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Reading Municipal Light Board of Commissioners

Regular Session

230 Ash Street
Reading, MA 01867
November 28, 2007

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

End Time of Regular Session: 9:52 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

Jeanne Foti, Executive Assistant

Paula O'Leary, Operational Assistant

Michele Benson, Key Accounts Manager, Industrial

Joe Donahoe, Facilities Manager

Robert Fournier, Accounting/Business Manager

William Seldon, Senior Energy Analyst

Citizens' Advisory Board:

Arthur Carakatsane

Selectmen Liaison, Town of Reading:

Camille Anthony

Guests:

Advisory Committee on Cities for Climate Protection:

Gina Snyder, Chair

Tracy Sopchak

Ron D'Addario

Joan Boegel

Opening Remarks

Chair Kearns reported that since the last RMLD Board meeting, the Board met on November 6 with a consultant to discuss and begin to formulate a ten-year strategic plan for the RMLD.

Introductions

Chair Kearns introduced Camille Anthony, Town of Reading, Selectmen Liaison and Arthur Carakatsane, Secretary of the Citizens' Advisory Board.

Approval of Minutes for October 24, 2007 Board Meeting

Mr. Soli suggested two edits for the minutes, the first being on the cents notations on page 2 and the other to put in "relocated" versus "taken care of" on page 5.

Ms. O'Neill said that she checked with the General Manager and that the minutes have to be amended to reflect the fact that the RMLD did not contribute \$25,000 to any low-income programs last year. The Board had been misinformed about this. Ms. O'Neill requested that the General Manager provide a breakout of how conservation monies that are collected on a monthly basis have been spent over the past three years and would like that on the agenda of the next Board meeting.

Ms. O'Neill made a motion seconded by Mr. Hahn that the Board approve the Regular Session meeting minutes of October 24, 2007 with the changes presented.

Motion carried 4:0:1. Mr. Soli abstained.

Presentation by the Reading Advisory Committee on Cities for Climate Protection

Ms. Benson introduced the members of the Reading Advisory Committee on Cities for Climate Protection. She told the Board that the CCP Committee was present to ask the Board to sign its 2007 Transportation 1-2-3 Pledge and to update the Board on its activities.

The CCP Committee has completed two of its five milestones, data gathering and setting an emissions reduction goal, and has almost completed its third milestone, the creation of an action plan. In Reading, 56% of the greenhouse gas emissions are attributable to transportation, 26% to residential uses, 9% to municipal uses, and 7% to commercial uses. Elements of the action plan include a municipal, school, and overall community no-idling policy, a shade tree program, a green yard initiative, and a green building program. The CCP Committee supports RMLD's efforts, such as energy efficiency and renewable energy.

The CCP Committee sponsored a Conversation on Climate Change in October that offered a panel presentation about the types of energy and environmental efforts underway in the community followed by a discussion period. The Committee will hold an Earth Day Fair this coming April at the RMLD.

Chair Kearns thanked the CCP members for their attendance and update.

Financial Report

Mr. Fournier reported that the Change in Net Assets or Net Income for October was \$440,000, year-to-date is \$2.4 million, \$166,000 over the budgeted amount of \$2.2 million. Of the \$2.4 million, \$460,000 represents the excess of Fuel Revenues over Fuel Expenses. Base Revenues were under budget at \$13.7 million compared to the budgeted amount of \$14.6 million. The Commercial/Industrial sector was \$1 million under budget and the Residential sector was \$140,000 over budget. Purchase Power costs were \$7.5 million compared to the budgeted amount of \$7.2 million due to an increase in transmission and capacity costs. Operating and maintenance expenses were under by \$500,000 or 13.1%. Depreciation expense and payments to the Towns were on budget.

The Operating Fund balance is at \$13.5 million; the Capital Fund is at \$4 million; the Rate Stabilization Fund is at \$6.3 million; and the Calpine monies are at \$250,000. The Deferred Fuel Cash Reserve Fund balance is \$3 million.

