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Reading Municipal Light Board of Commissioners

Regular Session
230 Ash Street
Reading, MA 01867
October 22, 2008

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Start Time of Regular Session: 6:40 p.m.

End Time of Regular Session: 9:20 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

Robert Fournier, Accounting/Business Manager

Kevin Sullivan, Engineering and Operations Manager

Beth Ellen Antonio, Human Resources Manager

Jeanne Foti, Executive Assistant

Paula O'Leary, Operational Assistant

Jane Parenteau, Energy Services Manager

Citizens' Advisory Board:

Roger Lessard, Chair

John Norton, Member

Tracy Sopchak, Member

Arthur Carakatsane, Secretary

Quincy Vale, Member

Cities for Climate Protection Program Committee (CCP):

Stephanie Anderberg, Secretary

Dave Williams, Associate Member

Joan Boegel, Associate Member

Guests:

Larry Stone, Stone Consulting Inc.

Bob Rodophele, Esquire, Municipal Electric Associates of Massachusetts

Opening Remarks

Chair Hahn pointed out that this evening's meeting for the first portion will be a joint meeting with the Citizens' Advisory Board. Chair Hahn made one small change to the agenda by having Mr. Stone make his presentation first.

Presentations

Pension Trust

Larry Stone, Stone Consulting Inc.

Mr. Fournier introduced Mr. Larry Stone, President of Stone Consulting, Inc. Mr. Fournier said that Mr. Stone was contracted by the RMLD to perform a biannual actuarial valuation of the RMLD Pension Trust.

Mr. Stone explained that every two years an actuarial valuation of the liabilities associated with the benefits for RMLD employees and its retirees is performed. Mr. Stone said that the previous valuation was performed on January 1, 2006; the current valuation was performed on January 1, 2008. The results are used to determine a funding contribution to the Trust Fund that RMLD has created to help pay for those benefits for fiscal years 2008 and 2009. The results for both 2008 and 2009 were that the fund was fully funded; therefore no contribution into the Trust Fund was required for either year from the RMLD as the employer.

Mr. Stone explained the assumptions used were a 7.25% interest rate, 4.75% salary assumption (it is not based on individual pay rather, it represents across the board increases, merit increases and promotions that go into one's salary from the present time to retirement) and the market value of assets. The balance of the Trust Fund as of January 1, 2008, is \$7 million, the Reading Retirement System had \$101 million in which 32.7% is allocated towards the benefits for the RMLD.

Presentations

Pension Trust

Larry Stone, Stone Consulting Inc.

Mr. Stone said that there is \$40 million necessary to pay the liabilities associated with the RMLD retirement benefits. Employees also make contributions. As of January 1, 2008 there were enough funds in the Retirement Trust to pay for the benefits. There were no required contributions from the RMLD. In the past, the contribution amount was \$352,000. The main reason there was no need to make a contribution as of January 1, 2008 is because the Reading Retirement System grew at a rate greater than assumed.

Mr. Stone pointed out that since January 1, 2008, the economic environment has changed. Mr. Stone said that the assumption is that the assets would grow at 8%, which will not happen this year. Mr. Stone commented that based on all that has happened in the financial markets this year, there will be a significant loss. The \$101 million, the current value, could decline to the \$70 to \$80 million range. The RMLD would have a one third portion of this amount that would translate into a \$12 million loss. This is a sign to Reading that the 7.25% increase will not occur. The employee contributions stay the same irrespective of the investments; therefore the employer has to make up the difference. Mr. Stone said that based on the current market situation the amount of investment will increase significantly to \$1.0 to \$1.5 million for one year instead of zero.

Chair Hahn pointed out that the increased amount could change based on the stock market. Chair Hahn wanted to know if the RMLD has the current value of the portfolio?

Mr. Fournier said that he had called the Town earlier in the day but does not have the numbers.

Chair Hahn said that Mr. Fournier can provide the numbers for the portfolio by the next RMLD Board meeting.

Ms. Kearns stated that she and Commissioner Pacino as members of the Operating and Capital Budget/Pension/Legal Services Committee met before the RMLD Board meeting. Ms. Kearns mentioned that Mr. Stone is going to provide a more detailed report for this Committee to look at. Ms. Kearns pointed out that \$400,000 has been put aside in the budget for funding the Pension Trust.

