

Reading Municipal Light Board of Commissioners

Regular Session

230 Ash Street
Reading, MA 01867
August 29, 2007

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Start Time of Regular Session: 7:30 p.m.

End Time of Regular Session: 9:20 p.m.

Attendees:

Commissioners:

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

Richard Hahn, Vice Chair
Philip Pacino, Commissioner

Staff:

Vinnie Cameron, General Manager
Jeanne Foti, Executive Assistant
Patricia Mellino, Operational Assistant

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

Citizens' Advisory Board:

John Norton, Member

Opening Remarks

Chair Kearns reported that four of the five Commissioners attended the Northeast Public Power Association (NEPPA) Annual Conference in Rockport, Maine Sunday, August 19 to Wednesday, August 22. Chair Kearns said that there was discussion and information on issues that affect public power. Commissioners Soli, Hahn, and Pacino commented that the content of the conference was very informative and dealt with issues very important to the RMLD.

Introductions

Chair Kearns introduced Citizens' Advisory Board member, John Norton.

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

Approval of Minutes for July 25, 2007, Board Meeting

Ms. O'Neill made a motion seconded by Mr. Hahn that the Board approve the Regular Session meeting minutes of July 25, 2007 with the corrections presented.

Motion carried 4:0:1. Commissioner Pacino abstained.

Financial Report

Mr. Fournier reported that the numbers being presented in this evening's report are the unaudited numbers through June 2007 that were given to Melanson Heath & Company, the RMLD's auditing firm, in early August. The auditors will be making their presentation at the September Board meeting.

Mr. Fournier said that the Change in Net Assets/Net Income for FY2007 indicate the RMLD made \$1.9 million compared to the budgeted amount of \$1.4 million. This represents a 5.74% rate of return. Mr. Fournier commented that the year-end cash transfers will be discussed the week before the next Board meeting to see which ones will be made so that they can be incorporated in the audited financial statements.

Kilowatt hour sales for the year were at 709 million kilowatt hours, less than a 1% increase over FY2006. Base Revenues were \$37,000,509 versus last year's \$37,507,056, a 2% increase. Purchase Power Base Expense was \$19.8 million, an increase of 17.5% over FY2006 due primarily to increased transmission costs. This expense item was \$500,000 under budget.

Financial Report

Mr. Fournier reported that the Operating and Maintenance expenses came in \$1.2 million under budget. All five divisions came in under budget. A return on investment payment was made to the Town of Reading in August.

Mr. Fournier stated that the Operating Fund, before any year-end transfers are made, stands at \$15.2 million; Capital Funds at \$2.3 million; the Rate Stabilization Fund at \$7.3 million; Calpine monies at \$9 million; and the Deferred Fuel Cash Reserve Fund at \$2.5 million.

In response to a question from Chair Kearns, Mr. Fournier explained that Operating Fund monies are in a Century Bank account under the Town of Reading's name and the interest on the money reverts to the town. Other accounts, such as the Capital Fund, Calpine monies, and the Deferred Fuel Cash Reserve, are in restricted accounts and the interest on these reverts to the RMLD. The Twenty-Year Agreement does not address this issue and to whom the interest accrues is a matter of past operating practice.

In response to a question from Mr. Soli, Mr. Fournier said that the \$1.3 million budgeted for net income in FY2007 did not represent the full 8% allowable rate of return.

In response to a question from Mr. Soli regarding the \$70,000 budgeted for a Warehouse and Storage Study, Mr. Cameron replied that options for doing this in-house are being investigated.

In response to a question from Mr. Hahn, Mr. Fournier said that he will get the final draft of the audited numbers a week before the next Board meeting.

Mr. Pacino noted that the Audit Subcommittee must meet prior to the next Board meeting.

Reports from RMLD Board Subcommittees

Green Power Subcommittee

Ms. O'Neill reported that the Green Power Subcommittee met on August 7 and reviewed a draft mission statement and received updates on various renewable projects and the technical potential study. One particular project the Subcommittee has been interested in, the Russell Biomass project, is facing increasing costs.