The budget bill true up will be in December for the RMLD customers who participate in the level-billing program. The budget variance shows that all five divisions are under budget by \$500,000 or 8.4%. The Fuel Charge continues to rise slowly to accommodate the higher costs of the new power supply contracts.

In response to a question from Mr. Soli, Mr. Fournier said that the Calpine monies will be gone in November and the account will close out on December 1.

In response to a question from Mr. Soli about the kilowatt-hours for resale, Mr. Cameron replied that this is for customers who live on the fringes of the service territory, such as residents of the Avalon complex in Woburn.

M. G. L. c. 30B Bids

IFB 2008-15 15Kv C-style Polymer Cutouts

Mr. Dion said that this is a three-year capital budget project to replace porcelain cutouts with polymer cutouts. This is the second year the Department has gone out to the bid. The bid was awarded to Utility Solutions last year and the Department is comfortable with the product.

In response to a question from Mr. Pacino, it was noted that the amount budgeted for this year's portion of the project is \$81,000.

Ms. O'Neill made a motion seconded by Mr. Soli that bid 2008-15 for 15 Kv C-style, Polymer Cutouts be awarded to Utility Solutions, Inc. for a total cost of \$49,950.00 as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 5:0:0.

M. G. L. c. 30B Bids

IFB 2007-14 Hourly Rates for Line Construction Professional Manpower, Vehicles, and Equipment

Mr. Dion said that these are the contract line crews the RMLD uses. Mr. Dion said that for comparison purposes the analysis used one full crew for one day less vacation, sick and rain days and does not represent the actual spending. Mr. Dion said that sometimes the RMLD uses one or two crews depending on the project.

In response to a question from Chair Kearns regarding competition in this field, Mr. Dion replied that it varies by area and workload. Halpin has retirees that like the convenient location of the jobs and therefore there is not as much margin on the workload.

In response to a question from Mr. Pacino about the budgeted amount for this bid, Mr. Dion replied that it is budgeted for various capital projects this year and will include Oakdale, Martin's Pond and Haverhill Street.

In response to a question from Ms. O'Neill, Mr. Dion replied that the bid is for a two-year contract.

Ms. O'Neill made a motion seconded by Mr. Hahn that IFB 2007-14 for HOURLY RATES FOR LINE CONSTRUCTION PROFESSIONAL MANPOWER, VEHICLES, AND EQUIPMENT for Electrical Distribution Construction and Maintenance be awarded to Halpin Line Construction LLC as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 5:0:0.

IFB 2008-9 Gaw Substation 4 – Power Transformers

Mr. Dion said that the recommendation of staff is the Waukesha transformer with the standard mineral oil.

Ms. O'Neill stated she is speaking strongly in favor of the Waukesha product that uses the FR3 natural ester fire retardant oil in the large part of the transformer and uses mineral oil in the load tap changers (LTCs). Her understanding from her research is that the FR3 fluid is more environmentally friendly. A spill would still require clean up, but the product is biodegradable as it is made from soybean oil. It has a much higher flash point than mineral oil making it much safer if a fire should occur. It also adds value to the life of the transformer because it does not age the insulating paper in the same manner as mineral oil. There is a 13% premium on the bid for the transformers with the FR3 fluid compared to the bid for the transformers with the mineral oil. If you look at the fifteen-year life cycle cost, that premium adds approximately \$0.12/month/customer, but a transformer should last at least thirty to forty years, reducing this additional cost to \$0.05/month/customer.

Chair Kearns said that she is persuaded by the arguments that the FR3 offers advantages based on the additional research performed by Ms. O'Neill. Chair Kearns said that the enhanced transformer performance and environmental benefits outweigh the 13% add-on. Chair Kearns expressed her opinion that the consultant on the project, PLM Engineering, had rejected the FR3 option for two scant reasons and had ignored the positive attributes of the FR3 oil. She also pointed out that the manufacturer of the FR3 fluid, Cooper Power, had information about how to handle the oil in cold weather and that this had not been addressed by PLM in its report when it brought up its concern regarding cold weather.