Mr. Stone clarified that this was a rough estimate because it is based on the assumption that the Town Retirement System had a 25% loss. He took this number from a client as of September 30 who had a 15% loss then assumed an additional 10%. As of right now, it could be worse.

Ms. O'Neill said that she does not want to wait another two years.

Mr. Pacino commented that this could be looked at before another two years.

Chair Hahn thanked Mr. Stone for his presentation.

Green Communities Act

Chair Hahn introduced Bob Rodophele, a representative of MEAM, who will explain to the RMLD Board and the CAB the provisions of the Green Communities Act.

Mr. Rodophele stated that he is with the firm of Ferriter, Scobbo & Rodophele, and has represented the municipal light plants for years through Municipal Electric Association (MEAM) at the statewide level.

Mr. Rodophele's presentation focused on green communities, municipal light plants' ability to opt into the renewable energy resources and Massachusetts Renewable Energy Trust Fund.

Mr. Rodophele explained that in 1997 the legislature passed legislation, The Electric Restructuring Act of 1997 that created a whole new world in the electric utility industry.

Green Communities Act

Mr. Rodophele said that at that time, municipal light plants had received an option whether to opt in and allow competition to come into their respective service territories or stay out of the competitive choice area and continue to function as they were. Based on this change, none of the municipal light plants in Massachusetts opted to open up their service territory and that is the current status today. Mr. Rodophele commented that the Green Communities Act still retains this option for municipal light plants to allow competitive choice and open up their service territories or stay out of the competitive choice area. Municipal light plants are in the same position as when the original restructuring act was passed in 1997.

Mr. Rodophele explained that the Green Communities Act Chapter 169 of the Acts of 2008: increases cost effective energy efficiency by requiring distribution companies (not municipal light plants) to submit three year plans for energy efficiency and demand resources, and it requires the state to adopt a certain conservation code in the building of state buildings.

It also increases Renewable Energy Portfolio Standards (RPS). However, under the 1997 Act, distribution companies were required to have a renewable energy portfolio standard and this legislation would increase those standards.

It creates Alternative Energy Portfolio Standards (APS) and that percentage would be determined by the Department of Energy Resources.

It promotes "net metering" which means that if someone provides his or her own renewable energy generation any extra could be sold back to the distribution system.

Mr. Rodophele pointed out that Renewable Energy Portfolio Standards, and the Alternative Energy Portfolio Standards do not apply to municipal light plants, which are specifically exempt under the statute. The theory is that municipal light plants can make their own decision on their energy mix. Net metering provisions may not apply to municipal light plants as well.

Mr. Rodophele then addressed, municipal ownership of renewables. This legislation authorizes municipalities (the phrase municipalities applies to every city and town in Massachusetts) to own and design their own renewable energy facilities up to ten megawatts.

It authorizes municipalities to become "green communities." Mr. Rodophele explained that goes to the issues of municipalities becoming green communities.

It authorizes municipal light plants to "opt-in" to the Massachusetts Renewable Energy Trust.

Mr. Rodophele explained that as a result of the 1997 legislation, distribution companies were required to assess their customers a renewable energy charge of 2.5 mills per kilowatt hour. That money went to the Massachusetts Technology Collaborative (MTC) then went into the Massachusetts Renewable Energy Trust Fund (MRETF). Mr. Rodophele pointed out that the MTC made decisions how to utilize those funds for various renewable projects within and out of state. Most of the funding was in the form of grants some was in loans. Municipal light plants were exempt from the assessment unless they opened up their service territory to competition. Since no municipal light plants assessed their customers, as a result of that, the MTC took the position that a municipality that had a municipal light plant could not participate in the fund. There was wiggle room in the statute where the municipality did not get the funds, but a developer may have received funding. Based on this legislation, it looked at how the funds were utilized and the consensus of the legislature was to create an additional governing board, the Massachusetts Renewable Energy Trust Fund, a nine-member board to make recommendations to the MTC on how to use the energy trust funds. Based on the legislation there are two boards. However, since municipal light plants have not contributed to the assessment, they have not received any money from the MTC.

