

Reading Municipal Light Board of Commissioners

Regular Session
230 Ash Street
Reading, MA 01867
March 26, 2008

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Start Time of Regular Session: 7:30 p.m.
End Time of Regular Session: 9:50 p.m.

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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
Jane Parenteau, Energy Services Manager

Beth Ellen Antonio, Human Resources Manager
Robert Fournier, Accounting/Business Manager

Cities for Climate Protection Program Committee (CCP):

Stephanie Anderberg, Secretary
Michele Benson, Chair
Tracy Sopchak

Ron D'Addario
Gina Snyder

Citizens' Advisory Board:

Roger Lessard

Opening Remarks

Chair Kearns stated that at the next Board of Commissioners meeting, the annual re-organization and election of the officers will be held. Chair Kearns reported that the Policy and Strategic Planning Subcommittees are currently drafting implementing strategies to accompany the strategic plan. It is her expectation that the Board will vote on the entire plan at its April meeting. Since the strategic plan has been shared with senior management, it will be incorporated into the upcoming year's budget, Chair Kearns said.

Introductions

Chair Kearns introduced Roger Lessard, Chair of the Citizens' Advisory Board, who is representing the CAB at tonight's meeting.

Public Comment

In response to a question from Ms. O'Neill, Mr. Cameron replied that customers may call in to report streetlight outages at any time, as there is always someone available to answer customer calls. Mr. Cameron also noted that the troubleshooters check for streetlight outages when they are out at night.

Approval of Minutes for February 20, 2008 Board Meeting

Ms. O'Neill made a motion seconded by Mr. Soli to accept the Regular Session meeting minutes of February 20, 2008 with the changes provided, page three "distributive" changed to distributed, page seven "incidences" changed to incidents, add "overnight" prior to "travel by Commissioners Hahn and Soli."

Motion carried 4:0:0.

Presentation of the Reading Climate Action Plan

On behalf of the Cities for Climate Protection Program Committee (CCP), Ms. Tracy Sopchak presented the committee's recently adopted Climate Action Plan, which was presented to the Reading Board of Selectmen in February. The action plan is one of the five milestones of the CCP program which also includes a greenhouse gas emissions inventory, a target for the reduction of these emissions, implementation of the action plan, and monitoring of progress.

Ms. Sopchak gave a brief overview of the serious climate changes issues facing all of us. She told the Board that Reading residents can help by supporting existing Town conservation efforts for energy, water and recycling and by implementing the CCP Climate Action Plan. The CCP will continue to engage, educate, and encourage the community.

Presentation of the Reading Climate Action Plan

The greenhouse gas emissions inventory indicates that the largest source of these emissions in Reading is transportation, accounting for 56% of the total emissions. Baseline data is from 2000 and does not include the 93/95 interchange. The target for reduction in emissions is a 10% reduction in greenhouse gas emissions by 2012.

The new Climate Action Plan contains policies, programs and measures that Reading can take to meet its greenhouse gas emissions reduction target. It also speaks to how these actions will be implemented and will include timelines, financing, and acknowledgement of the responsibilities of town departments, staff and community. The plan is organized into six major groups that are then separated into municipal and community actions and distributed over four implementation phases. The full plan can be viewed by accessing the Cities for Climate Protection Program's website through the Town of Reading's website at www.ci.reading.ma.us. Highlights follow.

Modes of Transportation is the first section of the plan and includes support for police units on bicycles, programs to encourage non-motorized transport to schools, a program to encourage municipal employees to commute to work other than by driving, support of local walking and ride-sharing programs such as Walkable Reading and a regional trails program, safety efforts to protect pedestrians and bicyclists, support of mixed use and transit-oriented development, shuttle bus service for the town, and expansion of mass transit.

Vehicle Fuel Efficiency, the second major section of the plan, includes policies to encourage purchase of fuel-efficient vehicles by the town and to endorse the state's anti-idling law, a campaign to educate the community about anti-idling efforts and its benefits, support of a program to encourage maintenance of town vehicles, a program to encourage the community to purchase fuel-efficient vehicles and to maintain its vehicles.

Energy/Buildings, the third major section, includes support of LED lighting where appropriate, review of town by-laws and master plan to encourage energy efficient practices, support for a staff position at the RMLD to focus on energy efficiency, support for funding by the RMLD to help residents make energy efficient choices, support for renewable energy purchase and generation, adoption of green building standards for new construction and renovation, and education on green building practices for contractors.

