

Reading Municipal Light Board of Commissioners

Regular Session

230 Ash Street
Reading, MA 01867
August 27, 2008

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Start Time of Regular Session: 7:35 p.m.
Start Time of Executive Session: 7:36 p.m.
End Time Executive Session: 8:01 p.m.
End Time of Regular Session: 10:00 p.m.

Attendees:

Commissioners:

Richard Hahn, Chair
Robert Soli, Secretary
Ellen Kearns, Commissioner

Mary Ellen O'Neill, Vice Chair
Philip Pacino, Commissioner

Staff:

Vinnie Cameron, General Manager
Michele Benson, Key Accounts Manager Industrial
Robert Fournier, Accounting/Business Manager
Jane Parenteau, Energy Services Manager
William Seldon, Senior Energy Analyst

Beth Ellen Antonio, Human Resources Manager
Jeanne Foti, Executive Assistant
Priscilla Gottwald, Community Relations Manager
Kevin Sullivan, Engineering and Operations Manager

Citizens' Advisory Board:

Arthur Carakatsane

Reading Advisory Committee on Cities for Climate Protection (ACCP):

Gina Snyder

Selectmen's Liaison, Citizens' Advisory Board Liaison and Customer Comments

Mr. Carakatsane said that he would reserve his comments for the Cost of Service Study discussions.

Move to Executive Session

At 7:38 p.m. Mr. Soli made a motion seconded by Mr. Pacino that the Board go into Executive Session to discuss power supply issues based on Chapter 164 Section 47D exemption from public records and open meeting and return to the Regular Session.

Motion carried by a polling of the Board 5:0:0.

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

At 8:05 p.m. the Board re-entered Regular Session.

Cost of Service Study

Mr. Cameron said that the preliminary results of the Cost of Service Study (COSS) were presented in July to the Power Contracts, Rate Setting, Green Power Committee in which the Committee accepted the preliminary results because some adjustments needed to be made. The COSS showed that the Residential A Rate will increase 4.54% and Commercial C Rates will increase 3.98% and that the base energy charges in all other rates will be increasing \$.003/kWh, which was the average of the Purchased Power Adjustment (PPA) for the Fiscal Year 2008. Mr. Cameron pointed out that one of the significant changes that resulted from the COSS was the development of a School Rate, which is based on the current Commercial C Rate, with the increase of 3 mills per kilowatt hour rolled into base rates for the 2008 PPA. Mr. Cameron asked the consultant Virchow, Krause & Company, LLP to develop the School Rate because the school load curves are very similar and are different from the system load peak in the summer and winter. Mr. Cameron reported that the COSS was presented to the Citizens' Advisory Board (CAB) on July 31 with a subsequent meeting on August 20. In June, 2008 the Independent System Operator of New England (ISO-NE) announced that there would be an increase in the 2009 transmission charges to all utilities in New England. The RMLD's portion of this increase is approximately \$2.3 million and will be recovered through the 2009 PPA, which is projected to be .0032/kWh. In addition, there will be an Energy Efficiency Surcharge to recoup the cost of RMLD's energy efficiency activities in the Residential and Commercial sectors. The CAB voted on August 20 to accept the Cost of Service Study.

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Cost of Service Study

Chair Hahn explained that the RMLD rates have three main components, Purchase Power, Fuel Charge and Base Rates. The Base Rates cover the cost of maintaining the wires in RMLD's service territory. The Base Rates have not increased since 1993, when they were increased 5% due to the loss of a large commercial customer. In 2003, there was a decrease in the rates. The RMLD has done a good job on holding the line on this component of the bills. The Purchase Power component and Fuel Adjustment component has increased because the RMLD has no control over this even though it possesses the power supply staff with the energy supply expertise. Chair Hahn said that the increase that has been proposed plus the increase in transmission charges would reflect an increase of approximately \$4.50 a month for a residential customer using 750 kilowatts.