Mr. Rodophele pointed out that Section 11 of the Green Communities Act c.25 sec. 20(b) of the General Laws allows municipal light plants to specifically opt in to the renewable energy charge. The charge is 0.5 mills per kilowatt hour for municipal light plants that opt in, not the 2.5 mill option energy efficiency charge that the distribution companies have. Once a light plant decides to opt in and charges its customers, the decision is irrevocable.

Green Communities Act

Mr. Rodophele said that the monies go directly to MTC. If a municipal light plant does opt in they cannot be construed to be supplying generation service outside of their service territory. It would allow the light plant access to benefits such as grants, loans or subsidies from the MRETF. Also, the MTC Board under certain circumstances could grant such loans, grants or subsidies as well to a consumer or developer residing within the municipal light plant territory. The MTC Board under certain circumstances could grant such loans, grants or subsidies for projects located in municipal light plant service territories where the mandatory assessment is not imposed.

Ms. Kearns asked if the distribution companies had a requirement of 2.5 mill charge from 1997 to 2008?

Mr. Rodophele replied that \$.0025/kWh for energy efficiency and \$.005/kWh was for renewable energy projects.

Ms. Kearns asked what kinds of loans, grants, subsidies did those who contributed get?

Mr. Rodophele replied that since he represents municipals that are not his area of expertise, but he has knowledge of a renewable project for hydro for which the developer received a grant and a number of projects are out of state but are a benefit to the grid generally.

Mr. Vale stated that he worked at the MTC and wrote the policy. MTC used for applications from customers, developers and municipal light plants. The distinction has to do with what would be a project installed behind the meter and a project installed in front of the meter to feed the grid. If it feeds the grid via a large central distribution and is distributed by the grid, MTC took the perspective that a project could be anywhere on the grid i.e., in ISO New England and saw no reason to discriminate against municipal light plants. If a project was done in Maine, and added renewable power to the grid there is no reason to exclude a project from Chicopee.

Mr. Vale explained that if it was going to be on someone's rooftop offsetting his or her need to purchase electricity from the utility, then it had to be a customer that contributed into the trust fund. The behind the meter projects totally excluded customers from municipal light plants. There was a wide portfolio of grant and loan programs in the amounts of \$10,000 to \$15,000 such as public education efforts or partnerships with local not-for-profit groups to building owners who received up to \$650,000 or more for a large solar array on the roof as a behind-the-meter system or an onsite wind turbine that would primarily offset the electrical needs of the manufacturing facility. MTC also established some investment funds and would take options on things and take equity positions for those investments that were in the order of a few million dollars. There is a wide portfolio of projects underway all designed to maximize public benefits from investments over a period of time.

Mr. Rodophele commented that there is the additional language that gives them some flexibility even if a municipal light plant does not assess its customers.

Mr. Vale added that the energy efficiency monies are collected by the investor owned utilities and expended by the investor owned utilities; it is not transmitted to a state agency. The 2.5 mill per kilowatt is collected and spent by investor owned utilities, whereas the .5 mill per kilowatt is collected by the Investor Owned Utilities and remitted to the MTC agency.

Mr. Rodophele pointed out that municipal light plants cannot opt in for the 2.5 mill provision (energy efficiency monies) unless they open their service territory.

Mr. Rodophele then addressed the Green Communities Program Qualifications, sec. 22 of the Green Communities Act; c.25a sec. 10 of the General Laws that have criteria those municipals must comply with.

Mr. Rodophele pointed out pursuant to the statute that the secretary may waive these requirements based on a written finding that due to unusual circumstances, a municipality cannot reasonably meet all the requirements and the municipality has committed to alternative measures that advance the purposes of the Green Communities Program as effectively as adherence to the requirements. This means that the secretary has wide latitude to give municipalities the opportunity to become green communities.

Green Communities Act

Mr. Rodophele explained that the Green Communities Program Funding Sec 22 of the Green Communities Act, c. 25A Sec. 10(d) of the General Laws as well as Green Communities Program Procurement of Electric Generation from Renewable and Alternative Generating Facilities per sec. 22 of the Green Communities Act c. 25A sec 109(a) of the General Laws, Green Communities Program Qualifications for those communities served by municipal lighting plants which opt-in to the renewable energy assessment per sec. 22 of the Green Communities Act, c.25A sec. 10(e) of the General Laws.

