

Reading Municipal Light Board of Commissioners

Regular Session

230 Ash Street

Reading, MA 01867

December 19, 2007

T. duc  
RECEIVED  
TOWN CLERK  
READING, MASS.

Start Time of Regular Session: 7:32 p.m.

End Time of Regular Session: 8:32 p.m.

2008 JAN 24 P 4: 06

Attendees:

Commissioners:

Ellen Kearns, Chair

Mary Ellen O'Neill, Secretary

Richard Hahn, Vice Chair

Philip Pacino, Commissioner

Staff:

Vinnie Cameron, General Manager

Laurie Cavagnaro, Customer Service 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

**Opening Remarks**

Chair Kearns said that the RMLD Board of Commissioners will be meeting in January with RMLD's consultant Marc Goldsmith on RMLD's strategic plan with the hope of finalizing it in the near term.

**Approval of Minutes for November 28, 2007 Board Meeting**

Mr. Hahn requested the following corrections to the minutes of the November 28, 2007, Board meeting: page three, last paragraph, fifth line from the bottom "he is not going to superimpose" needs to be changed to "the Board should not superimpose," fourth line from the bottom, "he lacks" needs to be changed to "the Board lacks." Mr. Hahn also requested that on page four, sixth paragraph, "does not want to have" be changed to "could not."

Ms. O'Neill made a motion seconded by Mr. Hahn that the Board approve the Regular Session meeting minutes of November 28, 2007 with the changes presented.

**Motion carried 4:0:0.**

**Report from RMLD Board Subcommittee**

**Green Power Subcommittee**

Ms. O'Neill reported that the Green Power Subcommittee had a short meeting before the RMLD Board meeting this evening. Ms. O'Neill stated that the Subcommittee received a report from a Reading resident who is studying at the Kennedy School of Government, and who is, as a course requirement, developing a proposal based on the model adopted by the City of Cambridge for a loan program for energy efficiency improvements. The subcommittee will receive a copy of his paper upon completion. It is anticipated that there will be a joint meeting of the Power Rate and Green Power Subcommittees in mid-January to discuss the draft technical potential study from GDS with the final report to the RMLD Board on January 23. The Subcommittee also received an update on some ongoing renewable projects that the RMLD is looking at.

Chair Kearns would like all of the Board's subcommittees to meet in January or February.

**Financial Reports**

Chair Kearns pointed out that since tonight's meeting was being held one week ahead of the normal schedule, the actual Financial Reports were passed out immediately before the meeting.

Mr. Fournier reported that for the month of November, the Net Income/Change in Net Assets was \$142,000, bringing year to date Net Income to \$2.5 million, compared to the budgeted Net Income target of \$2.1 million. On the revenue side, Base Revenues came in under budget by \$900,000.

Mr. Fournier commented that Base Revenues are at \$16.6 million versus the budgeted amount of \$17.5 million at the five-month mark. The commercial sector is under budget by a little over a \$1 million for the first five months; the residential sector is \$300,000 over budget.

### Financial Reports

On the expense side, Purchase Power Base Expense is \$263,000 over budget due to increases in transmission and capacity costs. Purchase Power Base costs are \$9.3 million compared to the budgeted amount of \$9.0 million at the five-month mark. Operating and maintenance expenses are under budget by \$428,000 and are at \$4.1 million compared to the budgeted amount of \$4.5 million. All five departmental divisions were under budget cumulatively by 6.1%. Depreciation Expense and voluntary payments to the town were all on budget. The four town payments and the return on investment payment to the town of Reading were made in December. These are semi-annual payments.

The Operating Fund balance is at \$12.2 million; the Capital Fund balance is at \$3.8 million; the Rate Stabilization Fund is at \$6.3 million and the Deferred Fuel Cash Reserve Fund is at \$2.8 million. The Calpine monies were used by the end of November and the account will be closed in January.

Mr. Fournier reported that the Fuel Charge continues to increase to meet higher fuel costs with the new power contracts.

In response to a question from Chair Kearns about why the Professional Services budget was under by \$244,000, Mr. Cameron replied that a good deal of those funds were for anticipated ISO issues to be debated down at the FERC.

In response to a question from Chair Kearns about what monies will be used to fund the Gaw substation project, Mr. Fournier replied that it is coming out of the \$3.8 million Capital Fund.

