RMLD has taken the following actions and in some circumstances, changed its policies so that past problems will not reoccur.

- The RMLD no longer has company credit cards.
- Petty cash is only used for storm duty expenses and payroll problems. Neither incident has arisen since the change enacted in January 2002.
- The RMLD has revised its policies with respect to travel and where the meals are only reimbursable on a per diem basis.
- The Accounting Manager has been given the authority to go the RMLD Board with instances when there arises a discrepancy in expense reporting, payables, payroll, and any other financial question. Later on in the agenda there is going to be an instance of this.
- The Board Policy has been changed so that the RMLD employees may directly contact any RMLD Board member for any reason.
- The RMLD Board has an exception sheet, upon which it lists questions, concerns and comments concerning the weekly payables. The General Manager and the Accounting Manager go over these sheets and respond to the Board's questions and concerns promptly.

Many of these changes were based on the recommendations of the forensic audit performed by Melanson Heath for the Town of Reading.

The provisions within Article 4 are not beneficial to the operations of the RMLD. In some instance they could incur extra costs for all the ratepayers.

It has been fifteen months since the IG report came out and almost a year since the forensic audits were published. The RMLD has operated very well during this time.

General Manager's Report

Discussion of Warrant Article Number Four

The electric rates have been decreased through the inclusion of a Purchased Power Adjustment Charge. In 2002 over \$6.5 million was refunded to the electric ratepayers. It is anticipated that the RMLD will refund approximately \$10 million to the ratepayers in 2003.

Presently, the RMLD is having a Cost of Service Study performed with the desired result of lowering the rates to a Cost of Service Level and possibly leveling the rates, removing the summer/winter differential.

Over the last year the Town Manager has had questions concerning certain RMLD payables. The Accounting Manager and myself have given him satisfactory explanations and the bills were paid. Not one bill has been denied payment by Town Hall.

I believe we have all learned from the past. I would like to see the RMLD Board and the Town of Reading begin a new, strong and cooperative relationship, which will be forged on a mutual trust and cooperative efforts that results in savings to the ratepayers of the communities in the RMLD's service territory. Thank you."

Mr. Carakatsane stated the reaction of the CAB they discussed the proposed amendments for at least an hour or longer which resulted in a letter/communication to the Reading Board of Selectmen and the Town Moderator for Reading. The communication made two points that the CAB could not at this time issue a recommendation regarding the proposed amendments. The second point was the Town of Reading proceeds the CAB advises the Town of Reading that it precedes at its own risk pending the completion of thirty day review period of the proposed amendments and adequate opportunity for the three surrounding towns to review and consider the amendments. That is what the CAB voted for last night four in favor and one abstention. There were many concerns voiced. The biggest one is the Reading Board of Selectmen ignored the Twenty Year Agreement, by that ignored the CAB and proposing these to the CAB for their thirty day review period. The argument by the Reading Board of Selectmen is while we have been considering these for quite some time and the basis of these amendments have been out in public since last November, the beginning of November and were revised, adopted on January 8th by the Board of Selectmen. The problem is that each of the surrounding Boards of Selectmen told the Reading Board of Selectmen that it sounds wonderful but get us a final product to look at because things could change. On at least four items the proposed amendments are substantially and legally different from what was proposed and adopted earlier or recommended earlier. They were not transmitted to the CAB until February 12th, which would take it to March 14th or March 15th until the thirty days runs. There is a practical side of this all obviously the Board of Selectmen wants to adopt it immediately on Monday night, it cannot be delayed as it has to be voted by the Annual Election in early April. The Town of Reading is going to have to act fast if they are adopted Monday night. The next day they will have to transmit these to the Secretary of State or the Attorney General's office because the Attorney General has thirty days to review them. Once the Attorney General has reviewed it then it can legally be put on the ballot? They are up against the clock in many ways. The towns normally allow more room. The special counsel that reviewed it raised another issue that is seem to be advising the Reading Board of Selectmen that the Attorney General review was not necessary. All the amendments to the Town Charter are done under Section 10A of 43B, Section 20 is a newer section and it exempted certain issues from coming before getting that review by the Attorney General's office but they are very limited and it has to do with appointment or election of Boards and the process for doing those. It does not have the powers. The Attorney General reviews all the items in the proposed amendments to see if they conflict with public policy. Public policy is statutes, case law, regulations, the whole gambit. Mr. Carakatsane noted just a cursory look at this not a formal opinion, he advised the CAB that seventy five to eighty percent of Article 4 is probably contrary to existing public policy. There is a way to accomplish this but unfortunately it is not by Home Rule Charter. Mr. Carakatsane noted the CAB never got to the issue whether to vote upon this as the process was ignored, the process is part of the problem here. Several members mentioned at the meeting last night process can at times be everything.