Mr. Rodophele said that there are forty municipal light plants in Massachusetts and he will wait to see how this sorts out. Mr. Rodophele said the decision to participate in the Green Community Program is up to the Board, however, it is irrevocable.

Ms. O'Neill asked about the programs that might be available to a municipal light plant that decided not to opt in. Mr. Rodophele replied that such activities include but are not limited to, energy conservation measures and projects; procurement of energy management services; installation of energy management systems; adoption of demand side reduction initiatives and the adoption of energy efficiency policies. .

Ms. Sopchak said that Mr. Rodophele had stated that the DOER considers a green community to be one that either opts in or assesses its customers the 0.5 mill per kilowatt hours.

Mr. Rodophele responded that it is his understanding that if a municipality has a municipal light plant that has not opted in, then that municipality cannot be a Green Community.

Ms. Sopchak added even if it has assessed its customers the 0.5 mill per kilowatt hour.

Mr. Rodophele said that if the light plant has assessed its customers it means that the light plant has opted in then the municipality can be a green community.

Ms. Sopchak thought there were other stipulations based on the language where, under certain circumstances such loans or subsidies could be granted where the mandatory assessment is not imposed.

Mr. Rodophele pointed out that would be if we were seeking money from the trust fund from the MTC. Mr. Rodophele said that there is another provision that provides for zero interest loans for municipalities, which are not green communities but are energy efficiency projects.

Ms. Kearns asked if all the public utilities could get together to obtain a legal opinion if all the municipals want to opt in whereas the municipal light plants do not.

Mr. Rodophele responded that no one has gone down that road yet.

Chair Hahn thanked Mr. Rodophele for his presentation. Chair Hahn asked if there were any Citizens' Advisory Board comments.

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

Mr. Carakatsane thanked the Board for inviting the Citizens' Advisory Board.

Mr. Vale commented that he appreciates being invited to the meeting and the presentation by Attorney Rodophele. Mr. Vale's view is the Green Communities Act is a new set of tools that has been provided to a lot of different entities in the Commonwealth, including municipal light plants.

Mr. Vale said that the jobs acts and other acts were passed as well. A policy of the Commonwealth and the government is to aggressively go after enhanced energy efficiency and renewable energy.

Mr. Vale is of the view that to take advantage of these tools; you need to have a lot more meetings, advisory opinions, and discussions with the Commissioner of DOER.

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

Chair Hahn commented that Mr. Rodophele's presentation implied that many of the initiatives had not been flushed out yet; does this legislation provide the forty municipal light plants with options to shape those programs?

Mr. Vale replied he thinks it does and a lot of this needs to be worked out in negotiations with DOER. Mr. Vale said hypothetically that if Reading wants to be a green community they would say that they would like to see something substantially similar to what these other communities are doing such as Amherst, Cambridge and Edgartown.

Chair Hahn said that the first municipal light plant through the door will experience the most uncertainty.

Mr. Vale commented that while the legislation is broadly written, it is a good faith effort to come with a plan to achieve certain goals.

Ms. O'Neill asked for clarification - more meetings in terms of becoming more educated, or for staff and Commissioners to lobby and get involved in the process?

Mr. Vale replied probably both. When the Energy Efficiency Manager has been hired, it should be a staff person who would take this on and facilitate meetings between Reading, if it wants to be a Green Community, with DOER, DPU and possibly ACCP. As members of the Board Commissioner and the CAB members need to be educated at the same time as to what these things are to have certain goals. There is nothing that prohibits the RMLD from having a renewable portfolio standard. Mr. Vale envisions it will take a year or two to get through this with a reasonable schedule.

On another matter, Mr. Pacino stated that on the suggestion from Mr. Vale he is using a laptop computer for the Board book versus receiving a paper copy. Mr. Pacino suggested that the Board should endeavor to go to a paperless system.

Citizens' Advisory Board Motion to Adjourn

At 7:40 p.m. Mr. Norton made a motion seconded by Mr. Carakatsane to adjourn the Regular Session.

Motion carried 5:0:0.