In response to a question from Mr. Hahn about kilowatt hour sales versus budget/actual, Mr. Fournier replied that the information on page 11b of the December financial report provides this information for revenues but that he does not break out kilowatt hour sales, budget versus actual. He will provide this information next month when there will be a quarterly report given to the Board.

The following points were noted in the ensuing discussion of sales:

- \*Sales are up 2.3% over budget.
- \*Revenues were down 12% in the commercial and industrial sectors partly due to that fact it was a mild summer and the demand charge was not ratcheted up that high. There is some new growth coming into the area.
- \*There has been no noticeable loss of industrial customers (there are approximately 35 large industrial customers in the service territory).
- \*Some small commercial customers have diminished the size of their operations contributing to a reduction in kilowatt sales.
- \*RMLD's peak was down by 10 megawatts from 2006 to 2007. Mr. Cameron commented that the peak was down about 10 megawatts from 2006 to 2007.
- \*Some companies and municipal entities may be making more of a concerted effort to conserve resulting in an impact on sales.

Chair Kearns reiterated her concern about the decline in the commercial/industrial revenues and asked Mr. Cameron to explore this further. Mr. Cameron and Mr. Fournier noted that overall net income is slightly over budget for the first five months of FY2008. Ms. Parenteau said that the Key Account Managers get feedback from some of the commercial customers as to whether they are downsizing their operations, but with over 3,000 smaller commercial customers, it is difficult to track and hard to ascertain if they left the system due to the lack of business and or relocation.

Mr. Hahn pointed out that on page five of the December financial report, the kilowatt hour sales projected for FY2008 compared to the actuals from FY2007 show that residential kilowatt sales are down a bit while commercials are up a bit. He believes that sales are flat; that the Department is not losing kilowatt sales relative to actual, and that there is growth forecasted that has not happened yet. Mr. Fournier agrees that sales are flat and that up to this point the Department is under compared to what was forecasted.

In response to a question from Mr. Pacino about page 13, line one, showing the RMLD pension trust audit fees at \$27,000, and payment to Melanson & Heath at \$12,000, Mr. Fournier said that he would get back to him on the status of the remaining \$15,000.

### **Financial Reports**

In response to a question from Mr. Pacino about the status of the warehouse and storage study and the cooling tower replacement design, Mr. Cameron replied that the Department is looking at these studies and at its warehousing needs. The Department has not gone out to bid for these yet. They are part of the capital budget for FY2008.

In response to a question from Mr. Vale asked about the public street light variance on page 11b, Mr. Fournier said that he will address this next month.

### **Power Supply Report**

Ms. Parenteau reported that RMLD's load for November 2007 was 2% higher than November 2006. On a cumulative basis the RMLD year to date growth is about 2.23% higher than November 2006. November energy costs came in at \$3.3 million, equivalent to \$.587 per kilowatt hour. The RMLD undercollected by \$206,000 resulting in a Deferred Cash Fuel Reserve Fund balance of \$2.8 million.

In the ISO spot market there was a 3% increase in day ahead market prices and a 2% increase in the real time prices as compared to October. The RMLD purchased 17.5% of its energy requirements on the spot market.

This is the first month of the heat rate index contract, which is tied into the natural gas market, and that represented over 50% of RMLD's energy requirement. The average cost was just under \$65 per megawatt hour.

On the capacity side, peak demand for November was 105 megawatts, which occurred on November 26 at 6:00 p.m. The RMLD's capacity requirement for November was 229 megawatts based on a peak the RMLD hit in 2006. The capacity costs were \$1.4 million, equivalent to \$6.14 per kilowatt month. Capacity costs are leveled.

In response to a question from Mr. Hahn, Ms. Parenteau said that the Department was in the transition period on the capacity rate and that the rate is fixed via the Federal Energy Regulatory Commission (FERC). The amount agreed upon is \$3.05 per kW-month and will be in effect through May 2008. This market went into place in December 2006. The transmission prices are tied into the June capacity year to coincide with the auction. Ms. Parenteau will confirm this information and make it available to the Board.

### **Engineering and Operations Update**

Mr. Cameron said that the RMLD got a forced account, a job that the RMLD gets paid to do. This particular one is the intersection of Lowell and West Street in Wilmington, which has to be widened due to the addition of the Avalon housing complex in Woburn. Mr. Cameron said that one or two projects will be taken out of this report because the Department does not have the crews to handle these projects. Putting off the upgrades will not negatively impact the system, he believes.