Mr. Carakatsane noted the other problem is the reality of this for example the Lynnfield Board of Selectmen had this information sent over to them on February 12th or 13th and they will not be meeting until March 10th. The packages have been sent to them but they cannot get together to vote. The Chairman of the Lynnfield Board Selectmen was called by the Chairman Reading Board of Selectmen last night to make some recommendations but was not speaking for the Board.

General Manager's Report

Discussion of Warrant Article Number Four

Mr. Carakatsane noted North Reading has not considered them yet; it has not taken any formal votes. Wilmington stated last night on the record it has not voted. They have referred it Town Counsel for review and their next meeting is not until March 10th. Mr. Carakatsane noted the CAB has scheduled a meeting ten days after March 10th figuring by then they would have a response. The CAB will bring this up again, depending on what happens, Monday night. There are problems with both the process and what is being offered. Examples of how this changed, in the initial proposal it talked about the infamous employment agreement for the General Manager. It was explained to the CAB by representatives of the Board of Selectmen that the distinction was they wanted something in writing but not a length of contract. The long time employment attorney on the Lynnfield Board of Selectmen reminded them a contract is a contract whether you call it agreement, same thing. That did not make it into the proposed amendments. The attorney they utilized spent a page discussing the issue but rendered an "at will" basis and it then got translated into the language of the proposal, "the General Manager shall serve at the pleasure of the Board." Mr. Carakatsane stated that is just restating what exists in law now. Mr. Carakatsane pointed out the Lynnfield Board of Selectmen made three excellent recommendations to them as amendments to their original proposals none of those made it into the proposed amendments under Article 4. There are serious concerns and that is why they could not issue a recommendation last night and advised the Town of Reading it proceeds at its own peril. These are subject to approval with the state legislature in the end. Mr. Carakatsane does not agree with the Town's legal counsel review that these would be approved by the Attorney General's office they most certainly would not.

Mr. Pacino would like to report this Article was discussed at the By Law Committee last week. For full disclosure Mr. Pacino is Chairman for life of the By Law Committee in Reading. Mr. Pacino raised the concerns of the CAB as he did represent the Light Board at that meeting and specifically did abstain himself. There was discussion about the thirty day time period as this had been not been given sufficient time to move forward. Mr. Pacino heard the same arguments that the recommendation has been out there since January so the clock should have started ticking in January, which he disagreed with because the actual formal notices came out at the time the Warrant Article was published. As far Mr. Pacino is concerned the formal thirty-day notice is when the clock starts ticking. Mr. Pacino disagrees and the Town's legal counsel was present at the By Law Committee meeting. Mr. Pacino asked the Town's legal counsel questions and the answers he received he totally disagreed with. Mr. Pacino pointed out he has asked the General Manager to consider going to the Department's Chapter 164 counsel to get a clearer picture on that. Mr. Pacino did not want to spend legal money but it is a Chapter 164 issue we need to ask, can we change a state law with a By Law change. Mr. Pacino does not believe this is possible. Mr. Pacino wanted to go on record tonight that he is disappointed that there are no Selectmen here, and the liaison is not here, Mr. Hechenbleikner has left already, he is assuming there might be another meeting going on tonight. Mr. Pacino was hoping that the Selectmen would be here. Mr. Pacino received an e-mail from Mr. Van Magness about his report back to the Selectmen. Mr. Pacino's is concerned there are some good things in the Article. Town Meeting gets this Monday night and the outside towns come in and basically state they have had not enough time to act on this. At the By Law Committee the idea was to build up the timetable. Mr. Pacino noted the CAB had a meeting to speed up the timetable and decided it is not the appropriate thing to do. When Town Meeting gets this potentially it may blow this entire thing up, along with it the Twenty Year Agreement. The risk of the Twenty Year Agreement is the outside Towns need to give ten years notice to get out. If you blow up that Agreement it is a one-year notice. People forget the ratepayers left behind could be faced with a twenty percent rate increase. This has been forgotten because the settlement came about. Mr. Pacino was part of the team that negotiated this. Mr. Pacino pointed out that would should happen because the Special Town Meeting it has to be held and it should happen at the beginning of the meeting. There should be a motion made to adjourn the Town Meeting to a date certain in April during the Annual Town Meeting when the issue can have enough input by all parties including this Board. The CAB should have thirty days and the Commission makes its recommendation within that thirty days also. Mr. Pacino stated process is everything as he is concerned with what this may open up if this goes forward on Monday night.

