

T. d. 6

**Reading Municipal Light Board of Commissioners**

**Regular Session**

230 Ash Street  
Reading, MA 01867  
September 26, 2007

RECEIVED  
TOWN CLERK  
READING, MASS.

2007 OCT 25 P 12: 29

**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**

**Pete Dion, Engineering & Operations Manager**

**Robert Fournier, Accounting/Business Manager**

**Beth Ellen Antonio, Human Resources Manager**

**Jeanne Foti, Executive Assistant**

**Jane Parenteau, Energy Services Manager**

**Citizens' Advisory Board:**

**Arthur Carakatsane**

**Guests:**

**Frank Biron and Karen Snow, Melanson Heath & Company, PC**

**Opening Remarks**

Chair Kearns complimented and thanked the Commissioners for their dedication, effort and time during the last month. Chair Kearns also thanked staff members Ms. Parenteau and Mr. Seldon for the seminar on reading energy statements and Mr. Fournier on his financial seminar.

**Introductions**

Mr. Carakatsane said that the Citizens' Advisory Board has not met since the RMLD Board's last meeting.

Chair Kearns informed Mr. Carakatsane that the CAB motion to the Board to provide loans or other financial assistance for energy efficiency is being deferred by the Board pending completion of the technical potential study.

**Approval of Minutes for August 29, 2007, Board Meeting**

Ms. O'Neill made a motion seconded by Mr. Hahn that the Board approve the Regular Session meeting minutes of August 29, 2007 with the corrections presented.

**Motion carried 5:0:0.**

**Operating and Capital Budget/Pension/Legal Services**

Mr. Hahn reported that the Operating and Capital Budget/Pension/Legal Services Subcommittee met on September 19 to discuss two year-end cash transfers recommended by the General Manager and receive a financial primer from Mr. Fournier. The Subcommittee discussed a transfer of \$1,146,823 from the Rate Stabilization Fund to the Operating Fund to allow the RMLD to meet its 8% allowable return for FY2007. The Subcommittee also discussed the transfer of \$2,053,128 from the Operating Fund to the Construction Fund to fulfill the Board's desire to fund the Capital Plan through the use of in-house resources. The Subcommittee voted unanimously to recommend both transfers to the Board. Both transfers would be reflected in the FY2007 audit. All five members of the Board were present for the Subcommittee discussion of this issue. In response to a point raised by Mr. Carakatsane, Chair Kearns agreed that these transfers were an inter-budget matter and did not need to have prior CAB review.

Mr. Hahn made a motion seconded by Mr. Soli that the RMLD Board of Commissioners approve two transfers, the first, a transfer of \$1,146,823 from the Rate Stabilization Fund to the Operating Fund and the second, a transfer of \$2,053,128 from the Operating Fund to the Construction Fund and that these be reflected in the June 30, 2007, audited financial statements.

**Motion passed 5:0:0.**

### **Report on the FY2007 Audit**

Mr. Fournier introduced Frank Biron, President, and Karen Snow, Auditor Supervisor, of Melanson Heath & Company, PC, who were present to make a report to the Board on the FY2007 financial audit.

Mr. Biron prefaced his report by telling the Board that the RMLD's financial statements are in accordance with Generally Accepted Accounting Principles and that there are no exceptions.

Mr. Biron then reviewed all the key elements of the FY2007 audit for the Board. He stated that it was a very good operating year financially for the RMLD. Mr. Biron also reported to the Board on the Retirement Trust.

In response to a question from Chair Kearns, Mr. Biron said that management letters are still issued, but the standards for them have changed. The RMLD is one of the 5-10% of his firm's clients who do not have a management letter.

Mr. Soli asked Mr. Biron to speak about OPEB liability.

Mr. Biron explained that OPEB liability is Other Post Employment Benefits. Mr. Biron said that it represents a large unfunded liability that has not been determined yet. There is another accounting standard Government Accounting Standard Board (GASB) 45 which all municipalities will have to comply with. It requires the actuary to make a determination of the unfunded liability due to current and past employees for health insurance benefits. The RMLD will have to have this done prior to the FY2009 audit. The actuary will come up with a liability of the unfunded future costs as well as a thirty-year payment schedule in order to make it fully funded. There is no requirement in the GASB Statement to fund or make those payments. In the 2009 audit footnotes there will be a disclosure for what the unfunded liability is. Monies that have been put aside in a separate account will be disclosed in the footnotes.

In response to a question from Chair Kearns, Mr. Biron verified that the cash transfers were included in the final audit report.