Mr. Soli commented that he took two courses on the Cost of Service Study from the American Public Power Association and one of the comments both instructors stressed is there is never enough data. Mr. Soli said that one thing that is inconsistent is the Demand Charges. On a kilowatt per month basis a Commercial customer will pay \$5.90, Time of Use will pay \$7.90, and School will pay \$5.76. Mr. Soli pointed out that the RMLD purchases those kilowatts all at one fixed price and should be sold in the same manner. Mr. Soli said that there was not enough data where the consultant in the COSS said that the RMLD has to charge off the meter reading, it is easy to read the residential customer because it involves driving by, commercial takes a little longer and was estimated at three times longer. The Time of Use was allocated ten times longer. Mr. Soli asked for the meter reading schedule even though there are more Residential customers than Commercial and Time of Use those take longer to read. The ratio of 1:3:10 suggested by the consultant should be 1:18:60. The consultant said there were 43 Time of Use customers. The information he obtained from the General Manager for nine customers they have fourteen meters, the data presented by the consultant demonstrates that there are 50% more Time of Use than actually exists.

Mr. Soli pointed out that the Accounting and MIS function reflects \$1.5 million that is charged off to billing. Mr. Soli pointed out that billing occurs once a month however, warrants are weekly and payroll is twice monthly. Residential customers are charged almost the \$1.5 million amount.

Mr. Soli said that of the Base Charges of \$40.5 million almost \$23 million is paid out to RMLD's power suppliers which is called the Demand Charges. The Demand Charges are set during the summer, the RMLD records its highest usage and ISO New England charges the RMLD for the year for that usage. However, it is allocated to customers by demand meters, records and the twelve peaks throughout the year. This is not exactly Cost of Service. Mr. Soli performed an analysis on one of the customer classes on the peak versus consumption on the hot day in the summer; the bills would go down considerably. Mr. Soli said that he thinks the COSS needs some tweaking on how equitably the COSS allocates those capacity charges. Mr. Soli stated that the COSS should be delayed for one month once the information is obtained from the General Manager.

Ms. O'Neill commented that the Board recognizes that the RMLD is not a complete Cost of Service utility yet even though it is one of its goals. This is the first time a COSS has been performed in a long time and a rate increase is deemed necessary. Ms. O'Neill said that the goal is to get even closer to the Cost of Service the next time and a look at the five-year financial plan indicates that a rate increase for each succeeding year is a possibility. Ms. O'Neill said that the rate increases that Residential and Commercial customers face are serious enough and she is not sure if she wants to change this at this point.

Mr. Pacino asked if there is a recommendation on the numbers for the rate increase from the Committee level?

Chair Hahn explained that the Committee realized when it made its motion that there would be slight tweaking of the percentages, the motion reads at the end "or the final number after adjustments."

Mr. Pacino clarified that the Committee is recommending the 4.54% increase for the Residential customer and 3.98% for the Commercial customer.

Chair Hahn replied that is correct.

Mr. Pacino commented that he is not in favor of delaying this because it is the second time the COSS has performed.

Cost of Service Study

Ms. Kearns said that she echoes Mr. Pacino's comments. Ms. Kearns commented that any of the matters Mr. Soli raised that he wanted more information on is really not going to change the 4.54% and 3.98% rate increases.

Ms. Kearns stated that in these times 4.54% is enough for the Residential customer to bear and the 3.98% is a fair number for the Commercial customers. Ms. Kearns said that she would not vote for a one-month delay because the one-month delay is asking for more data to increase those numbers.

Mr. Carakatsane said that the CAB had the same questions at their meeting in which their vote was unanimous on the COSS. At the meeting they elicited background on the Energy Conservation Charge and they were satisfied with the explanation provided by the Department. On August 20, the CAB endorsed the rates as they are and recommended to go forward.

Ms. O'Neill clarified that the acceptance of the Rates is according to page fourteen of the COSS.

Chair Hahn responded that this is implicit in the rate recommendations.

Ms. O'Neill clarified on the Costs Should be Functionalized by Type of Service in the report on page fourteen as outlined in the report.

