

Reading Municipal Light Board of Commissioners

Regular Session

230 Ash Street

Reading, MA 01867

September 24, 2008

RECEIVED
TOWN CLERK
READING, MASS.

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

End Time of Regular Session: 9:35 p.m.

2008 OCT 23 P 12:30

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

Jeanne Foti, Executive Assistant

Paula O'Leary, Operational Assistant

Kevin Sullivan, Engineering and Operations Manager

Beth Ellen Antonio, Human Resources Manager

Robert Fournier, Accounting/Business Manager

Jane Parenteau, Energy Services Manager

Citizens' Advisory Board:

Quincy Vale

Guest:

Frank Biron, Melanson Heath & Company, PC

Opening Remarks

Chair Hahn said that there will be a slight change to the agenda to accommodate the auditors from Melanson Heath.

Presentation

Mr. Pacino said that before this evening's RMLD Board meeting, Mr. Soli and he, as members of the RMLD Board Audit Committee, had met with two members of the Town of Reading Audit Committee. Those present received a detailed review presented by Mr. Frank Biron of Melanson Heath & Company, PC. Mr. Pacino reported that Mr. Biron informed those at the meeting that the RMLD audit is the first one completed in the state of the 124 municipalities audits they do.

The RMLD Board Audit Committee voted that the audit be accepted.

Report on the Fiscal Year 2008 Audit Melanson Heath & Company, PC

Mr. Biron presented highlights of the audited financial statements and its key elements.

Mr. Biron reported that the Independent Auditors Report reflects that RMLD's financial statements are in accordance with Generally Accepted Accounting Principles and there are no exceptions.

Mr. Biron pointed out that the cost of power went up approximately 25% from 2007 to 2008. Mr. Biron mentioned that the Receivables have softened up a bit where receivables are not being paid as quickly, but it does not seem to be a problem yet. The majority of the receivables increase is strictly due to the fact bills are 25% higher than the year before. Mr. Biron commented that with the economy not as strong as it has been there is a very good likelihood that there will be more difficulty collecting receivables and that it is something to watch out for.

Mr. Biron then addressed Bond Payables of \$550,000, noting there is only two years left on the bonds to pay for the construction of the substation in North Reading in 1999. Mr. Biron commented that all the capital asset additions have been done without borrowing money.

Mr. Biron said that Revenues were \$86.2 million in 2008 compared to \$68 million in the prior year. This represents an increase of Revenues of \$18 million or a 26% increase. The RMLD sold 1% more in kilowatt hours during the year, the Revenue is up 26%, the amount of 25% is because the bills were higher in 2008 due to the cost of power.

Report on the Fiscal Year 2008 Audit Melanson Heath & Company, PC

Mr. Biron said that the Department did a good job of keeping the bills stable without high fluctuations. The Department is in a very strong financial position and with the profit to reinvest in the infrastructure. Mr. Biron said that the Department does a good job of maintaining its books, therefore there is no management letter recommending improvement. Mr. Biron explained that presenting Financial Statement in the middle of September for a June 30 year-end is an indicator that the Department keeps its books in very good shape.

Mr. Pacino asked Mr. Biron to comment on the Pension Trust and GASB 44.

Mr. Biron explained that the Retirement Trust is money that was set aside by the Department in the 1960's in order for the pension for Department employees to be considered actuarially fully funded. The Department participates in the Town's contributory retirement system that is not fully funded. The Department's employees are fully funded actuarially.

The Department is required to have an actuarial evaluation performed every other year. This was performed effective January 1, 2008 and the actuary will be meeting with the RMLD Board shortly to discuss that. There is another GASB that deals with the actuary, which is GASB Statement Number 45 that requires an actuarial evaluation, performed on Employee's Post Employment Benefits dealing with such issues as health insurance costs for employees as well as retirees. It requires that the actuary determine the unrecorded liability because of the promises the Department has made to its current employees as well as past employees to pay for some of their health insurance costs. In next year's audit an actuarial evaluation has to be performed and the Department is working with the Town to determine the extent of that unrecorded liability. Nobody is requiring that be funded; the actuaries will come up with the liability and a thirty-year funding schedule for the Town and Department. Based on the thirty-year funding schedule if you do not fund a particular year that will have to be recorded as a liability in the Financial Statement. It will be a large number from what they have seen in other communities, in the ten of millions of dollars as determined by the actuaries.

Mr. Pacino asked Mr. Biron what the biggest risk was at the Committee meeting and the answer was the cash flow on the receivables side.

Chair Hahn thought the Commission received a report that the Receivables had improved.

Ms. O'Neill asked about the decrease in \$225,000 in assets in the Retirement Trust?

Mr. Biron replied that the only Revenue that occurred during that year was Interest and Dividend Income that was paid to the Town Contributory System and that more money was paid to the Town than earned. Mr. Biron mentioned that there was no required contribution.

Mr. Cameron thanked Accounting and staff for their assistance in the audit process.

Mr. Pacino echoed Mr. Cameron's comments.

Mr. Pacino made a motion seconded by Ms. O'Neill that Fiscal Year June 30, 2008 Audited Financial Statements from Melanson Heath & Company, PC be accepted on the recommendation of the RMLD Board of Commissioners Audit Committee.

Motion carried 5:0:0.

Mr. Pacino made a motion seconded by Ms. O'Neill that Fiscal Year June 30, 2008 Employees' Retirement Trust Statements from Melanson Heath & Company, PC be accepted on the recommendation of the RMLD Board of Commissioners Audit Committee as trustees of the Pension Trust.

Motion carried 5:0:0.

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

None.

Power Supply Report for the Month of August 2008

Ms. O'Neill noted that the RMLD's highest capacity demand was 133 megawatts, however the UCAP requirement was 214 megawatts and asked when is that reevaluated?