Mr. Cameron pointed out that the reliability statistics provided to the Board indicate that the RMLD remains above industry averages and that system reliability continues to be very good.

Chair Kearns noted that the Lynnfield 4KV Substation has been de-energized and asked when the project would be completed; including the removal of the transformers. Mr. Cameron replied that there are parties interested in the transformers and these will be auctioned off for the salvage value.

There is no cost attached to not moving forward, rather it is a matter of waiting for the best deal on the transformers, which should not be drained until their disposition is decided.

Ms. O'Neill pointed out that projects 5-7 of the FY2008 capital plan were originally scheduled for either quarters one and two and have been moved to the fourth quarter. Projects 9 and 11 have also been rescheduled. Ms. O'Neill asked which projects would be put off?

Mr. Cameron replied that this report is an update and no decision has been finalized about what is going to be postponed.

Ms. O'Neill expressed her concern about accountability in relationship to the amount of money being spent on the routine construction items. Ms. O'Neill said that some of the items under routine construction, such as service connections, are already accounted for in a separate line item in the capital budget variance report.

### **Engineering and Operations Update**

Ms. O'Neill said that when the individual sub-sections are pulled together, there is \$300,000 in routine construction that is not accounted for in the report. Both "New Customer Service Connections" and "Routine Construction" are over the total budget amount for the year in the first five months.

Ms. O'Neill has a request for the new budget year that will provide the Board with numbers it can use to reasonably assess progress. Ms. O'Neill would like a rolling report of items in the capital plan for the past few years that indicates when projects were put in the capital plan, when they were scheduled for, and when they were completed so that the Board will have a sense of how things are tracked and how they move along.

Mr. Cameron said that it should be mentioned that the Routine Construction section also contains \$127,000 as a carry over from FY2007 to finish the decommissioning of the Lynnfield substation. He also noted that it is difficult to quantify what there will be for routine construction; it is year in and year out.

Ms. O'Neill commented that what bothers her is that \$3.7 million has been budgeted for capital projects 1-17 for FY2008 and that, to date, only \$546,000 has been spent on them. Ms. O'Neill said that she is concerned about the advisability to put off these projects and the consequent impact on the reliability of the system.

In response to a question from Chair Kearns, Mr. Cameron said that it is he and the Engineering Department who decide whether or not a project will go forward. Factors considered in making this decision are available labor to perform the job, budget, and priority of the job, an assessment of whether the job can be stalled off.

Chair Kearns suggested that the capital budget items be pared down for FY2009.

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

#### **Residential Energy Conservation Funding**

Mr. Cameron stated that Commissioner O'Neill requested information on what the Department spends on residential energy conservation funding. Mr. Cameron went through this year's fiscal budget and there are five different line items where monies have been budgeted and spent. Mr. Cameron explained that \$95,463 was budgeted for residential conservation efforts; by November actual spending was \$36,541. Mr. Cameron said that built into the residential rate is a \$0.25 monthly charge for each residential customer. This amounts to \$75,000 annually. Mr. Cameron pointed out that over a third of these monies have been spent so far, more than half on the appliance rebate program.

Chair Kearns stated that she was under the impression that the conservation program paid money to an outside organization for weatherization and asked where that could be found.

Mr. Cameron replied it is the HEATWAP weatherization assistance program that has a budgeted amount of \$3,000.

Chair Kearns thought that the one most significant thing that can be done to assist a family to decrease their energy use is by weatherization programs.

Mr. Cameron said that unless the person is heating with electric heat, the savings will be realized on the individual's natural gas and oil bills. Mr. Cameron said that two years ago the Department spent \$25,000 on this program; there was no funding last year; and this year he authorized \$3,000 to be sent to HEATWAP although it was not budgeted.

Ms. O'Neill said that she appreciates the information, but that she had, however, requested the information for each of the last three years. Ms. O'Neill asked if this is the first year that the allocation for overhead, customer service department labor, has been made? Mr. Cameron said that it was not.

Ms. O'Neill said that she was surprised that this source of funding was going toward overhead costs and asked if that was allowed as the part of the residential energy conservation program?

Mr. Cameron replied that the cost is allocated to labor. Mr. Cameron said that if an outside company were to perform the Tier 1 tasks, the Department would have to pay more. Mr. Cameron commented that if in-house staff can perform such tasks at a lower cost, then it is prudent to do it this way.