Mr. Cameron did state he received the opinion of 164 counsel this afternoon. Mr. Cameron read the Executive Summary and there are three things he would like to mention. A state wide comprehensive statute such as Chapter 164 in the legal opinion not be changed by a Home Rule Charter this is a global statement but there is a case on point and it occurred in Westfield in the early 90's. Westfield through Home Rule Charter attempted to rearrange the powers of the General Manager and was denied by the Attorney General.

General Manager's Report

Discussion of Warrant Article Number Four

Mr. Carakatsane noted MGL Section 10 of 43B states that once approved by the Attorney General elections would take place within sixty days.

Mr. Cameron said it states after sixty days.

Mr. Ames noted his concerns of legal counsel being appointed by a Board using the MMWEC Board as an example of this as it caused a dysfunctional entity.

Mr. Veno noted he has a question on contracts under MGL 30B except for purchase of power contracts; it would take it out of your control and to whom?

Mr. Cameron replied under 30B the Chief Procurement Officer would be the Town Manager. Mr. Cameron has been told the Town Manager can defer this to Mr. Cameron or the Materials Manager.

Discussion ensued on 30B.

Mr. Veno inquired what would this change?

Mr. Cameron replied it would be another level of bureaucracy we would have to go under. Mr. Cameron received a memo from the Town Manager stating the Town did not have the intention of changing Section 5.2 of the Home Rule Charter. In Section 5.2 the Charter it states that Town Manager is the Chief Procurement Officer for the purchasing of equipment and supplies but the School Committee and the Light Board. This goes back to the recommendations of oversight and governance by the Ad Hoc Committee. The Commission will have to vote to put the Department under 30B. The Department follows 30B guidelines; the RMLD has good purchasing guidelines and a procurement policy in place. The issue is only the Commission can vote undo 30B.

Mr. Veno stated he is speaking as Joe Veno the ratepayer. There are people out there who are dumb enough to think that somebody on this Board and this General Manager is going to try to pull something off. You people are under the scrutiny of everybody. You people have done an excellent job and there are people out there that think you, Mr. Cameron are going to do something illegal. They have to be out of their mind never mind, Town meeting members. This bothers him to no end. To think there is going to be a problem with this Light Department in the future. This Light Department is going to be the most efficient best run organization in Massachusetts and he means this. He gets so tired of the people of Reading trying to come in the back door, the Town wants to get their foot in here and this is wrong. He will never support it in North Reading because it is wrong. We have a capable person in Mr. Cameron to do the job; he has this place running at one hundred percent after the dilemma we have been through. Mr. Veno knows if he steps over the line one inch all five of you will fire him because you are being watched. You still have people in this Town, and he wishes Mr. Hechenbleikner was still here, that want to get their foot in this door. It is totally wrong and he will never support it for business reasons. He cannot believe you are going to pull something off.

Mr. Herlihy made a statement as he is the only person in Town Meeting member serving on the Light Board and he is not renewing his Town Meeting seat. Mr. Herlihy cannot make the meeting on Monday due to a work commitment. If he were at Monday night's meeting he would support and vote for these Articles with amendments which he has asked to make and hope they will make. Mr. Herlihy noted the amendments would basically strike out the new language that has been inserted by the Town's outside legal counsel particularly the phrases the General Manager serves at the pleasure of the Board, strike references to 30B new procurement policy and small changes Mr. Carakatsane may have alluded to earlier. In whole the recommendations of the Ad Hoc Committee, which have been considered for a long time, are still worth doing they are not completely irrelevant. The Town has the right do this even if they do not necessarily address the issues related to the IG's Report. The Town has talked about culture and other issues. Boards can change and not take it on faith that these problems are not going to come up again. Mr. Herlihy has a question for the General Manager will legal counsel be present on Monday night?