Mr. Cameron explained that the Department tracks costs based on the power supply, transmission and distribution as well as customer service. Mr. Cameron said that revenues do not get tracked in the same manner.

Ms. O'Neill asked since the cost tracking is suggested in the report, is it something the Department can work towards?

Mr. Cameron answered that the IOU's have itemized bills, which make costs and revenues easier to track in an itemized manner.

Chair Hahn commented that costs are tracked by account; however, revenues are tracked by rate component. Chair Hahn said that the power supply and transmission are lumped into the Purchase Power cost, which is tracked, Distribution and Customer Service are blended into the Base Rates.

Ms. O'Neill asked about the level of funding for energy efficiency revenue that would go to the residential and commercial sectors.

Mr. Cameron replied that approximately \$583,000 is the total for these programs.

Chair Hahn said that if the Board accepts the recommendation of the COSS this evening, rates are filed September 1 or September 2, there is a thirty-day review period after the filing with the Department of Public Utilities. Chair Hahn stated that the earliest the changes in the rates would appear would be in the October billings. Chair Hahn clarified if the vote was negative, future proposed rate changes would have to go back to the CAB.

Mr. Cameron said that if the COSS is not voted upon this evening, it would have to go back to the CAB and Committee.

Mr. Soli said that there were misunderstandings of what he said. If the same Demand Charge dollars per kilowatt for the Commercial, Industrial Time of Use, and School basically the bottom line on the bill would remain the same, but various line items would change. In terms of the meter reading, if the change were to be equitable, it would make a small decrease in Residential Rates of approximately \$30,000. The customer records and collection expenses were \$1.5 million, the Accounting Department and MIS Department spends a fair amount of time with payroll and warrant issues, if that were to change it would decrease the residential customers \$500,000.

Chair Hahn clarified that Mr. Soli would advocate performing the COSS with a different set of allocators for some items.

Cost of Service Study

Mr. Soli said that two items are allocated incorrectly. To be COSS, the Demand Charge should be the same for all customer classes; it does not affect the bottom line. Mr. Soli would like two allocators changed and change three rates because they are not COSS.

Mr. Pacino made a motion seconded by Mr. Hahn that the RMLD Board of Commissioners accept the recommendation of the General Manager for the following rate increases: the Residential A Rate will increase 4.54% and the Commercial C Rate will increase by 3.98%; and that the Purchased Power Adjustment of \$.003/kWh for 2008 be rolled into the Base Energy Rates for all rate classes; and there be a new School Rate, which will be based on the existing Commercial C Rate and only be increased by the 2008 Purchased Power Adjustment of \$.003/kWh; and that the filed rates include an Energy Efficiency Surcharge to fund the expansion of the RMLD's efforts to promote energy efficiency, demand side management, and other appropriate energy conservation measures.

Mr. Soli made a motion seconded by Ms. Kearns to table the motion until the next RMLD meeting so a few items can be tweaked on the COSS.

Motion did not carry 1:4:0. Mses. Kearns and O'Neill and Messrs. Hahn and Pacino voted against the motion.

Mr. Pacino made a motion seconded by Mr. Hahn that the RMLD Board of Commissioners accept the recommendation of the General Manager for the following rate increases: the Residential A Rate will increase 4.54% and the Commercial C Rate will increase by 3.98%; and that the Purchased Power Adjustment of \$.003/kWh for 2008 be rolled into the Base Energy Rates for all rate classes; and there be a new School Rate, which will be based on the existing Commercial C Rate and only be increased by the 2008 Purchased Power Adjustment of \$.003/kWh; and that the filed rates include an Energy Efficiency Surcharge to fund the expansion of the RMLD's efforts to promote energy efficiency, demand side management, and other appropriate energy conservation measures.

Motion carried 4:1:0. Mr. Soli voted against this motion.

Chair Hahn said that some of the issues addressed this evening be will considered for the next COSS.