In response to a question from Ms. O'Neill, Mr. Cameron said that Tier 1 activity involves phone assistance to customers interested in setting up the Tier 2 energy audits.

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

#### **Residential Energy Conservation Funding**

Chair Kearns clarified that the budgeted labor cost of \$25,650 is part of the salary of an in-house person.

In response to a note by Ms. O'Neill that only \$300 of the \$20,000 budgeted for energy audits has been expended, Mr. Fournier said that the amount will be increased next month due to some large bills coming in for audits that are not yet reflected in this month's statements.

Ms. O'Neill would like to see the energy audits promoted more.

Mr. Cameron said that the energy audit program has been in the *In Brief*, but is not advertised in the newspapers. Mr. Cameron pointed out that energy audits have been in place for over ten years and many customers have been served in that time.

Chair Kearns suggested putting \$15,000 into the HEATWAP program instead of energy audits.

Mr. Cameron pointed out the Department budgeted the energy audits based on what the need is.

Ms. Cavagnaro pointed out that the Department tries to work with customers who have high bill complaints or have seen an increase in their billings by providing energy efficient tips or, if need be, setting up an energy audit.

In response to a question from Mr. Vale about how many residential customers use electricity for heating, Mr. Cameron replied the Department does not have a rate for that and therefore he cannot quantify that.

Mr. Vale asked how conservation services from the Department worked on the commercial/industrial side?

Ms. Parenteau replied that on the commercial/industrial sector, \$50,000 is budgeted for commercial lighting rebates; also each town is eligible for \$10,000 per year and \$5,000 for commercial customers for audits/rebates.

In response to a question from Chair Kearns, Ms. Parenteau said that there is no separate charge to commercial customers for conservation; rather it is built into the commercial rate.

In response to a question from Ms. O'Neill, Mr. Cameron said that both owners and renters are eligible for energy audits.

Ms. O'Neill expressed her opinion that low income customers and renters do not benefit from the appliance rebate program because they are not purchasing appliances. Ms. O'Neill suggested putting the energy audit program in the *In Brief* and on the website.

Ms. Cavagnaro pointed out that low-income programs such as HEATWAP are a state funded program for which RMLD's low income customers are eligible. She feels they will be served by this program and the program is not contingent on the RMLD making a donation.

Ms. O'Neill expressed her desire for the RMLD to do more for low-income customers.

Chair Kearns said that she would like the energy audits monitored, and, depending on the results, in January or February take monies from the energy audits and put the monies into the weatherization program.

Mr. Cameron said that based on this discussion that he will look at the energy conservation funding in April, see what has been spent, and then reassess putting the monies into the weatherization programs.

Mr. Pacino noted that the monies go to three organizations for the weatherization programs and is spent in RMLD's service territory.

In response to a question from Mr. Hahn, Ms. Cavagnaro said that the \$25,000 that the RMLD gave to these programs two years ago was spent for twenty customers.

In response to a question from Mr. Pacino, Mr. Cameron replied there is administrative overhead cost, but he is unsure of the amount.

**General Manager's Report**

**Residential Energy Conservation Funding**

Chair Kearns said that with the cold winter coupled with the increase in the rates, the Department should look at this each month and provide the prior years' information.

Mr. Cameron reported that the RMLD calendars for 2008 are available; Good Neighbor Energy Fund envelopes will be in the January bills; and RMLD gift certificates are available through the Customer Service department.

Mr. Cameron noted that the T-Shirt award ceremony will be on January 10 at 7:00 p.m.

Mr. Cameron mentioned that January 8, 2008 will be the initial meeting for the Cost of Service study. Commissioners will be invited to attend this initial meeting to offer input, ask questions, and learn about the process.

In response to a question from Ms. O'Neill, Mr. Cameron said that the timeline for the Cost of Service study is approximately four months.

In response to a question from Ms. O'Neill, Mr. Cameron said that the Cost of Service study will be based on the FY2008 budget, but that the consultant did ask questions about future spending on known and measurable items such as bonding.

Mr. Cameron said that he will put out a schedule to the Board for the FY2009 budget process. The CAB will get the budget on April 1 for review.

Chair Kearns is looking at January 16, 2008 at 6:00 p.m. for a meeting with Marc Goldsmith to go over the strategic plan.

**NEXT BOARD MEETINGS:**

Thursday, January 10, 2008 T Shirt Reception

Wednesday, January 23, 2008

Wednesday, February 20, 2008

**Motion to Adjourn**

At 8:32 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