

Reading Municipal Light Board of Commissioners

Regular Session

230 Ash Street
Reading, MA 01867
October 24, 2007

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Start Time of Regular Session: 7:35 p.m.

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

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Attendees:

Commissioners:

Ellen Kearns, Chair

Mary Ellen O'Neill, Secretary

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:

Quincy Vale, Member

Attendees:

Joseph Bilicki, Key Accounts Manager, Commercial

William Corley, Business Agent Local 103

Ken Evans, Engineering Project Manager

Priscilla Gottwald, Community Relations Manager

Stephen Kazanjian, Accounting Supervisor

Peter Price, Chief Engineer

Tom Schibilio, Electrical Mechanical Maintenance Worker

Laurie Ann Sylvia, Operational Assistant

Laurie Cavagnaro, Customer Service Manager

Joseph Donahoe, Facilities Manager

Lee Ann Fratoni, Accounting Assistant

Frank Hadley, General Line Foreman

Bobbi Maillett, Community/HR Assistant

William Seldon, Senior Energy Analyst

John Shea, Operational Assistant

Approval of Minutes for September 26, 2007 Board Meeting

Ms. O'Neill made a motion seconded by Mr. Hahn that the Board approve the Regular Session meeting minutes of September 26, 2007 as presented.

Motion carried 3:0:0.

Financial Report

Mr. Fournier reported that he would be presenting the July through September financial statements, the first quarter of Fiscal Year 2008. The Change in Net Assets or Net Income for the period ending September 30 was \$1.9 million; the budgeted amount was \$2.1 million. Base Revenues for the period were \$10.8 million, compared to the budgeted amount of \$11.4 million. The decrease was realized from the commercial and industrial sector, which came in \$765,000 under budget, whereas the residential sector came in \$150,000 over budget. Purchase Power costs were \$5.6 million compared to the budgeted amount of \$5.4 million. Operating and maintenance costs came in under budget at \$2.3 million compared to the budgeted amount of \$2.7 million.

The Operating Fund balance is \$12.7 million; Capital Fund \$4 million; Rate Stabilization Fund \$6.2 million; and the Calpine monies are at a little over \$2 million. Mr. Fournier noted that the Calpine monies will take the Department through October with the balance in the account of \$250,000 due from the interest earned which will be applied in November. The Deferred Fuel Cash Reserve Fund is \$2.7 million.

All five-department divisions were under budget by \$355,000.

In response to a question from Chair Kearns, Mr. Fournier replied that net income for the period was less than budgeted because it was a relatively cool summer. Data from the winter months will be needed in order to make a more accurate assessment of this issue, making early spring a better time to do this.

In response to a question from Mr. Hahn, Ms. Parenteau said that the transmission rates were changed June 1 by the ISO.

Financial Report

Mr. Hahn pointed out the numbers in the budget for the transmission rates are low and that the variance for these costs will continue to grow.

Ms. Parenteau agreed and noted that the budget was based on the best information at the time.

Ms. O'Neill asked if the overage in the meter reading expense labor expense line had been resolved?

Mr. Fournier replied that he has spoken with Mr. Dion about this. The budgeted allocation of labor expense for senior meter techs compared to their actual labor expense is causing the variance, but there is no change in head count.

M. G. L. c. 30B Bids

IFB 2008-10 Fire Wall Construction and Installation

Mr. Dion said that the bids came in substantially higher than the amount budgeted for the project. The one exception was a bidder that had no experience working inside a substation. The best option would be to look at alternative designs and re-bid the project.

(Mr. Pacino entered the meeting at this point.)

In response to questions from Ms. O'Neill, Mr. Dion replied that this project requires the contractor to work in close proximity to the transformer and bus work and that the Department would not feel comfortable permitting anyone without this experience working in the station yard. The Department did not solicit a bid from this company, they just responded to the bid.

In response to a question from Ms. O'Neill regarding the timeline for the project, Mr. Dion replied that the RMLD will re-bid, award in the winter and look at spring 2008 for the start of construction. Mr. Dion said they will work with the consultant to this project to prepare a redesign, but they will not be able to anticipate how many future bidders might lack substation experience.

Ms. O'Neill made a motion seconded by Mr. Hahn that bid 2008-10 for Construction and Replacement of Firewalls be rejected based on the recommendation of the General Manager.

Motion carried 4:0:0.

Power Supply Report

Ms. Parenteau reported that RMLD's load for September 2007 was approximately 7% higher than September 2006. On a cumulative basis the RMLD's year to date growth is 2% higher than 2006. September energy costs were \$2.1 million, equivalent to 3.4¢ a kilowatt hour. Overall the RMLD over collected by \$1.3 million resulting in a Deferred Fuel Cash Reserve balance of \$2.7 million. Ms. Parenteau pointed out that two of RMLD's power supply contracts, as well as the Calpine escrow, expire at the end of October. As a result, the RMLD's customers' fuel adjustment charge is increasing to cover the higher supply costs. Ms. Parenteau explained that the escalation is going up in October \$0.005 and will continue to climb at no more than 1/2¢ cent per month through February. The Fuel Charge will reach \$0.07¢ and will fluctuate down to \$0.06 depending on the natural gas spot market.