Operating and Capital Budget/Pension/Legal Services Committee

Mr. Pacino reported that the Operating and Capital Budget/Pension/Legal Services Committee met before the meeting. Mr. Pacino said that Mr. Stone made the same presentation to the Committee, they did not see the actuarial report; they did not formally approve the assumptions that are in the report. Mr. Pacino said that they would like a copy of the report before they can make a recommendation. There is no recommendation from the Committee pending the actuarial report.

Chair Hahn asked if there is any reason that this cannot happen reasonably expeditiously?

Mr. Fournier replied that it will happen.

Ms. Kearns said that under the Town of Reading By-Laws and the Operating and Capital Budget/Pension/Legal Services Committee they have to approve legal counsel and that is still under consideration.

Quarterly Financial Update – Q1 FY 2009 Results

Review of FY 2008 Complete Financial Statements and Budget vs. Actuals

Mr. Pacino pointed out that \$350,000 that has been budgeted to the pension contribution, however, the Committee is leaning towards a contribution in this year instead of \$1.0 million in the future.

Mr. Fournier pointed out that the actuarial contribution for the Pension Trust Contribution is \$360,000.

Mr. Fournier provided a report of the first quarter of fiscal year 2009. Mr. Fournier commented that the results for the first quarter are positive; there are no major incidents or extraordinary expenditures or occurrences.

Quarterly Financial Update – Q1 FY 2009 Results

Review of FY 2008 Complete Financial Statements and Budget vs. Actuals

Mr. Fournier reported that Chair Hahn had the following questions:

1. Board Budget is over budget.

Mr. Fournier explained that it was over budget due to the NEPPA Conference that was held in August and attended by four Board members. Historically, the total Board budget comes in under budget. The Board budget is \$7,500. The biggest expense is in the first quarter therefore; in the future, monies will be budgeted accordingly.

2. Employee pension and benefit expenses are over budget.

Mr. Fournier reported that this can be attributable to the fact there was less capital work being done in the first quarter therefore the overhead credit was less, hence the expense is higher.

3. Engineering labor is over budget.

Mr. Fournier said that less capital work was done in the first quarter than budgeted for.

Mr. Fournier reported on the quarterly variance report cumulatively all five divisions were under budget by 5.5% or \$82,000. The trend is that the Fuel Charge is trending down in October and hopefully throughout the calendar year.

Mr. Soli inquired on page 3 why current month Purchase Power Fuel is \$4,735,865.70 and in Ms. Parenteau's report it is \$4,735,167, is it a timing issue?

Mr. Fournier replied that for his report for the earlier timeframe for the meeting, Deferred Fuel Cash Reserve Analysis the \$4,735,865 is reflected is part of the Deferred Fuel Cash, the \$4,735,865 is the number to go with.

Ms. O'Neill noted that the capital budget is \$11 million for fiscal year 2009. The balance is at \$4.8 million. Where would additional monies come from if needed?

Mr. Fournier replied that page four shows the Reconciliation of Capital Funds, beginning balances and Depreciation Fund and year-end fund transfer as well as the construction fund that the Board voted on this last meeting. The beginning balance is a little over \$5 million. Monies that get added during the year to the capital funds which include, interest and depreciation fund, depreciation transfer which is a little over \$3 million that is found in the Operating Budget and any Forced Account reimbursements from the state that is the source of monies for RMLD's capital expenditures. As discussed, in the past with Gaw because of the Operating Fund balance, some of that fund will be transferred specifically for the Gaw to help fund that project internally which was the direction of the Board.

Chair Hahn commented that books for last year have been closed?

Mr. Fournier replied, "yes."

Chair Hahn asked if Mr. Fournier was able to prepare last year's budgeted amounts versus actual amounts?

Mr. Fournier replied that he received some questions from Ms. O'Neill this afternoon; he can provide this at the next Board meeting or e-mail them separately. Mr. Fournier said that on a monthly basis he does the monthly variance report by division. For fiscal year 2008, the RMLD was under budget for five divisions by \$543,000 or 3% of the approved budget.

Ms. O'Neill commented that the budget as a whole is under budget. Her concern is that certain key labor line items are over and she would like more information on these items.

Ms. O'Neill wants the Board to consider how it gets information on the capital budget because last year, for example, a large percentage of labor costs of the Engineering and Operations division which consists of the line, engineering, station and meter departments were allocated to the capital budget. There was no report to the Board of regular labor or overtime labor costs from the capital budget.