Lawns, Trees & Water Conservation is the fourth major group and includes support of the town's water conservation program, a shade tree survey, adoption of a tree program, community education about the benefits of trees, support for a town by-law that requires low-impact development, and education about green yard practices.

Education & Outreach and **Awards & Recognition**, the final groups of the climate action plan, include support of efforts to encourage reduction, re-use, and recycling, support of efforts to engage young people in environmental activities, support for additional environmental education in the school system's curriculum, programs to recognize environmentally-responsive businesses, and continuation of the 1-2-3 Annual Pledge of the CCP.

The CCP, Ms. Sophcak said, will give periodic reports of progress to the Board of Selectmen and to the RMLD Board of Commissioners.

Chair Kearns thanked the CCP for a very instructive and well-done presentation.

In response to a question from Mr. Soli, members of the CCP pointed out that it was against the law to idle a vehicle engine (with an exception for certain vehicles, such as refrigerated trucks) for more than five minutes, that the air quality inside the vehicle begins to decline with prolonged idling, and that the emissions from idling vehicles is drawn into nearby building by their ventilation systems.

Ms. O'Neill also thanked the CCP for all their work on this very serious issue.

(Commissioner Pacino entered the meeting at this point.)

The following points were raised in the subsequent discussion:

*Chair Kearns has spoken with Mr. Cameron about participating in an "Ask the Town Manager" cable TV program to discuss energy efficiency.

Presentation of the Reading Climate Action Plan

The following points were raised in the subsequent discussion:

*Other municipal utilities, such as the Braintree Electric Light Department and the Sacramento Municipal Utility District, have staff positions that are dedicated to energy conservation and efficiency.

*Mr. D'Addario expressed his interest in a fund that the four towns in the RMLD service area could pay into and that, after a sufficient level is reached, could be used to assist the financing of alternatives, such as solar. The Cambridge Energy Alliance has this type of fund, Ms. Sopchak noted.

*The GDS study, Mr. Hahn said, outlines many of these opportunities and the RMLD staff will be preparing an action plan to address the recommendations of the report. Mr. Cameron said that this plan will come to the Board by the end of June.

Financial Report

Mr. Fournier stated that the February 2008 report reflects the activity for the first eight months of Fiscal Year 2008. The Change in Net Assets or Net Income for February was \$288,000, bringing the year-to-date Net Income to \$1.6 million, compared to a budgeted figure of \$2.5 million. For the first time in quite some time, Fuel Revenue and Fuel Expense were almost equal this month. On a year-to-date basis, Fuel Expenses have exceeded Fuel Revenues by \$1.6 million. Base Revenue is under budget by \$1.2 million or 4%, coming in at \$26.2 million versus the budgeted \$27.4 million at the eight-month mark. This is due to the commercial sector coming in less than anticipated in the FY2008 budget. Purchase Power Base Expense for eight months was \$14.7 million, compared to the budget amount of \$14.2 million.

On the Operating and Maintenance side, expenses are under budget by \$700,000 or 9%. The actual expenses year-to-date are \$6.8 million versus the budgeted amount of \$7.5 million. Balances in the various funds are \$11.8 in the Operating Fund, \$3.7 million in the Capital Fund, \$6.4 million in the Rate Stabilization Fund, and \$942,000 in the Deferred Fuel Cash Reserve Fund. The budget variances provided in the monthly report show that the five divisions are under budget by 6.4%.

Mr. Fournier reported that the draft FY2009 Operating and Capital budgets will be available by March 31. The Board of Commissioners will sign the 2007 annual report to the Massachusetts Department of Public Utilities this evening.

In response to a question from Chair Kearns, Mr. Cameron said that the Line Transformer Maintenance item is under budget due to improvements made by the RMLD in the sizing of transformers and its attention to areas where load is increasing and in need of more transformer capacity.

In response to a question from Ms. O'Neill, Mr. Fournier confirmed that although Revenues are down in comparison to the budget figures, actual kilowatt hour sales are higher than last year in all sectors.

In response to a question from Ms. O'Neill about whether customer bills will level off soon given that Fuel Revenues were almost equal to Fuel Expenses in February, Mr. Fournier said that Ms. Parenteau would cover that in her report.