Mr. Hahn said that he is unclear as what the claim is that the FR3 oil is superior from an environmental aspect. Mr. Hahn commented that the additional \$600,000 is a lot of money to spend and he cannot see what the ratepayers would be getting because he believes the different transformer will not reduce greenhouse gases or affect global warming or losses in the system. Mr. Hahn commented what concerns him is that none of the commissioners are transformer experts and that PLM's business is transformers and the Board should not superimpose any judgment on their decision because the Board lacks the expertise. Mr. Hahn expressed his opinion that \$600,000 can be better spent on such items as energy conservation programs that will save customers money and reduce greenhouse gases emissions and that have an environmental benefit that can be quantified. Mr. Hahn believes that the technical staff and the General Manager possess the knowledge to present the best option viable for this project and supports that decision.

M. G. L. c. 30B Bids

IFB 2008-9 Gaw Substation 4 – Power Transformers

In response to a question from Mr. Soli, Mr. Cameron replied that there has not been a spill from the transformers that are being replaced and that the other substation transformer spill occurred in Wilmington in 1993 and required a one-month remediation.

In response to a question from Mr. Soli, Mr. Cameron replied that the FR3 oil has been used in substation-sized transformers for six years and in distribution transformers for 11 years.

Mr. Carakatsane expressed his opinion that he feels he needs to be judicious with the ratepayer money and that the bid with the FR3 option carries a 13% premium for little benefit. Mr. Carakatsane commented that he does not know of any expert in house and leaves such decisions to expert qualified people whose expertise can be trusted.

Mr. Hahn said that all the transformers require spill containment with a concrete pool so he does not see the benefit of the FR3 oil.

Ms. O'Neill commented that in her opinion the consultants did a good job analyzing all the bidders, but that they did not analyze the positive aspects of the FR3 option, such as its ability to extend the life of the transformers. Ms. O'Neill also pointed out that the FY2008 capital plan approved by the Board states that the new substation transformers will have the FR3 fluid. Ms. O'Neill stated that economic expediency is one of the main reasons we are in the environmental mess we're in. Ms. O'Neill expressed her disappointment that the paid consultants did not do a thorough examination of the FR3 option thereby preventing the Board from weighing the bids fully.

Mr. Hahn reiterated his opinion that he does not see the benefit of the FR3 option and does not want to have to explain the extra cost to RMLD customers.

Chair Kearns expressed her opinion that the FR3 option offers three major advantages: enhanced transformer performance, insulation and fire safety.

Ms. O'Neill made a motion seconded by Mr. Soli that bid 2008-9 Gaw Substation 4 – Power Transformers be awarded to Waukesha Electric for Waukesha UZD LTC Transformers using mineral oil for a total cost of \$4,591,500.00 as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 3:2:0. Mses. Kearns and O'Neill voted against the motion.

IFB 2008-13 2 (Two) Bucket Trucks

Mr. Donahoe explained that this bid came in \$7,000 over budget and is for two bucket trucks.

In response to a question from Chair Kearns, Mr. Donahoe stated that under Chapter 30B Kiley is considered non-responsive because of the insufficient bid deposit.

In response to a question from Mr. Hahn, Mr. Donahoe replied that the Altec vehicles have a diesel engine.

In response to a suggestion by Mr. Soli that the RMLD could re-bid the contract, Mr. Donahoe cautioned that the price of steel is going up daily and this would not be a cost effective step.

Ms. O'Neill made a motion seconded by Mr. Hahn that bid 2008-13 for 2 (Two) Bucket Trucks be awarded to: Patriot International Trucks, LLC for \$317,000.00 as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 5:0:0.

M. G. L. c. 30B Bids

IFB 2008-17 Cost of Service Study

Mr. Cameron said that the RMLD received two bids. Mr. Cameron checked Virchow's three most recent references and received good marks. Mr. Cameron pointed out that Virchow is located in the Midwest and they provided a rate schedule.

Ms. O'Neill made a motion seconded by Mr. Soli that bid 2008-17 for Cost of Service Study and Rate Analysis be awarded to Virchow, Krause & Company, LLC for a total cost of \$42,000.00 as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 5:0:0.