Presentation

Conservation and Energy Efficiency Programs

Ms. Parenteau explained that the proposed programs to be enacted are based on the GDS Technical Potential Study. The GDS Study outlined energy conservation and energy efficiency measures and possible renewable energy opportunities available to the RMLD based on the customer base and the RMLD's service territory. The Board instructed the General Manager to expand the RMLD's residential and commercial energy efficiency programs based on the GDS Study.

Ms. Parenteau and Mr. Fournier made a presentation on RMLD's conservation and energy efficiency programs for residential and commercial customers.

Ms. O'Neill asked what is the RMLD doing in terms of staff training for Tier 1 for the Customer Service staff, is there one designated person to handle such inquiries or do they receive specialized training?

Mr. Fournier replied that the RMLD has experienced Customer Specialists who have been performing their job for years and are familiar with these issues. The RMLD provides energy saving information on its website and the back of its calendars. If the energy conservation issues are more technical, the Customer Specialists work with Energy Services and the Engineers.

Ms. O'Neill said that this is a growing area with new information and suggested that training programs be made available to the Customer Service staff.

Ms. Parenteau said that Ms. Benson and Mr. Bilicki worked with the Town of Reading Energy Committee and are members of that committee. The RMLD has audited the following schools: Killam School, Coolidge School, Parker Middle School, Joshua Eaton as well as the Public Library and Town Hall. The Town of Reading has garnered a 10% reduction in total energy costs, including heating and electricity costs.

Presentation

Conservation and Energy Efficiency Programs

Mr. Soli inquired is this being done for the other communities the RMLD services?

Ms. Parenteau replied, "yes". Ms. Parenteau said that North Reading has formed an energy committee and Mr. Bilicki is a member of that committee.

Ms. Parenteau commented that the Key Accounts Managers had a meeting last year to facilitate discussions with the four towns the RMLD services that was well attended.

Ms. O'Neill commented on a large residential development she is familiar with where no programmable thermostats for the heat and central air conditioning were provided. This is an example where it would be good if the RMLD worked with the developer upfront to address such issues. The RMLD should be working with the developers on energy conservation matters before they build.

Ms. Parenteau said that the GDS indicated that the RMLD should look into creating such programs with developers.

Ms. Kearns commented that the RMLD has to make such changes worth it to the developers to make energy efficient changes upfront in the project, such as using Energy Star appliances.

Mr. Cameron said that the RMLD has a job description for a position to be responsible for the Conservation and Energy Efficiency Programs.

Approval of Minutes for Board Meetings

July 23, 2008

Mr. Soli made a motion seconded by Ms. O'Neill that the Board approve the Regular Session meeting minutes of July 23, 2008 with the following corrections, page three change, "transition" to "transmission", eliminate question mark and page four change, "lag time" to "low load" and question mark.

Motion carried 4:0:1. Ms. Kearns abstained.

General Manager's Report

Mr. Cameron said that the Audit Committee should meet to discuss the audited financial statements before the September 24 Board meeting with the proposed time of 6:30 p.m. Mr. Cameron said that the Town of Reading Audit Committee would also be invited to be present at this meeting as it has been in the past.

Mr. Cameron stated that Ms. O'Neill requested that the Community Relations Committee meet on Public Power Week and the Halloween Party.

Chair Hahn asked about the status of the MMWEC audit.

Mr. Cameron replied that a letter was received from MMWEC stating that MMWEC was going to comply with the records request by sending the data before the end of the month. The most recent request sent to MMWEC for data collection would cost \$5,000 to \$8,000, another letter was sent back why was MMWEC charging for information that they are required to make available.

Mr. Cameron said that he attended the Northeast Public Power Conference (NEPPA) this month there were great topics such as SmartGrid and the FERC Commissioner Spitzer.

Mr. Carakatsane commented that the NEPPA Conference was worthwhile and the opportunity to sit with FERC Commissioner Spitzer on issues was extremely beneficial to understanding issues and garnering knowledge.