In response to a comment from Mr. Soli noting that if the Deferred Fuel Cash Reserve were at \$800,000, the Change in Net Assets would be on target, Mr. Fournier said it would. He explained due to GASB 34, the Fuel Revenue and Fuel Expense do affect the bottom line.

In response to questions from Mr. Hahn about the variance in the meter reading area, Mr. Fournier replied that the budgeted amount was a little too light in that area and it will be re-examined for the upcoming fiscal year. The number of days spent reading has been reduced. The commercial sector is more labor intensive although the trend is to get these automated also. Right now there are about 20 time-of-use meters in use in the industrial sector.

Reports from RMLD Board Subcommittees

Strategic Planning Subcommittee

Chair Kearns reported that the Strategic Planning Subcommittee met with the Policy Subcommittee to review the first draft of the implementing strategies prepared by Mr. Cameron to accompany the strategic plan. These two subcommittees will meet again in order to get the entire plan to the Board for its consideration at its April meeting.

Reports from RMLD Board Subcommittees

Policy Subcommittee

Chair Kearns expressed her concern that the current policies need to be re-organized to reflect which ones relate to the Board and which relate to employees. She is working on this re-organization.

General Manager Subcommittee

Mr. Soli reported that the Subcommittee solicited comments from Board members after passing out the Performance Review items for next year and there were some comments. The Subcommittee had met this evening to make final revisions. A comment regarding accountability for the progress of capital projects was addressed by adding a request for more significant reporting on multi-year projects in excess of \$300,000. Item 10, essentially part of Item 11 was replaced by a request for an annual safety report that discusses any incident and its resolution. The Successor Plan item generated some discussion.

Mr. Hahn reported that, based on his experience, putting a Successor Plan in print has such a negative impact on staff morale that some employees leave.

Chair Kearns feels that the Successor Plan is a significant part of what an executive director is responsible for and that it could be labeled a "confidential document."

Mr. Hahn agreed that this is an important issue and suggested that it be discussed in Executive Session. His preference is that this plan not be in print.

Chair Kearns said that she has concerns that there would be no data to back up the Successor Plan, but she has no problem with an oral report based on the data.

Mr. Pacino noted that he had worked on the last two search committees for a General Manager and that the successor plans that were in place had the negative effect noted by Mr. Hahn.

After further discussion it was agreed to drop the Successor Plan for the time being and proceed with action on the remainder of the Performance Review Plan. Chair Kearns expressed her interest in researching the matter of the Successor Plan further.

Mr. Hahn reported that the GM Subcommittee voted to approve the proposed GM Performance Review Plan by a vote of 2:0:0.

Mr. Hahn made a motion seconded by Mr. Soli that the Board accept the RMLD GM Performance Review Plan for period February 7, 2008 to February 6, 2009 as presented by the General Manager Subcommittee.

Motion carried 5:0:0.

M. G. L. c. 30B Bids

IFB 2008-28 Line Truck Engine and Chassis Preventative Maintenance Services

Mr. Cameron explained that this bid is for line truck chassis and preventative maintenance and that each year the Department selects a vendor to perform this work. Given that the bid was awarded last year to Lily Transportation for just under \$19,000, staff believed this year's bid would come in under the \$25,000 cap for publicly-advertised bids. The lowest bid came in just over \$26,000, forcing the staff to issue a new, publicly-advertised bid. The lowest bidder was Taylor & Lloyd at \$34,078. The original lowest bidder did not meet the deadline set in the public bid notice and was, therefore, ineligible for consideration.

Ms. O'Neill made a motion seconded by Mr. Soli that bid 2008-28 for Line Truck Chassis Inspection & Preventative Maintenance be awarded to: Taylor & Lloyd, Inc. as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 5:0:0.

Mr. Pacino said that he would like to see the budgeted amount for this item and Mr. Cameron said he would get back to Mr. Pacino on this.

Power Supply Report

Ms. Parenteau reported that the RMLD's load for February 2008 was 1.8% higher than February 2007, but due to the extra day in February this year, there was actually a slight decrease. February energy costs were \$4.4 million, approximately 7.68¢ per kilowatt hour. The Fuel Expense and Fuel Revenues differed by only \$7,500 resulting in a Deferred Fuel Cash Reserve of \$942,000. Based on the current forecast, it is anticipated that the Fuel Charge will levelize at 7.4¢, but this is contingent on the global fuel markets.