Power Supply Report

Mr. Seldon reported that RMLD's metered load for October 2007 was higher than October 2006 metered load. On a cumulative basis, year-to-date growth is 2.2% compared to 2006. Peak demand for the month was 113,225 kW, a 10.7% increase over last year. October energy costs were \$40.98 per megawatt hour or \$0.04098 per kilowatt hour. RMLD over-recovered by \$290,000 in October leaving a Deferred Fuel Cash Reserve of \$3,016,000. The projected November ending balance is \$1.3 million. Capacity costs were \$1,394,000 or \$6.80 per kilowatt month.

In response to a question from Mr. Soli, Mr. Cameron replied the peak in August was 160 megawatts, 12.5 megawatts lower than the previous year.

Engineering and Operations Update

Mr. Dion reported that the monthly report shows the drivers on the capital budget. Mr. Dion said that the Lynnfield substation has been de-energized and the cutovers were performed last week with the load being transferred to Station 3 in North Reading.

In response to a question from Mr. Soli, Mr. Dion replied that they are getting bids from contractors to unload the oil.

Mr. Dion reported that the reliability statistics indicate that RMLD customers experience an outage every 26 months, putting the RMLD in the top 5% of all utilities.

Ms. O'Neill expressed her concern with the timing of projects in the capital budget noting that several projects have been re-scheduled to the spring of 2008. Ms. O'Neill pointed out that projects 1-17 are budgeted at \$3.7 million but under \$500,000 has been spent on these projects at the four-month mark. On the other hand, the total annual amount budgeted for projects 18-20 has already been spent, \$812,000 was budgeted for these projects, \$873,000 has been spent.

Mr. Dion explained that goals change and projects 18-19 involve new customer service connections. Mr. Dion said his division has a priority list and projects will be postponed if necessary.

Mr. Dion thanked the RMLD Board, staff and General Manager for the opportunity to work with them over the past two years. Mr. Dion has accepted the position of General Manager at Wakefield Municipal Gas & Electric Light Department.

Chair Kearns thanked Mr. Dion for his service at the RMLD.

General Manager's Report

Mr. Cameron reported that he made a report to Town Meeting on November 19. Also on that day, Mr. Cameron attended a meeting for the South Shore Chamber of Commerce at which Governor Patrick spoke about the new energy bill.

General Manager's Report

Mr. Cameron said that the RMLD's Annual Report is out and was given out to Town Meeting members and is available to the public. Mr. Cameron commented that the RMLD will be providing LED lights for one tree for each town it services for the holidays. The RMLD calendars will be available on December 3. Good Neighbor Energy Fund envelopes will be in the January bills and participation in this program is encouraged.

Mr. Cameron said that he would like to attend the 2008 American Public Power Association (APPA) Legislative Rally in Washington, DC, Monday, February 25 to Thursday, February 28, 2008 as he has done in the past.

Mr. Soli made a motion seconded by Mr. Hahn that the Board authorize the costs for the General Manager to attend the 2008 American Public Power Association (APPA) Legislative Rally Washington, DC on the dates mentioned.

Motion carried 5:0:0.

Ms. O'Neill commented that this month's rate comparisons show the RMLD losing ground to Middleton and Peabody.

Mr. Cameron said that the rate comparisons are updated monthly and the RMLD remains below National Grid and NSTAR. These companies change their fuel charge every three months.

Mr. Soli stated that he is running for re-election to the RMLD Board and that nomination papers for all town offices need to be in by December 19 due to the earlier town election

NEXT BOARD MEETINGS:

Wednesday, December 19, 2007

Thursday, January 10, 2008 T Shirt Reception

Wednesday, January 23, 2008

At 8:50 p.m. Ms. O'Neill made a motion seconded by Mr. Hahn that the Board go into Executive Session based on Chapter 164 Section 47D exemption from public records and open meeting requirements in certain instances, to discuss union issues and return to Regular Session for the sole purpose of adjournment.

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 9:52 p.m. Mr. Hahn made a motion seconded by Mr. Soli 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