Quarterly Financial Update – Q1 FY 2009 Results

Review of FY 2008 Complete Financial Statements and Budget vs. Actuals

Mr. Fournier explained that in the first quarter there was not as much capital labor performed that is why the labor regular expense is higher. Mr. Fournier pointed out that Mr. Sullivan's report that addresses the capital side and there was a little over \$1.0 million in capital expenditures in the first quarter it includes labor, materials, and vehicles. Mr. Fournier asked Ms. O'Neill if she was asking for every capital project what is labor and compare this to the operating budget?

Ms. O'Neill replied, "no." Ms. O'Neill said that the budget process entails that you set the budget and allocate certain costs to the capital budget and to the operating budget. The Board gets reports on the operating budget in detail monthly. This is not the case with the capital budget. Ms. O'Neill used as an example the amount of money allocated in fiscal year 2008 for police details. From a total of \$275,000 for this item, approximately \$226,000 was put into the capital budget. The Board would not see how much was spent because it was in capital.

Mr. Fournier asked Ms. O'Neill what level of detail does she want? Mr. Fournier pointed out that each work order contains many lines of information that contains labor, stock items and to what point does the Board want to see that level of detail?

Ms. O'Neill said that if the Board is receiving monthly information on labor costs in the Line Department, for example, for fiscal year 2009, more than half of those costs are in the capital budget. The monthly report is on the operating side; therefore the Board is only receiving half of the labor costs.

Mr. Cameron asked where are we going with this?

Ms. O'Neill replied that somehow on some of the key aspects of the capital budget she would like to see more information, not just the overall projects.

Mr. Fournier commented that if you look at the capital budget, it is spelled out how many line crews there are as well as how many man-hours it represents. Each employee works 2,080 hours so certain hours are allocated to capital and the remainder fall into the operating budget.

Ms. O'Neill said that she understands how that process works.

Mr. Fournier said that the labor is the best guess on how the labor will be split up from month to month, quarter to quarter; sometimes it does not always work out that way. The bottom line from the Board's perspective is this is how many heads I have and am controlling the head count, how and when the work gets done depends on what is going on in the system. Mr. Fournier reiterated this could be a meeting unto itself.

Mr. Cameron explained that when Mr. Sullivan does his report, he presents the activity in each project for the month ending, that total number for each project. Behind that number, are materials, labor, police details and vehicles. There are many components behind those numbers in the capital. Is that is something Ms. O'Neill wants to see?

Ms. O'Neill replied that it is something the Budget Committee could take up. Ms. O'Neill would like to see labor costs. Ms. O'Neill pointed out that in the five-year plan there are rate increases projected for the next five years, if some of the labor costs can be managed a little better perhaps the rate increases can be mitigated.

Mr. Cameron said that he tries to manage the labor costs with the work that needs to be done. Labor has to be expended to put up the wires and transformers.

Mr. Cameron said that he and his staff are doing a good job managing the labor costs in all departments. Mr. Cameron commented that if you want to get to that level of minutia, it is your prerogative. Mr. Cameron is unsure if Ms. O'Neill can direct the crews better than him.

Quarterly Financial Update – Q1 FY 2009 Results

Review of FY 2008 Complete Financial Statements and Budget vs. Actuals

Chair Hahn commented that he does not think that is what Commissioner O'Neill was suggesting. Chair Hahn said that there was an offer for the Budget Committee to take this up at its next meeting and try to devise a system that reports the information that Commissioner O'Neill is seeking without placing an enormous burden on the staff.

Chair Hahn stated that he understands Mr. Fournier's point. On the other hand, what he is hearing Commissioner O'Neill is asking for is when a budget is prepared, the last two budgets they specifically saw total labor costs and the budget that was allocated between capital and labor. Chair Hahn said that what he is hearing is the Board does not see the actual. Chair Hahn commented that if there are five items that are allocated to five categories of costs perhaps a simple schedule could suffice. Chair Hahn is asking the Budget Committee to take this issue up.

Mr. Soli said that they had monthly reports in his previous life that had projects from many departments; the program manager would show the progress and dollars. There were also departmental reports consisting of all the employees whether they worked on contract or overhead side of projects all the labor was counted. Mr. Soli offered this as an option.