Mr. Cameron replied he was not planning on it.

General Manager's Report

Discussion of Warrant Article Number Four

Mr. Herlihy added it has been a long time since all these matters have come up and this is an opportunity to put these issues to rest. They will be kept alive if these issues are not addressed. If the Articles do not pass via all the processes no one wants to violate the Twenty Year Agreement nobody in Town does. Mr. Herlihy continued a Board ought to try to determine what of the recommendations that the Ad Hoc Committee they can take care have on their own and finalize some of these things in the meantime. After a year and half in, which some bad things went down there have been some reforms by the Commission. The timing issue is unfortunate, the Town cannot afford another special election and this will result in waiting a year. The conversations with the Ad Hoc Committee with the outside towns were more palatable and the changes are worth making by and large.

Mr. Pacino noted he hoped as a Commission to look at these recommendations and implement them on their own. Mr. Pacino noted the following could be adopted, the auditor could be appointed because he has been appointed to the Audit Committee, the Commission set electric rates, Accounting Manager and counsel being appointed by the Commission as long as there is enough direct supervision by the Manager on a day to day basis. Mr. Pacino would like to hear the comments of the CAB as according to the Twenty Year Agreement they get thirty days. Mr. Pacino pointed out it took two years to negotiate the Twenty Year Agreement and he has concerns that it could result in some serious legal action and costs to all sides.

Mr. Ames noted the incredible amount of work put in by Mr. Pacino and past Wilmington Board of Selectmen to create the Twenty Year Agreement. The balance is tenuous. The Town of Reading taxpayers should look at anything that upsets that very carefully as they will pay for the mess if it does not work. Mr. Ames noted there is enough at stake in this enterprise, jobs, payments to the towns and the Town should not take the slightest risk of jeopardizing this. Everything is running fine. We are trying to anticipate something that may happen in the future but in the course of that anticipation we may do damage and it is not wise to do damage to yourself to avoid something that may happen. Mr. Ames is strongly suggesting that anybody watching this insist all the Boards agree before any changes are made. If Town Meeting proceeds forward then it is at its own risk.

Mr. Hughes pointed out heard the word oversight. How much oversight does the Board of Selectmen need to comply with policies, verbiage and interpretations in place? Why run roughshod over the CAB and their opinions because they are irrelevant? Mr. Hughes suggested Town Meeting tabling this Article Monday evening.

Mr. Herlihy interjected point of order at Town Meeting that the various Boards state how they feel on an issue. Are we as a Board giving Town Meeting a sense of how we feel on any action or record?

Mr. Pacino replied that the By Law Committee has a do not recommend on Article 5. The Commission has not taken a position as they were waiting for CAB input.

Mr. Herlihy reaffirmed at Town Meeting where the Light Board stands is that have taken no official action pending the results of the CAB is the statement to be given?

Discussion ensued on where the Light Board stands on this issue for Town Meeting.

Mr. Pacino made a motion seconded by Mr. Soli:

To request that the Reading Town Meeting defer action on the March 3, 2003 Special Town Meeting Warrant until a time certain during the Annual Town Meeting which will be in April in order to allow the CAB (Citizen's Advisory Board) and the outside Towns the formal thirty day notice period for comments as required by the Twenty Year Agreement.

Motion passed 4:1:0. Commissioner Herlihy voted against the motion.

The Chairman will send a letter to Camille Anthony and Alan Foulds informing them of the Commission's status on this issue.

Mr. Soli stated he has mailed one hundred ninety letters himself to the Town Meeting members stating his position on this issue.

Discussion then turned to how and when the Commission will address the Moderator.

General Manager's Report

2003 APPA National Conference

Mr. Cameron noted the Department received a flyer on this conference and it will take place on June 16th to June 18th in Nashville, Tennessee. Mr. Cameron plans on attending and asked any Commission members if they were interested in attending as well.