Ms. Parenteau replied that requirement is based on the prior year's peak; the peak value is determined from June to May. Ms. Parenteau said this is based on the entire New England peak. Ms. Parenteau reported that the RMLD's peak was down 11 megawatts but due to the weather all of New England went down 10 megawatts.

Mr. Soli said that in June, July and August what would be the applicable peak?

Ms. Parenteau said that she believes that last June was 165 megawatts. The previous year's peak was 172 that the RMLD is paying on. It is very advantageous for the peak to be lowered because it is advantageous for all its ratepayers.

Ms. Kearns asked what is the plan to address this issue and asked if it is possible to utilize something like a reverse 911 call to inform customers to conserve on days when the peak is high.

Ms. Parenteau explained that within the RMLD they are trying to work with their commercial customers who can make a significant decrease by load management. Ms. Parenteau did point out that the trend however is that the residential customers are contributing significantly to the peak demand. Ms. Parenteau said the goal is to educate customers continually before the peak so they can make the appropriate adjustment to their usage.

Engineering and Operations Update for the Month of August 2008

Mr. Sullivan presented Engineering and Operations update for August 2008.

Ms. O'Neill asked on the Summary of the Variance Report, why the High Capacity Tie 4W18/3W8 Franklin Street scheduled for the first quarter was not completed?

Mr. Sullivan replied that he believes the Department is waiting for Verizon pole sets.

Ms. O'Neill commented that Mr. Sullivan said at the last month's meeting that some of the carry over projects from last year are in routine construction and asked if the Department making progress on those?

Mr. Sullivan replied that the Department is making progress.

Ms. O'Neill said that prior to the budget process this year she would like the Board to look at the capital plan for five years, not just the upcoming year. She would like to see this discussed by January.

Ms. Kearns commented that \$5,886 was spent on Gaw and she would like clarification.

Mr. Sullivan explained that there was a change of the cable at Gaw substation that was not part of the Gaw project.

Mr. Soli asked if the Lynnfield transformers have they gone out to bid?

Mr. Sullivan replied that he believes that bid will close on October 10.

Ms. Kearns wanted an explanation as to why the Gaw project has no activity.

Mr. Sullivan explained that he and the Station Manager were a little overzealous in the schedule and are 45 days behind in a couple of areas. The switchgear modification bid, the substation equipment bid and the protective relay bid are thirty days behind. Mr. Sullivan stated that the cable bus has been change to cable tray table and that one of the critical path items has been removed.

Chair Hahn asked if this change in schedule will jeopardize the ability to install the transformers prior to the off peak period?

Mr. Sullivan replied that it could. Mr. Sullivan commented that a decision has to be made moving forward as to whether all three transformers are replaced before the summer peak.

Engineering and Operations Update for the Month of August 2008

Mr. Cameron said that it is not critical to get this done before the summer peak unless something happens to one of the existing transformers.

Chair Hahn said that is good news, but he would like some options explored to make up that schedule slack. Chair Hahn would like to see what the options are and the cost of making the schedule up.

Mr. Cameron said that the schedule was aggressive given the fact the first transformer is coming in December. Mr. Cameron said that the transformer can be stored on or off site.

Mr. Sullivan said that part of the delay was due to the fact there was no May RMLD Board meeting and the PLM bid could not be accepted until the June meeting.

M. G. L. c. 30B Bids

Tree Trimming and Clearing IFB 2009-5

Mr. Sullivan reported that six tree companies received these bids and three responded.

Mr. Pacino said that he would like the budgeted amount for all bids.

Mr. Soli asked how the rate is calculated in the bid?

Mr. Cameron replied that there is a rate times a certain number of hours.

Ms. Kearns said that she looks at the bills for the tree company and is concerned about complying with the FLSA.

Mr. Cameron replied the FLSA issue was brought up in the past and Department has received a letter that they conform to the wage laws.

Mr. Soli made a motion seconded by Ms. O'Neill that bid 2009-5 for Tree Trimming Services be awarded to Asplundh Tree Expert Co. for three years in the amount of \$1,144,613.16 as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 5:0:0.

Development of Energy Conservation and Efficiency Programs

IFB 2009-2

Mr. Cameron reported that the Department received one bidder for \$88,000 and the bid will be canceled. The Energy Efficiency Engineer will be hired in Energy Services. The job description was completed today.

Ms. Kearns said that she was looking at the Energy Efficiency Engineer position and it might require a higher rate of pay based on what she has seen.

Contractor Qualifications for Substation Wiring, Electrical Testing, and Preventative Maintenance

RFR 2008-33

Mr. Cameron said that they received one bid and that contractor has a financial relationship with a current RMLD employee. The RMLD has contacted the other bidders and asked them why they did not bid. This will be re-bid.

Year End Transfers

Mr. Pacino made a motion seconded by Ms. Kearns that the RMLD Board of Commissioners authorize the transfer of \$436,536.00 from the Rate Stabilization Fund to the Operating Fund and that this be reflected in the June 30, 2008 Financial Statement.

Motion carried 5:0:0.

Mr. Pacino made a motion seconded by Ms. Kearns that the RMLD Board of Commissioners authorize the transfer of \$2,112,401 from the Operating Fund to the Construction Fund and that this be reflected in the June 30, 2008 Financial Statement.

Motion carried 5:0:0.

SCHEDULE FOR UPCOMING BOARD MEETINGS

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

At 9:15 p.m. Mr. Soli made a motion seconded by Ms. Kearns that the Board go into Executive Session to discuss the deployment of security devices and return to Regular Session for the sole purpose of adjournment.

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.

Motion to Adjourn

At 9:35 p.m. Mr. Soli made a motion seconded by Ms. Kearns 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.

Robert Soli, Secretary
RMLD Board of Commissioners