Chair Hahn said that it is nice to get a lot of information, but it is not the function of the Board to run the Department. As a practical matter, their role is for policy, guidance and to set direction. There is a fine line between getting information and getting too close to what management does. The Board needs to find the balance point. Chair Hahn stated that when the Committee meets it can address Ms. O'Neill's concerns and the need for the information.

Mr. Fournier commented that based on the schedule for the Board meetings early in November and December it is virtually impossible to have actual costs figures, therefore the next two months will contain estimated figures.

Chair Hahn stated that there are certain numbers that Mr. Fournier will have costs for.

Approval of Minutes for Board Meeting September 24, 2008

Mr. Soli made a motion seconded by Ms. Kearns to approve the Regular Session meeting minutes of September 24, 2008 as presented.

Motion carried 5:0:0.

General Manager's Report

Mr. Cameron reported that RMLD's Halloween Party will take place on Thursday, October 23 from 2:00 to 5:00 p.m. Mr. Cameron said that he will be appearing before the Wilmington Board of Selectmen on Monday, October 27 to give them a presentation on the rate increase and a request for a wind farm in southern Wilmington, Mr. Lessard is aware of this.

Chair Hahn asked if this is in a landfill?

Mr. Cameron replied, "yes."

Chair Hahn asked if there is any methane in the ground?

Mr. Vale replied he has asked that question.

Chair Hahn said that it would be a good project if there were methane gas contained in the landfill.

Mr. Cameron commented the request was for wind.

Mr. Cameron said that Subsequent Town Meeting is on November 10 in which he will be making the presentation.

Mr. Soli said that on October 9 and October 10, he was asked by a Board member and the General Manager where did he come up with the \$250,000 value regarding the schools.

General Manager's Report

Mr. Soli stated that he responded. Mr. Soli commented basically Mr. Cameron gave him a sheet of the coincidence peaks for the schools that had 18,000 demand units. The Cost of Service Study showed 53,000 demand units.

Chair Hahn planned on taking up this issue on General Discussion if it was okay with Mr. Soli.

Mr. Soli had no problem with discussing this at that time.

Power Supply Report for the month of September 2008

Ms. Parenteau reported on the RMLD's power supply for September 2008.

Ms. Kearns wanted clarification the Board's policy when the cost of fuel goes down?

Ms. Parenteau replied that in the past the RMLD has used the Deferred Fuel Cash Reserve that had a negative balance into July. Ms. Parenteau said that she has received a few calls from customers asking why their bills are not going down more quickly since there has been such a substantial change in the fuel. Ms. Parenteau explained that because of this policy the billings do not ramp up quickly when additional charges are incurred, however, on the flip side the Deferred Fuel Cash Reserve needs to be replenished. By not decreasing it more it allows the RMLD to get to the reserve balance.

Ms. Kearns asked if it is the policy that it goes up the same way it goes down?

Ms. Parenteau said that is correct and it is done to keep the spiking effect from the ratepayers.

Chair Hahn commented that the Deferred Fuel Cash Reserve has to be replenished.

Ms. O'Neill wanted an update on the Energy Efficiency Manager position.

Mr. Cameron said that the position has been advertised in several different mediums in newspapers and on the Internet.

Ms. O'Neill asked if there was a timetable on that?

Mr. Cameron replied that once resumes are in they will be looked at then interviews will start.

Ms. O'Neill asked when did the position get posted?

Ms. Antonio replied two weeks ago.

Ms. O'Neill wanted an update on the energy efficiency plan.

Ms. Parenteau reported that on the commercial lighting program it has increased from \$5,000 to \$10,000. Ms. Parenteau said that Jordan's Furniture is a key account and they were able to garner savings by lighting fixture changes and other measures. Ms. Parenteau reported that ESD has met with the company Jordan's utilized and they spoke of innovative ways to work with them and to allow RMLD to have the opportunity to implement changes as a result of energy audits. Ms. Parenteau said that they are hoping to get the Energy Efficiency Engineer position filled. Ms. Parenteau said that they are looking to work with the Power and Rate Committee to get a policy to get some information to set the policy goals.

Mr. Soli asked if Table 1 total costs were expensed by the Department?

Ms. Parenteau replied strictly energy costs.