Financial Report for the month of June 2008

Mr. Fournier reported that Melanson Heath & Company, PC completed their fieldwork the week of August 11. Mr. Fournier has given the Board the preliminary numbers. Melanson Heath & Company, PC will be making a presentation on the fiscal year 2008 at the next meeting.

Mr. Fournier discussed the cash transfers that may necessary.

Financial Report for the month of June 2008

Chair Hahn would like the information relative to the cash transfers distributed ahead of time.

Ms. O'Neill questioned how, if the operating income is so below the budget, can the RMLD be so close to making its 8% return?

Mr. Fournier explained the Fuel Expense was \$1.6 million above the Fuel Revenues and when adjusting for this the actual Change in Net Assets was very close to the Budgeted Change in Net Assets.

Ms. O'Neill commented that it would not be good if the July Financials were not available until the October meeting.

Mr. Fournier said that the balances couldn't be rolled over from June until he gets the approval from the Board.

Chair Hahn would like Mr. Fournier to provide a summary of expenses versus budget and that way Mr. Fournier does not have to wait for the next meeting for July and August.

Power Supply Report for the month of July 2008

Ms. Parenteau gave a preliminary report on the RMLD's power supply for July 2008.

Ms. Parenteau commented that in the past month and current month in the PASNY billing there occurred additional New York congestion charges. Ms. Parenteau explained that MMWEC is the agency that administers that contract and they have hired a consultant to look into the additional charges.

Chair Hahn said that last week FERC approved an emergency tariff amendment to NY ISO's OATT to end that practice. Chair Hahn commented that this was a serious matter because FERC acted on an emergency amendment within a month of filing.

Ms. Parenteau stated that she would inform the Board of any changes in the PASNY billing.

Ms. O'Neill asked Ms. Parenteau if the fuel charge will level off in December?

Ms. Parenteau replied that with the recent decrease of the NYMEX gas futures the RMLD was able to secure current contracts related to the heat rate index at an average cost of around \$.08/kWh. By fixing the costs, based on the current projection and barring any negative activity with hurricanes and natural gas futures, staff is hoping to stabilize the fuel charge and replenish the fund by December.

Ms. O'Neill wanted an update on the Middleton project.

Ms. Parenteau said that the RMLD met with Middleton on a conference call with the consultant who is performing the analysis. They are looking at the site, the different options for the generators, and possible fatal flaws related to the project. It is very preliminary at this point.

Ms. O'Neill asked if Middleton is dependent on the RMLD's involvement to proceed?

Ms. Parenteau replied, "no."

Ms. O'Neill said that gas is a fossil fuel that will be used in the Middleton project and that she is also concerned about the financial risk.

Ms. Parenteau suggested having a Power Contract Committee meeting to discuss those variables.

Mr. Carakatsane said his office is in Middleton and is aware of this project; there are many issues that need to be resolved.

Chair Hahn said that during Executive Session various power supply options and issues were discussed. Ms. O'Neill said that in Executive Session efforts were discussed to secure renewable energy as part of RMLD's portfolio.

Power Supply Update – Authorization to procure power supplies for 2009-2012

Ms. Parenteau responded that from a power supply portfolio standpoint she and Mr. Seldon are working with a developer of a wood burning plant.

This project would be considered a green project because it burns wood and is accepted by the Massachusetts Renewable Portfolio Standard as a qualifying REC. The RMLD is looking to secure 8 megawatts on this project. The RMLD is looking at other projects that become available.

Mr. Soli made a motion seconded by Ms. Kearns that the Reading Municipal Light Department Board of Commissioners (RMLB) authorizes the Reading Municipal Light Department's (RMLD) General Manager to execute one or more Power Sales Agreements in accordance with the RMLD's Strategic Power Supply Plan for power supply purchases for a period not to exceed 2009 through 2012 and in amounts not to exceed 51 MW in 2009, 41.5 MW in 2010, 31.8 MWs in 2011, and 21.2 MWs in 2012, as presented to the RMLD Board of Commissioners on August 27, 2008.

Motion carried 5:0:0.