The ISO Spot Market decreased by 10% in the Day Ahead Market and decreased 4.4% in the Real Time Market comparing September to August. The RMLD purchased about 10% of its energy from the Spot Market. The RMLD received 65% of its energy from the two contracts that end this month with an average cost was 3¢ per kilowatt hour. Ms. Parenteau explained that the nature of the wholesale market is that contracts that were signed in 2001 were 3¢ per kilowatt hour whereas the equivalent now is at 7¢ per kilowatt hour.

On the capacity side the demand for September was approximately 143 megawatts, a peak that occurred on September 26 at 4:00 p.m. RMLD's requirement for September was 205 megawatts based on the peak hit in August 2006. Capacity costs remain constant at \$1.37 million, equivalent to \$6.70 per kilowatt month.

Mr. Hahn said that if in February 2008 the fuel adjustment charge is 2¢ a kilowatt hour higher than this current month, then he could add 2¢ a kilowatt hour to the rate comparisons and that is where the RMLD will fall within the bill comparisons.

Power Supply Report

Ms. Parenteau responded that even with the increase in the fuel charge adjustment, the RMLD rates remain lower than National Grid, NSTAR and some of the surrounding municipalities. The RMLD's customers will continue to reap the benefit of public power.

Ms. O'Neill pointed out that a resident using 750 kilowatt hours a month will be paying \$15 more per month in February than October if the fuel charge adjustment increases as stated.

Engineering and Operations Update

Mr. Dion pointed out two items in the Capital Variance Summary. The Emergent Reliability Upgrade Projects category, a new category this year, is running over budget. Mr. Dion explained that summertime is the biggest driver of this category and investments in it prevent future outages. This area will be monitored and the assumptions will be modified in the capital budget as necessary. The Small Residential/Business new customer connections, based on experience from the prior year, is also coming in much higher than anticipated. Mr. Dion said that all other areas are on budget. They do have a plan to defer future projects if necessary. Bids have been received from five vendors for the Gaw Station transformer upgrades. These are being evaluated and will be presented with recommendation to the Board at its November meeting. Mr. Dion will get a package out to the Board to review prior to that meeting. System reliability statistics for September were excellent. Improvements are attributable to the work of Engineering and Operations Division as well as the line crews.

In response to a question from Ms. O'Neill on the Capital Budget Variance report regarding Chestnut Street North Reading, Mr. Dion replied that there is a month lag on the financials in comparison to the narrative and that the project is fifty percent complete.

Ms. O'Neill inquired about the overages in the routine construction category and Mr. Dion replied that the issues are not as significant and that he can check the drivers.

General Managers Report

Report on Programs for RMLD's Customers

Mr. Cameron said that at the last Board meeting Secretary O'Neill made a request that the Board receive a report on what the RMLD is doing to assist its low-income customers during the winter months. Ms. Laurie Cavagnaro, RMLD's Customer Service Manager, was present to make this presentation to the Board.

Ms. Cavagnaro reported that the RMLD does not shut off its customers for non-payment during the moratorium period of November 15 to April 15 even though it is allowed. The customer service representatives work with their customers all year long in order to try to avoid shut-offs. Every effort is made to set up payment arrangements with customers. Last year 54 customers were shut off, 33 of who were true non-payment shut-offs, the remainder had moved out of the area.

Ms. Cavagnaro commented that there are numerous programs the RMLD is involved with for customers who do not have the means to pay, for example the Good Neighbor Energy Fund (GNEF). Ms. Cavagnaro mentioned that the RMLD fills out the GNEF application for customers and they can receive up to \$275 if they meet the guidelines. The Salvation Army and Veterans and elderly services are other areas the RMLD seeks to find assistance for its customers. The RMLD also works with churches and other agencies to assist its customers.

Ms. Cavagnaro commented that the GNEF is sponsoring a kick-off breakfast on November 8 to which the Board is invited. The GNEF envelopes will be sent to customers in January. The GNEF is also looking for donations of new blankets. Ms. Cavagnaro noted that the RMLD is co-sponsoring a program on Monday, October 29, "Basic Utility Rights for Consumers" at the Reading Senior Center.

Ms. Cavagnaro explained the following points: 90% of RMLD's customers are current with their bills; the Department is utilizing the lien process when necessary whereby the RMLD gets paid prior to the taxes being collected when a house with liens is sold; the RMLD offers a prompt payment discount to all customers; payment may be made online with a credit card. The RMLD also offers a residential appliance rebate program and energy audits.

General Managers Report

Report on Programs for RMLD's Customers

In response to a question from Ms. O'Neill, Ms. Cavagnaro replied that \$3,000 has been allocated this winter to the Weatherization Assistance Program (WAP) and the Heating Emergency Assistance Retrofit Task Weatherization Assistance Program (HEARTWAP) program. The monies are down from last year because more funding has gone to the rebate program. Ms. Cavagnaro said that more customers are changing out inefficient appliances.