Mr. Ames asked the new members to take a look the pre-conference seminars it gives the Commissioners an opportunity to talk with other Commissioners about how they compute rates and their rate setting practice. Mr. Ames is not sure if this Commission will be setting rates due to the cost of service study between now and that time.

Disallowance of \$25.00 on Travel Expense Report

Mr. Fournier, Accounting Manager has disallowed \$25.00 in Messrs. Cameron and Hughes' expense reports. This expense incurred was for a change to an earlier flight.

Mr. Cameron stated he and Chairman Hughes went to Washington a couple of weeks ago to attend the APPA Legislative Conference. On Tuesday they had time between conferences and were able to get into see Kevin Mc Dermott of Representative Tierney's office early. Their appointment was for one o'clock however they met with Mr. Mc Dermott at 11:30 a.m. and left at 1:00 p.m. Mr. Cameron noted they could get a 2:30 p.m. flight versus the 3:30 p.m. flight. The change in the tickets was \$25 for both Chairman Hughes and Mr. Cameron. According to the policy if the flight comes in after 5:00 p.m. then you are entitled to reimbursement for dinner under per diem. The 3:30 p.m. flight was scheduled to come in at 4:52 p.m. It turned it they came in before 5:00 p.m. and did not get the \$23 for the meal and paid \$25 for the change out and could have netted \$2. Mr. Fournier noted this is a personal privilege and is a healthy process. As it stands now everything in their expense report was approved except for the \$25.

Mr. Pacino asked for clarification what are you seeking?

Mr. Cameron replied this is the type of issue the Commission needs to address. The General Manager signs off on this and there is a question of a personal expense or whether it is an expense or whether it is an expense that should be reimbursed by the RMLD. That is why is brought before the Commission.

Mr. Soli replied it is a tough call. We are under scrutiny and are we going to live with the policies or bend for the first one? If it were a vote he would state to Chairman Hughes and Mr. Cameron that he is not going to bend on that policy.

Mr. Ames inquired does the policy state if you come back a day sooner save a hotel bill if you come back Tuesday instead of Wednesday do you get the \$25 for the flight change?

Mr. Fournier replied when the Department sends employees for a seminar or conference there is quite an extensive pre travel authorization process the Department goes through where Ms. Foti makes the travel arrangements everything is based on the conference dates. The employee is guaranteed a round trip. If the seminar gets canceled by several days it does make sense to change the return flight. For the sake of an hour it is personal convenience and the ratepayers should not have to pick this up. If Mr. Fournier allows this for one he has to do it for all.

Mr. Ames talked about the boundaries if the General Manager came back to the office earlier it could be considered.

Mr. Fournier pointed out he is allowed the discretion per the policy.

Mr. Veno stated if it set flights then it is not reimbursable it was a personal privilege.

The consensus of the Commission was not to pay the \$25.

Thank you Letter from Ms. Pamela Brown, Reading Elder Services

Mr. Cameron stated this is a thank you letter to Priscilla Gottwald from Pamela Brown. This has been included because Priscilla pointed out to Mr. Cameron this is another way of letting the Commission, the Town and the ratepayers know the Department is out in the Town of Reading assisting the seniors. It is another show of community service.

Board Discussion

Mr. Cameron stated he had one thing he had to mention. Mr. Cameron and Mr. Hechenbleikner have had conversations on the March 1, 2003 Study for opening up the borders. Mr. Hechenbleikner called last week and they had discussion on this. Mr. Cameron noted he had told the Commission there is a legal opinion and he would come up with a two or three page study that would outline what would happen if the RMLD opened up its borders. Who would be the suppliers, what their prices would be and what the effect would be on the RMLD. The Department is in the process of performing that study now. Mr. Cameron noted he informed Mr. Hechenbleikner the earliest he could come to him is March 11th. Mr. Cameron was unsure if the Commission wanted to see this first. If the Department has not opened its service territory by March 1st then the Department needs to bring a study before the Selectmen. Unless the Commission wants to go through a dry run Mr. Cameron would just as soon put it together it will on the agenda early for March 11th. The sense of the Commission was for Mr. Cameron to present this to the Selectmen on March 11th.