Mr. Pacino reported that the Audit Subcommittee had met prior to the Board meeting with the Town of Reading Audit Committee. The town's committee did not have a quorum. Mr. Pacino said that Mr. Biron made a presentation and the OPEB liability issue was discussed extensively. Mr. Pacino said that the Audit Subcommittee voted to recommend to the Board the acceptance of the FY2007 Audit and the report on the Employees' Retirement Trust.

Mr. Pacino made a motion seconded by Mr. Soli that Fiscal Year June 30, 2007 Audited Financial Statements from Melanson Heath & Company, PC be accepted on the recommendation of the RMLD Board of Commissioners Audit Subcommittee.

**Motion carried 5:0:0.**

Mr. Pacino made a motion seconded by Mr. Soli that Fiscal Year June 30, 2007 Employees' Retirement Trust Statements from Melanson Heath & Company, PC be accepted on the recommendation of the RMLD Board of Commissioners Audit Subcommittee.

**Motion carried 5:0:0.**

### **Financial Report**

Mr. Fournier reported that he will prepare the July and August statements now that the FY2007 audit has been approved and get these to the Board members.

Mr. Fournier said that this evening he will be going over the July numbers. In the month of July, the RMLD experienced a shortfall of \$200,000 due to reduced kilowatt hours sales, which were 9.5% less than budgeted due to the cooler weather in July. Base Revenues are down 13% compared to budget; Purchase Power Base was over budget by 7%, or \$130,000. Operating and Maintenance expenses are \$800,000 which is an increase \$170,000 compared to last year's actuals. The Operating Fund is very strong at \$14.5 million. The Capital Funds balance, comprised of the Construction Fund and Depreciation Fund, will be sufficient to cover this year's capital projects. The Rate Stabilization Fund is at \$6.3 million. The Calpine monies are at \$6.8 million.

### **Financial Report**

Mr. Fournier commented that the Deferred Fuel Cash Reserve Fund balance is \$1.9 million. The Credit and Collection Department is making a concerted effort to get customers current before the winter months set in. The Budget Variance shows that all five divisions are collectively under budget by \$17,000. Mr. Fournier said that the trend shows that the Fuel Charge continues to increase to meet higher fuel costs and new power contracts.

Mr. Carakatsane requested that the summary of the audit be included in the CAB package for its next meeting.

Ms. O'Neill said that she has spoken to Mr. Fournier on the subject of kilowatt hours that the RMLD purchases and what gets billed. Ms. O'Neill asked what is the target for the losses that the RMLD has in place and how does the RMLD monitor such losses?

Mr. Fournier replied that the allowable transmission loss is 3% to 5%. Mr. Fournier explained that Energy Services compares the kilowatt hours sold against kilowatt hours purchased. If there are any discrepancies once this information has been looked at, then Energy Services and he will discuss this.

In response to a question from Chair Kearns, Mr. Cameron replied that there is no formal report on the losses, but if they are not within the normal range, they are addressed.

Ms. O'Neill said she is concerned about the ability of some of the RMLD's customers to meet their utility costs during the winter months. It was agreed that information about what the Customer Service department is doing in this area will be presented to the Board at its next meeting.

Mr. Cameron said that the RMLD does have the Good Neighbor Energy Fund that assists customers who cannot afford to meet their heating needs.

### **Reports from RMLD Board Subcommittees**

#### **Strategic Planning Subcommittee**

Chair Kearns said that at its September 5 meeting, the Subcommittee met with Mr. Goldsmith and Ms. Hamilton of Mark Goldsmith Associates, LLC, the sole agency that bid on the strategic planning consulting contract. Chair Kearns reported that the both consultants impressed the Subcommittee, their approach to the process and their depth of experience. The Subcommittee voted unanimously to recommend that the Board approve the bid submitted by this firm for the strategic planning study.

Mr. Pacino made a disclosure that Mr. Goldsmith at one time was married to a relative of his former business partner. Mr. Pacino has filed a disclosure with the Town Clerk. Mr. Hahn made a disclosure that his sister had worked for Mr. Goldsmith 25 years ago and that he had filed a disclosure with the Town Clerk and with Chair Kearns. Chair Kearns acknowledged receipt of the disclosure letters from Messrs. Pacino and Hahn.

Mr. Pacino expressed his reservations about doing a strategic planning study and his unwillingness to support spending \$50,000 for this study.

A discussion of the value of a strategic plan, reasonable expectations of costs for such a study, the experience of the bidding agency, and the process itself ensued.

Ms. O'Neill made a motion seconded by Mr. Soli that bid 2008-6 for Strategic Planning Consulting Services be awarded to Marc Goldsmith & Assoc., LLC for a total of \$50,260.00 based on the recommendation of the Strategic Planning Subcommittee and the General Manager.