In response to a question from Chair Kearns, Mr. Cameron said that the RMLD had been a member of the American Public Power Association (APPA's) DEED program and he will look into the cost of joining again. Ms. O'Neill mentioned APPA's Tree Power Program and the interest of Reading's Cities for Climate Protection Program in a tree program in which the RMLD participates.

Operating and Capital Budget/Pension/Legal Services Subcommittee

Mr. Hahn reported that the Operating and Capital Budget/Pension/Legal Services Subcommittee met on August 9 to review a plan prepared by RMLD staff at the request of the Board on how to fund long-term capital expenditures. After lengthy discussion of the alternatives presented to it, the Subcommittee voted to adopt the following motion: "The Operating and Capital Budget/Pension/Legal Services Subcommittee recommends to the RMLD Board of Commissioners that the capital funding mechanisms outlined by the General Manager and staff to use existing operating funds, and not bonding or changing depreciation rate, to fund the upgrades to the Gaw Substation and the other elements of the six year capital plan." Mr. Hahn informed the Board that the Department of Public Utilities (DPU) had been contacted to see if this type of transfer was allowed. The DPU confirmed that the transfer is allowed.

In response to a question from Ms. O'Neill, Mr. Hahn stated that each of the funding plans submitted to the Subcommittee covered all the elements of the Six Year Capital Plan, not just the large transformer project at the Gaw Substation.

Reports from RMLD Board Subcommittees

Operating and Capital Budget/Pension/Legal Services Subcommittee

Mr. Hahn made a motion seconded by Mr. Soli that the RMLD Board of Commissioners approve the capital funding mechanisms recommended by the General Manager and staff to use existing operating funds, and not bonding or changing depreciation rate, to fund the upgrades to the Gaw Substation and the other elements of the six year capital plan.

Motion passed 5:0:0.

Strategic Planning Subcommittee

Chair Kearns reported that she and Ms. O'Neill met on August 28. The invitation for bid on the Strategic Plan received one bid and that was from Marc Goldsmith & Associates, LLC. At the Subcommittee meeting they reviewed the bid and planned to meet September 5 with Mr. Goldsmith.

Depending on the outcome of that meeting, Chair Kearns may ask the Board to consider a brief meeting in early September to approve the bid in order to keep the planning timeline on schedule. Mr. Pacino said that Marc Goldsmith is a relative of his former business partner and is concerned about a conflict. Mr. Pacino said that he would be happy to abstain. Mr. Cameron said he would look into this.

M. G. L. c. 30B Bids

Triplex Service Cable IFB 2008-1

Mr. Dion said that this is a standard stock item. This bid is to replenish stock and will be used for new services as well as upgrades to services.

In response to a question from Chair Kearns, Mr. Dion said that the lowest bidder is being recommended.

In response to a question from Ms. O'Neill, Mr. Dion said that the long delivery time is not an issue as the item is a stock item.

Ms. O'Neill made a motion seconded by Mr. Hahn that bid 2008-1 for Triplex Service Cable be awarded to WESCO for a total cost of \$43,945.20 as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 5:0:0.

15 kV Aerial Spacer Cable IFB 2008-2

In response to a question from Chair Kearns, Mr. Dion said that the lowest bidder is being recommended.

Ms. O'Neill made a motion seconded by Mr. Hahn that bid 2008-2 for 15kV Aerial Spacer Cable be awarded to WESCO for a total cost of \$47,160.00 as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 5:0:0.

Single Phase Watt-Hour Meters IFB 2008-3

In response to a question from Mr. Soli regarding cost of programming, Mr. Dion said that the Department currently uses the Itron meter, which is why there is no programming time allocated for that meter. Each meter is programmed before it is installed.

In response to question from Ms. O'Neill, Mr. Dion said that these meters had an every 15-minute read capability.

Ms. O'Neill made a motion seconded by Mr. Hahn that bid 2008-3 for Single Phase Watt-Hour Meters be awarded to Graybar Electric Company for a total cost of \$40,956.00 as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 5:0:0.

M. G. L. c. 30B Bids

Single Phase Watt-Hour Meters IFB 2008-4

In response to a question from Chair Kearns, Mr. Dion stated that AvCom was not the lowest bidder. He explained that the first lower bidder, Stuart Irby, did not meet all the qualifications because they did not submit significant information with the bid package. The Sensus meter was also a lower bid, however the quality and service of the product is questionable based on feedback from other municipalities.