Update by the General Manager's Contract Subcommittee on General Manager's Employment Agreement

Mr. Pacino noted the Subcommittee met before the last meeting Mr. Soli and himself. They were supposed to meet last week but Mr. Pacino got called to a client meeting down the Cape and he had to cancel the meeting. Mr. Pacino noted they needed to meet again however hopes to set up some meeting dates tonight with Mr. Soli. Mr. Pacino apologized for the cancellation of the meeting last week but the client called and this took precedent.

Rate Comparisons, February 2003

Mr. Cameron noted the fuel charge has gone up which has brought the RMLD above the rates in Peabody and Middleton. The RMLD was higher on the residential sector but as you get into the time of use rates and commercial sector the RMLD is higher than them. The time of use rates for the industrials the RMLD is above Middleton and only by a small percentage. The RMLD's fuel charge has gone up to 3.75 cents per kilowatt-hour.

Next Meeting Dates

Thursday, March 13th, Thursday, March 27th

Mr. Ames noted it is his intention tomorrow to resign the Board as of that date which means he will not making any future meetings. Mr. Ames is saying it now as he would like the Board and the Department and anybody listening to know that is going to happen. Mr. Ames noted he has discussed this with Mr. Cameron the timing and his personal situation might allow him to stay longer but he wants to make it nice and clean and not attempt to push the envelope. It has been a pleasure working with all of the Commission; it was a pleasure working with the Department. Mr. Ames would like to wish all the best in the future. Mr. Ames noted for those members watching out in the public listening to the interplay on the proposed amendment to the Charter. Mr. Ames strongly urges that the public asks that the Selectmen achieve unanimous consent by the CAB and the RMLD Board before instituting any changes at all in any of the structures associated with the operations of this utility. Believe Mr. Ames when he says this is a very finely balanced finely tuned machine. To keep it running well and happy requires cooperation from a large number of people none of those people can be alienated as changes are made. Mr. Ames has brought with the last of his files pertaining to the Wilmington matter, which included North Reading and Lynnfield. It does make interesting reading at this point in time given the significant changes, which are being proposed. Mr. Ames acknowledged the work Mr. Pacino he did in basically rebuilding a completely unacceptable situation. The Town owes him a debt of gratitude it owes him the opportunity to speak to these matters. There is much that has yet to be brought forth on power restructuring the Municipal Light Department. Mr. Ames then thanked everyone.

Mr. Pacino stated he wanted to thank Mr. Ames for his service, as he is the third longest serving Commissioner in the history of the Department. Mr. Pacino noted Mr. Ames has added a lot to the Commission in particular his discussion on rates and fuel mixes; his background is complimentary to some of the knowledge, which is lacking among other members.

Mr. Cameron added he would like to echo Mr. Pacino's statement the past fourteen and a half years of his employment at the RMLD he has gone head to head on several issues with Mr. Ames on an esoteric level he could not achieve. Mr. Cameron stated twenty-eight years on the Commission for Mr. Ames he thanked him for his expertise on the Commission.

Mr. Herlihy noted the meeting is being broadcast from the Spurr Room named after another former RMLD Commissioner. Mr. Herlihy stated it is appropriate although he was not expecting this announcement at this time although it was imminent the Commission should consider to place on the agenda in a motion in the future to name a room at the is facility after Commissioner Ames.

Mr. Carakatsane stated he echoes from the Citizen's Advisory Board thank you for your many years of service and wish you well in the future.

Mr. Veno stated from the Town of North Reading he wanted to thank Mr. Ames. Mr. Veno stated he will be certainly will be missed.

Mr. Ames replied he hopes that Mr. Soli will carry that torch.

Executive Session

At 10:02 p.m. Mr. Pacino made a motion seconded by Mr. Ames to enter into Executive Session to discuss strategy with respect to litigation, and to return to Regular Session for the sole purpose of adjournment.

Mr. Hughes called for a poll of the vote:

Mr. Soli Aye; Mr. Herlihy Aye; Mr. Hughes Aye; Mr. Pacino Aye and Mr. Ames Aye.

Motion to Adjourn

At 10:30 p.m. Mr. Ames made a motion seconded by Mr. Herlihy to adjourn the Regular Session.

A true copy of the RMLD Board of Commissioners minutes as
approved by a majority of the Commission.

Philip B. Pacino, Secretary
RMLD Board of Commissioners