**Motion carried 3:1:1. Mr. Pacino voted against the motion and Mr. Hahn abstained.**

#### **Power Contracts, Rate Setting, Customer Choice Subcommittee**

Mr. Hahn reported that the subcommittee met on September 18 to discuss the presentation of power supply issues by Energy Services, the CAB motion to provide loans or other financial assistance for energy efficiency measures, and the bids that were received by the Department to perform the Cost of Service Study (COSS). The Subcommittee did vote to recommend one of the bidders for the COSS to the Board, but since that time new information about a provision in the bid regarding insurance has arisen. Mr. Hahn told the Board that it would be more appropriate to reject all the bids and re-bid the contract in order to resolve the compliance issues with the RFP.

### **Reports from RMLD Board Subcommittees**

#### **Power Contracts, Rate Setting, Customer Choice Subcommittee**

Chair Kearns said that there was a requirement in the bid process that the accepted bidder have a \$5 million insurance policy. Neither bidder complied with the insurance requirement.

Chair Kearns stated that the Inspector General's office had been contacted about this. The insurance requirement, even if excessive, cannot be changed once the bids have been received because other bids may have been submitted if the insurance requirement had been lower. A re-bid is required.

In response to a point raised by Mr. Pacino, Mr. Cameron responded that the \$5 million insurance requirement on an invitation to bid is not an appropriate level for non-construction projects; it was an anomaly that slipped through the cracks. Mr. Cameron will ensure that insurance levels are appropriate for future invitation to bids.

Mr. Hahn made a motion seconded by Mr. Soli that all bids for 2008-7 for Cost of Service Study and Rate Analysis be rejected.

**Motion carried 5:0:0.**

#### **Green Power Subcommittee**

Ms. O'Neill reported that the Subcommittee met on September 18 and received a brief update on the progress of the technical potential study and the proposed renewable projects in Russell and Pittsfield Massachusetts. Discussion of its mission statement is still underway.

Ms. O'Neill also mentioned that the Reading Advisory Committee on Cities for Climate Protection will sponsor a "Conversation on Climate Action," October 4, 7:00 p.m. to 9:00 p.m. at the Reading Senior Center, which is open to all.

Ms. O'Neill noted that it has been one year since the Green Choice Program started. She thanked those who are participating, and encouraged more customers to enroll.

Mr. Pacino pointed out that the Board has to renew its pledge to the Cities for Climate Protection because it is done annually.

#### **Policy Subcommittee**

Mr. Soli reported that the Subcommittee met in September to discuss some tweaks needed to the Fraud Policy, Policy 16 - Violence in the Workplace, and Policy 26 - CDL Licensees' Alcohol and Drug Testing.

Chair Kearns said that at the Subcommittee meeting she voiced her concern that it is not appropriate for the Board to have policies that are also subject to collective bargaining. She has contacted the American Public Power Association for its list of policies that public power boards should have and will bring this to the Subcommittee.

Mr. Soli reported that one member of the Audit Subcommittee, Mr. Fournier and the Town Accountant held their quarterly meeting. The issue of post employment benefits was discussed. The Town of Reading will be having an actuarial study performed on this and will include the RMLD in it.

Mr. Soli explained that a Request for Proposal (RFP) has already been prepared. The town's accounting system is being converted and the process will take a year. The \$60,000 essential reimbursement for Medicare D as discussed at the last Town Meeting will result in a \$6,000 reimbursement to the RMLD.

#### **M. G. L. c. 30B Bids**

##### **IFB 2007-32 Vacuum Circuit Breakers**

Mr. Dion reported that these circuit breakers are for Station 5 in Wilmington. Mr. Dion said that one of the breakers failed before he came here and was replaced with a retrofitted breaker. There are two other key breakers at the substation that protect the transformers. This purchase is part of the FY08 capital budget.

In response to a question from Ms. O'Neill regarding Square D's exceptions, Mr. Dion replied that Square D did provide a list of references and the other two points are technical issues in their standard offer; their default warranty is one year.

**M. G. L. c. 30B Bids**

**IFB 2007-32 Vacuum Circuit Breakers**

Ms. O'Neill made a motion seconded by Mr. Hahn that bid 2007-32 for Vacuum Power Circuit Breakers be awarded to Square D for a total cost of \$44,175.00 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 load in August 2007 was 6% higher than August 2006. On a cumulative basis the RMLD year to date growth is 1.5% higher than August 2006, a difference of 7.5 million kWh. In August energy costs were \$3.2 million, equivalent to 4.4¢ per kWh. The RMLD under collected by \$363,000 resulting in the Deferred Fuel Cash Reserve having a balance of \$1.57 million. ISO New England spot market prices increased by 8% in the day ahead market and 6% in the real time market compared to July 2007. The RMLD purchased 12% of its energy from the spot market, comparable to July. The capacity side demand in August was 160 megawatts and that occurred on August 3 at 3:00 p.m. It was significantly lower than last year's peak of 172 megawatts. Capacity costs remain relatively flat at \$1.38 million, equivalent to \$6.82 per kilowatt month and comparable to July.