Engineering and Operations Update for the month of July 2008

Mr. Sullivan presented the preliminary Engineering and Operations update for July 2008.

Mr. Sullivan mentioned that there are projects from fiscal year 2008 that will be wrapped into routine construction for fiscal year 2009. Mr. Sullivan commented that there is no activity in July for the first eleven capital projects.

Mr. Sullivan said that the CAIDI was up 2.66 minutes, however 11.18 minutes below the industry standard. SAIFI was up marginally.

Mr. Soli asked about the status of the Lynnfield substation?

Mr. Sullivan reported that the asbestos removal of the Lynnfield substation is complete and the bids for the auctioning of the transformers have gone out.

Mr. Sullivan provided an update on the Gaw substation. PLM is working on the conceptual engineering. The existing foundations can be utilized completely however, they need to be added to in order to support the weight of the new transformers.

Ms. O'Neill clarified that she didn't see the Electrical Testing Company hiring on the construction schedule.

Mr. Cameron pointed out that the RMLD needed an electrical testing firm for not only Gaw but also Wildwood and the North Reading substation so the firm was hired outside of the Gaw Project.

Ms. O'Neill asked how the electrical testing will be charged?

Mr. Cameron said that the electrical testing activity for Gaw will be charged to Gaw and capitalized.

Mr. Soli asked about the transformer fabrication schedule?

Mr. Sullivan replied this is still on schedule.

Mr. Soli asked do they report to you?

Mr. Sullivan replied that he has not heard anything different from the original schedule and expects delivery at the end of the year for the first one and January for the next two.

M. G. L. c. 30B Bids

Residential Watthour Meters IFB 2009-1

Mr. Sullivan said this bid is for new ERT meters for replacement to or adding to any meters that are necessary.

Ms. Kearns asked if the bids were combined would the Department receive lower pricing?

M. G. L. c. 30B Bids

Residential Watthour Meters IFB 2009-1

Mr. Cameron replied that the lowest bidder was selected on each meter.

Ms. O'Neill pointed out that the annual meter purchases were in the capital budget in quarters three and four. Is there any reason they are being done earlier?

Mr. Sullivan replied that the Department is low on inventory, which needs to be replaced.

Mr. Soli made a motion seconded by Ms. Kearns that bid 2009-1 for Single Phase Watt-Hour Meters be awarded to AvCom Inc. for a total cost of \$32,900.00 as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 5:0:0.

Ms. Kearns requested that the motions be distinguished with the second motion indicating Time of Use.

Mr. Soli made a motion seconded by Ms. O'Neill that bid 2009-1 for Single Phase, Time of Use, Watt-Hour Meters be awarded to Graybar Electric Company for a total cost of \$40,191.00 as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 5:0:0.

Chair Hahn said that it was discussed at the Citizens' Advisory Board meeting, that a presentation on the new state legislation on the Green Communities Act that encourages the entire Commonwealth to participate, that a joint meeting of the Board and CAB be held to provide an overview on what the legislation states. Municipals are exempt from this unless they opt to waive their exemption. Chair Hahn commented that he would like to be able to be aware of the pros and cons of doing this. Chair Hahn would like a joint meeting as soon as reasonably possible.

Chair Hahn commented that the Board voted to implement some new rates; a press release needs to be released. Chair Hahn said that if any media requests come in on the new rate structure they should be directed to Priscilla Gottwald so there is one point of contact.

Schedule for Upcoming Board Meetings

Wednesday, September 24; Wednesday, October 22; Wednesday, November 19; Wednesday, December 17.

Board Rotation at Citizens' Advisory Board Meetings:

September, Commissioner Kearns

October, Commissioner Pacino

November, Chair Hahn

December, Vice Chair O'Neill.

Motion to Adjourn

At 10:00 p.m. Mr. Soli made a motion seconded by Ms. Kearns to adjourn the Regular Session.

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

A true copy of the RMLD Board of Commissioners minutes
as approved by a majority of the Commission.

Robert Soli, Secretary
RMLD Board of Commissioners