In response to a question from Chair Kearns, Ms. Parenteau replied that the RMLD began to ramp up the fuel charge by \$.005 per month in June 2007 to avoid a price shock to customers when the lower-cost power contract expired in October 2007. Monies from the Deferred Fuel Cash Reserve have been used to offset those increased costs.

The RMLD purchased approximately 19% of its requirements from the ISO Spot Market in February. Capacity costs remain level. The RMLD hit a demand of 109 megawatts on February 11 at 7:00 p.m. The amount of capacity the RMLD is required to purchase, the UCAP requirement, is based on the 2006 peak of 220 megawatts and resulted in capacity costs of \$1.37 million.

The Forward Capacity market, which the ISO has implemented, is currently \$3.05 per kilowatt month and will increase to \$3.75 per kilowatt month in June 2008. This will be reflected in the budget. The ISO-NE hit a peak in August 2007, whereas the RMLD hit a peak in June 2007, which was beneficial to the RMLD. Any time the RMLD can reduce its peak load, its customers benefit.

Mr. Hahn pointed out that the total power supply costs of \$5.8 million include capacity and energy, but not transmission. Ms. Parenteau said this was correct.

Mr. Hahn said that transmission and ancillary services have to be added into this amount in order to establish rate information that can be used for comparison purposes with the IOU's and expressed his interest in receiving this information. Ms. Parenteau said she would provide this information to Mr. Hahn next month.

In response to a question from Chair Kearns about how this information could be useful, Mr. Hahn replied that if the RMLD's objective is to have rates lower than IOU's, the biggest part of the rate is the power supply. The RMLD's distribution rates are likely to be lower as well. If you take the rate comparison of a customer that uses 750 kilowatt hours, but the distribution costs are largely fixed, the power supply rates vary. Since the RMLD uses a different procurement model there are cycles where we could allow the RMLD to be more competitive. If it is RMLD's objective to keep rates low, we should be watching this.

Mr. Cameron asked if Mr. Hahn wanted to compare the RMLD's all-in rates to NSTAR's all-in rates? Mr. Hahn replied that NSTAR or Grid, who have 95% to 98% of the load in Massachusetts, have published rates for their fixed generation services; it is a rate customers pay for power supply. Mr. Hahn said the RMLD has its own staff buying and selling and while it will not happen every time, there are months the RMLD can be lower.

Mr. Soli suggested taking Calpine out where it is at zero in the report and Ms. Parenteau said that she will do this.

Engineering and Operations Update

Mr. Cameron reported the 1J13 conversion in Reading is 90% complete and the Oakdale project in North Reading should be completed within the next month. The poles necessary for the Haverhill Street re-conductoring project have not been set yet by Verizon so this project will have to be put on hold until FY2009 and work will begin on the Martin's Pond area. If the RMLD had the ability to set poles throughout the service territory, Mr. Cameron said that the RMLD would not run into these scheduling problems. The reclassifications of Projects 18, Service Installations Med.-Lg. Commercial/Industrial, were for \$294,000 and Project 19, Service Installations Small Residential/Business Customers, were for \$117,000, the bulk of which went into Routine Construction. The first payment of \$1,836,600 was made in February on the Gaw transformers Project 15.

Mr. Pacino said that he read that Verizon is going to have to pay taxes to the communities in which it has poles. Mr. Pacino suggested contacting Verizon to purchase their poles to give the RMLD more control in its service territory. Mr. Cameron said he would look into this.

Engineering and Operations Update

The issue of the slow response from Verizon to re-set poles or move wires in a double pole situation was discussed. Mr. Hahn suggested invoking the sixty-day provision, which allows billing Verizon in certain circumstances. Mr. Cameron said the RMLD performs an annual inventory of the double poles in its service territory.

Chair Kearns expressed her interest in Mr. Cameron providing a report to the Board at its next meeting on how he made out with this issue.

Mr. Soli asked if the RMLD has any significant work to perform in downtown Reading as part of the reconstruction project. Mr. Cameron replied that there is no significant work the RMLD needs to perform. The town purchased the streetlights and will install them.