In response to a question from Mr. Soli, Ms. Parenteau responded that the peak requirement will be reduced because the peak has declined from 172 megawatts to 160. Ms. Parenteau explained that there is a lag until the next claim capability period and that the Department is still covering the 172 MW peak. Ms. Parenteau said that she will get back to the Board with the timeline.

Ms. Parenteau reported on the Green Choice program has been in effect since September 2006. The program has grown from an initial enrollment of 74 customers in September, 2006 to 260 customers (1% of the total customer base) purchasing 538 units (one unit represents a 100-kilowatt hour block). Through their efforts, the RMLD has supported 446,500-kilowatt hours of renewable generation over that twelve-month period. The total revenues received for that period were \$13,395.

Ms. Parenteau reiterated Ms. O'Neill's comment that the RMLD appreciates the support of the customers who have participated in the program and encouraged more customers to participate.

Ms. Parenteau pointed out that Energy Services has secured some REC's from Indeck Maine Energy LLC, a biomass facility, which qualifies for the new renewable generation pursuant to the Massachusetts Renewable Portfolio Standard. In addition to those RECs they purchased some certificates from a hydroelectric facility in Vermont, which did not qualify for the new renewable designation but has RECs associated with it.

Ms. O'Neill asked that information about the cost of the Green Choice program be forwarded to the Green Power Subcommittee for review.

Ms. Parenteau reported on the technical potential study being performed by GDS. She indicated that Bill Seldon has been working as project manager on the Energy Efficiency and Renewable Energy Technical Potential Study.

Ms. Parenteau said the RFP went out in April 2007; the Board approved a bid at its June meeting; and a kick-off meeting with the staff of Energy Services and GDS was held in July. Since that time there has been a large amount of data gathering and the next steps will involve modeling studies. Ms. Parenteau explained that the technical potential encompasses anything that can be done regardless of cost; the economic potential is based on what is most cost effective to consider; and market potential involves what people will actually do. The draft report will be available in December, and the final report will be issued in January 2008.

**Engineering and Operations Update**

Mr. Dion said that the capital variance report reflects the FY2008 budget, which breaks down in more detail projects that were pre-approved and brings more visibility to what was called "routine construction." Routine construction is now a smaller item and projects will be listed in a different way. The Engineering and Operations report has been modified and will provide more detail on individual projects.

Mr. Dion reported that there is a little more conversion work to perform in Lynnfield. Work stopped before the water pumping station because the August timeframe did not work for them but will begin shortly.

### **Engineering and Operations Update**

Mr. Dion said that reliability indicators show that for July and August, the RMLD's performance was at the top 10% of industry standards, with response time at 57 minutes on outages and with an average of 19 months in between outages.

In response to a question from Chair Kearns, Mr. Dion responded that the request to reschedule the regular Board meeting from October 24 to a later date was because the bid for the Gaw transformer project will be fairly complex and represents a \$5 million purchase. More time is needed due to the complexity of the bid evaluation. PLM will require a week lead-time for their technical review and recommendation.

Mr. Carakatsane commented on the double poles the citizens of Lynnfield have asked him about along Summer Street and Forest Avenue.

Mr. Dion said that the RMLD has done a lot of work in Lynnfield over the last year and has done an inventory of the double poles. The RMLD has only one double pole in Lynnfield and it has to wait until the conversion is completed to perform the transfer. Verizon is responsible for moving its lines on the remaining poles and their responsiveness has been a long-standing issue. Mr. Dion stated that they have called Verizon to apply pressure and they have been more responsive due to the DTE applying more pressure. Mr. Dion asked Mr. Carakatsane if there was a specific address, he could look in to it.

### **General Manager's Report**

Mr. Cameron reported that Public Power Week is October 7 to October 13 and T-Shirts will be delivered to the schools so students can design them. The RMLD's Halloween Party is Thursday, October 25, 2007, 2:00 p.m. to 5:00 p.m.

Mr. Cameron is currently attending a Design and Construction Contracting program at the Inspector General's Office that is the last part of his Massachusetts Certified Public Purchasing Official Certification.

Chair Kearns received a letter from a customer that Mr. Cameron will address at the next meeting.

### **NEXT BOARD MEETING**

The Board discussed the timing of the October Board meeting. Following this discussion, Ms. O'Neill made a motion seconded by Mr. Pacino to hold its next monthly meeting on, Wednesday, October 24, 2007, 7:30 p.m., Regularly scheduled meeting.

**Motion carried 5:0:0.**

### **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