Ms. O'Neill asked how much was given to the WAP and HEARTWAP programs last year?

The Department did not contribute to the WAP and HEARTWAP program last year.

Mr. Cameron added that the Department is working within the confines of the budget; the rebate program has become popular therefore the RMLD has cut down its contribution to the HEARTWAP program. Mr. Cameron said that this can be looked at in next year's budget.

Ms. O'Neill expressed her disappointment with this decision and noted that those who need help paying their electric bill are not buying new appliances.

Mr. Cameron explained that the \$3,000 funding does not assist customers' bills, but is for weatherization and climate-related items.

Ms. Gottwald pointed that for consideration for weatherization, the customer must qualify for fuel assistance. Recipients of GNEF monies do not receive fuel assistance because they are in a slightly higher financial category. Ms. Cavagnaro commented that the RMLD provides information on fuel assistance programs to its customers.

Chair Kearns asked that the Department note that this subject should be discussed during the next budget season and the possibility of increasing the Department's contribution be explored.

Hazardous Waste Fund

Mr. Cameron explained that in the mid-1990's the RMLD had Clean Harbors as its hazardous waste disposal vendor but Northeast Public Power Association did a member utility bid which was awarded to Trans Cycle Industries (TCI). At that time, this was brought to the Board because TCI was much lower than Clean Harbors. Mr. Cameron explained that the Board was tenuous because the perception was that Clean Harbors was the least risky vendor. A proposal to set up a Hazardous Waste Fund (HWF) convinced the Board to change from Clean Harbors as the sole source. This account was funded by the following mechanism: the difference between what TCI and what Clean Harbors charged for the same service was recognized as the savings and that difference was put in the HWF. The Fund was not to exceed \$500,000 and is currently at \$350,000. Mr. Cameron said that it is prudent to have a Hazardous Waste Fund and has prepared an analysis that demonstrates it is correct to reset the HWF level to \$150,000.

In response to questions from Mr. Hahn, Mr. Fournier explained that Ms. O'Leary trues up the account each year and a cash transfer is made from the Operating Fund to the HWF. If the HWF is set at \$150,000, the excess amount now in the account will be transferred back to the Operating Fund.

In response to a question from Mr. Hahn, Mr. Cameron replied the Department uses Clean Harbors for emergency response and that the hazardous waste service performed by TCI is scheduled pick up.

Chair Kearns said that the memo from Ms. O'Leary states that there were six incidents last year that totaled \$172,000 and asked if that was a usual year.

Mr. Cameron replied that the Department was reimbursed for \$23,000 of those costs that year. Mr. Cameron said that the analysis over four years shows the average was \$150,000.

Chair Kearns asked Mr. Pacino's opinion of the lower level of funding whereas he was part of the original designation.

Mr. Pacino responded that history bears out the \$150,000 although \$500,000 was recommended in the past. Mr. Pacino said that the Department has a better handle on this now.

General Managers Report

Hazardous Waste Fund

In response to a question from Mr. Hahn, Mr. Fournier stated that any money paid out in excess of the \$150,000 for a hazardous waste incident would come from the Operating Fund.

In response to a question from Ms. O'Neill, Mr. Cameron said that the transformer of most concern near wetlands has been relocated.

A motion was made by Mr. Pacino and seconded by Mr. Hahn to call the question. Chair Kearns polled the Board: Mr. Pacino, Aye; Mr. Hahn, Aye; Ms. O'Neill, Nay; and Chair Kearns, Aye.

Motion carried 3:1:0.

Ms. O'Neill made a motion seconded by Mr. Hahn that the RMLD discontinue the annual Hazardous Waste Fund guideline created in November 27, 1995 and to set the new Hazardous Waste Fund level at \$150,000.

Motion carried 4:0:0.

Mr. Cameron reported the RMLD Halloween party is tomorrow, Thursday, October 25, 2:00 p.m. to 5:00 p.m.; the Cost of Service Study has been re-bid with the bid opening date of November 6; the draft Annual Report is in his office for review; and the Holiday Lighting Festival is Sunday, November 25 at the Town Common.

Chair Kearns reported that on November 6 the Board is meeting with Marc Goldsmith to begin the process of preparing a strategic plan for the RMLD and that she is looking forward to working with everyone on this project.

NEXT BOARD MEETINGS:

Tuesday, November 6, 2007 – 6:00 p.m. Initial Strategic Planning Meeting with Marc Goldsmith

Wednesday, November 28, 2007

Wednesday, December 19, 2007

Move to Executive Session

At 8:30 p.m. Ms. O'Neill made a motion seconded by Mr. Hahn that the Board go into Executive Session to discuss the deployment of security devices and data security and union contract issue and return to Regular Session for the sole purpose of adjournment.

Motion carried by a polling of the Board 4:0:0.

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

Motion to Adjourn

At 9:20 p.m. Mr. Hahn made a motion seconded by Mr. Pacino to adjourn the Regular Session.

Motion carried 4:0:0.

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