In response to a question from Mr. Soli, Mr. Dion replied that Stuart Irby had been contacted and informed they were disqualified because of the incomplete bid package.

In response to a question from Mr. Pacino, Mr. Dion replied that these bids were for commercial meters and that the Department still needs to buy residential meters.

In response to a question from Ms. O'Neill about the WESCO bid, Mr. Dion replied that WESCO does not offer a meter that meets this specific application so they were quoting a higher cost meter.

Ms. O'Neill made a motion seconded by Mr. Hahn that bid 2008-4 for Single Phase Watt-Hour Meters be awarded to AvCom for a total cost of \$54,325 as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 5:0:0.

Power Supply Report

Ms. Parenteau reported that in July the RMLD's load was 8% lower than July of 2006. Year-to-date growth is less than 1% higher than the 2006 total. In July, the energy costs were \$3.2 million, equivalent to 4.5¢ per kilowatt hour. The July Fuel Charge Adjustment was less than 4¢. As a result the RMLD under-collected in July by \$619,000 resulting in a Deferred Cash Fuel Reserve balance of \$1.9 million. Ms. Parenteau pointed out that the Fuel Charge would be ramping up to cover the increased costs of the new power supply contracts. The ISO spot market decreased in the day ahead market and remained comparable to June 2007 in the real time market. In July 13% of power energy requirements were purchased in the spot market, comparable to June. On the capacity side a demand of 151 megawatts occurred on July 27 at 3:00 p.m. and the RMLD's UCAP requirement was 205 megawatts, which came in at a cost of \$6.77. This is a little less than what was paid in June.

Engineering and Operations Update

Mr. Dion reported that two projects were over-budget for FY 2007, the relay project at the Gaw Substation and the capacity tie project in North Reading. The cost overruns at Gaw are due to materials in last year's budget being received in and charged to this year. In addition, some new NERC requirements for testing and operating procedures added time and dollars to this project. The additional costs on the capacity tie project were due to necessary pole setting and boring and an expansion of the scope of the project to replace some additional poles and lateral work needed to improve the system.

Mr. Dion said that the overages for transformers and capacitors were due to a timing issue. The transformers from FY 2006 did not arrive on time and were added into the FY 2007 budget. Mr. Dion reported on other projects including the 4kV retirement in Reading, upgrades for a circuit in Wilmington as well cut out replacements and underground joint replacements in North Reading, which have contributed to reliability.

In response to question from Mr. Hahn, Mr. Dion said that 680 cutouts were replaced and it will take four years to complete the project. In the past month there have been no failures due to cutouts.

Engineering and Operations Update

In response to a questions from Mr. Soli about the status of the Lynnfield substation, Mr. Dion replied that one portion of one circuit is still active, some final cutovers on Main Street need to be done, then once the section of 4 kV on Main Street is connected, the substation can be decommissioned. The decommissioning should be complete by the end of FY2008.

General Manager's Report

Mr. Cameron reported that the Cost of Service Study rebid is due next month. Mr. Cameron said that the RMLD participated in Vehicle Day in Reading, which had more than 650 attendees. Public Power Week is October 7 to October 13. The RMLD's Halloween Party is Thursday, October 25, 2007. He met with Peter Hechenbleikner this month and the RMLD will make a report at the Subsequent Town Meeting in November. Mr. Cameron will provide a draft of the report to the Chair.

In response to a request from Ms. O'Neill for figures on the Green Choice program, Mr. Cameron said he will have that information for the September meeting.

NEXT BOARD MEETINGS:

September 26, 2007, 7:30 p.m., Regularly scheduled meeting.

Move to Executive Session

At 8:30 p.m. Ms. O'Neill made a motion seconded by Mr. Soli that the Board go into Executive Session to discuss data security, strategy relative to MMWEC, and collective bargaining strategy and return to Regular Session for the sole purpose of adjournment.

Motion carried 5:0:0.

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

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

Motion to Adjourn

At 9:20 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