In response to a question from Ms. O'Neill about the classification changes and examples of the new category, "Projects Assigned as Required" in the Capital Budget report, Mr. Cameron mentioned projects including the Industrial Way pole line replacement at \$47,000; the North Reading Post Office area, \$42,000; the Bertucci's and Longhorn Steakhouse area for \$13,000; JT Berry in North Reading, \$45,000; and Regency Way, \$38,000. Routine Construction cannot be put off as the RMLD has a franchise responsibility to provide electricity in its service territory.

In response to a question from Ms. O'Neill about the capital line item for the upgrade in the lobby, Mr. Cameron said that he will talk to Facilities about this and noted that the outside leak that caused the staining had been located and repaired. Ms. O'Neill expressed her wish to see the ceiling painted prior to the Earth Day event at the RMLD.

General Manager's Report

Report on the Middleton Peaking Project

Mr. Cameron said that Chair Kearns asked him to report on the Town of Middleton and Middleton Municipal Electric Department who are in the early stages of an analysis of the viability of a peaking plant in Middleton. They have a substation that is located near the North Andover town line and additional land that is adjacent to a 115KV transmission line and a natural gas line. This project is in the very early stages. Mr. Cameron would like to take it to the Power and Rate Subcommittee.

In response to a question from Chair Kearns about the advantage of this peaking plant, Mr. Cameron said that the RMLD has an obligation to provide for megawatts that it will be charged for by the ISO-NE or have signed bilateral contracts that will cover a portion or all of its requirements. Getting involved with a peaking plant would help satisfy some of that requirement. The BELD project is a good example of a similar plant.

In response to a question from Chair Kearns about the type of fuel used in peaking plants, Mr. Hahn replied that most of these plants do not use renewable energy sources. Mr. Cameron said that wood-burning plants have a high capacity factor, but are more of a base-loaded plant.

In response to a question from Ms. O'Neill, Mr. Cameron replied that the RMLD is looking into the Middleton project since it needs additional capacity, that the project is in the NEMA load zone, which could be an advantage for the RMLD, and that the RMLD is also looking at renewables.

Report on 2008 American Public Power Association (APPA) Legislative Rally Washington, DC

Mr. Cameron reported that he sent an e-mail on February 28 giving a report on the Legislative Rally. It contained a list of the representatives, aides and congressmen that Mr. Carakatsane, a member of the CAB, and he had visited. Mr. Cameron said that the trip was positive. Last week the North Reading-Reading Rotary had an event at Jordan's Furniture and Congressman Tierney spoke with Ms. Parenteau and him.

Report on Climate Protection Earth Day Fair, Saturday, April 12, 2008, 11:00 a.m. to 3:00 p.m. sponsored by Reading Neighbors' Climate and Energy Committee

Mr. Cameron reported that the April 12th Earth Day Fair will be held at the RMLD and will feature numerous informational booths and a free electronic materials recycling drop-off. The only exception will be for televisions for which there will be a small fee. There will also be a movie night at the RMLD on Friday, April 11 at 6:00 p.m.

Report on Climate Protection Earth Day Fair, Saturday, April 12, 2008, 11:00 a.m. to 3:00 p.m. sponsored by Reading Neighbors' Climate and Energy Committee

In response to a request from Ms. O'Neill for an update on the Cost of Service Study, Mr. Cameron replied that he and Mike Johnson had spoken extensively, has the revenue estimates in the model, and are tweaking it. He would like, however, to have the budgeted figures for 2009 in the report. These draft figures will be out within a week.

Mr. Hahn said that collectively as a group they have not done a great job of getting the Cost of Service Study out in a year and a half. Mr. Hahn suggested that if preliminary budget numbers are put in, the issue of changes as revisions are made arises. Mr. Cameron commented that he is going to go forward with the numbers.

Ms. O'Neill expressed her concern about the narrowing of the gap between some of the business rates of the RMLD and the IOU's. Mr. Cameron said that it was a reflection of the fuel charge going up.

Executive Session

At 9:10 p.m. Ms. O'Neill made a motion seconded by Mr. Soli that the Board go into Executive Session to discuss power contracts under MGL Chapter 164 Section 47D, the deployment of security devices, and collective bargaining strategy 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; Mr. Pacino, Aye; Ms. Kearns, Aye; and Ms. O'Neill, Aye.

Motion to Adjourn

At 9:50 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