Mr. Soli asked if these are put on the books as expenses?

Ms. Parenteau stated that is correct.

Power Supply Report for the month of September 2008

Mr. Soli asked that for Constellation \$2.9 million would it relate back to an invoice and it is also related to a warrant item.

Ms. Parenteau replied that is correct.

Mr. Soli asked about the PASNY credit, do we get an invoice on that?

Ms. Parenteau replied that she gets that information from Accounting.

Mr. Fournier replied, "no."

Mr. Soli asked is there a warrant item for that \$75,468 PASNY?

Mr. Fournier replied, "no."

Mr. Soli said that there is an expense that is booked but there is no invoice or on the warrant.

Mr. Fournier said that this is an expense. For the residential customers, it is a credit to their bills.

Mr. Soli said it is shown as an expense, there is no invoice or warrant.

Mr. Cameron asked Mr. Soli where are we going with this?

Mr. Soli said that he is trying to understand.

Mr. Cameron said that this is an expense that we credit back to our customers; it does not go through the warrant. Mr. Cameron explained that it is credit that is calculated on the PASNY cost and plant that would replace PASNY according to law. The credit is given back to residential customers and someone has to pick up the expense otherwise the RMLD would be operating at below production costs. The expense is booked in purchase power and there is no invoice.

Mr. Pacino added that there is back up for this.

Mr. Soli said that all the others beside the \$75,000 go to pay real bills; is that right?

Mr. Cameron stated that there are invoices on the others.

Mr. Soli said that is sort of a ghost thing.

Mr. Cameron stated this is not a ghost thing. There is a calculation that is performed monthly done by Energy Services that he reviews which has been in place since the 1980's by law. The law says that the PASNY should be for the benefit of the residential customers and the calculation is similar to what other municipal electric utilities that have the benefit of PASNY power use. PASNY power is for states contiguous to New York State and includes all of New England.

Mr. Pacino added that this is subject to audit by the auditor and is confident they review it.

Mr. Cameron can provide an invoice if Mr. Soli would like one.

Mr. Soli commented that he has tried since September 19 to get an answer. Mr. Soli said that he has prepared a presentation on this because he has a problem with these calculations. Mr. Soli would like to show to this information to Board and the General Manager however; no one has got back to him.

Mr. Cameron stated they had a telephone conversation and Mr. Soli could come in to speak with him.

Mr. Soli has a presentation and no one wants to give him an audience.

Power Supply Report for the month of September 2008

Mr. Cameron said that the Power and Rate Committee should address the presentation before it comes to the Board.

Chair Hahn said that if this was brought up with other Board members, it is the first he has heard of this.

Mr. Soli said that on October 10 this was discussed with the General Manager.

Mr. Cameron responded and told Mr. Soli that he asked him to call Chair Hahn.

Mr. Pacino asked Mr. Soli what is the point of this discussion? Mr. Pacino said that if Mr. Soli has a problem, he should put in writing to all the Board members and they would respond to it. This is the first time he has heard of it.

Mr. Soli said that information was left in Chair Hahn's box.

Mr. Carakatsane commented on the fuel it was discussed that as quickly as fuel went up it came down. Mr. Carakatsane asked if Constellation as one of RMLD's major suppliers had some issues, which required Warren Buffet's infusion of money, and did that affect the RMLD?

Ms. Parenteau replied that they are monitoring their situation. They have been doing mark to market transactions and do not have exposure with them currently. The current contract they have is heat rate index it is priced at the market when you lock it in.

Chair Hahn commented that Mid America's acquisition has not closed yet.

Ms. Parenteau said that Constellation was placed on credit watch through Standard and Poors and have not fallen below investment rating. There are provisions within the contract that have performance clauses that would give the RMLD the ability to post if there was an issue.

Engineering and Operations Update for the month of September 2008

Mr. Sullivan presented the Engineering and Operations update for September 2008.

Ms. O'Neill asked if the RMLD has information on anyone who is on the system on special equipment?

Mr. Sullivan replied, "yes."

Mr. Pacino stated that if anyone has any special equipment, he or she should get in touch with the RMLD.

Mr. Sullivan commented that when GIS comes into place it will be on the circuit prints.

Ms. O'Neill asked about the status of GIS?

Mr. Sullivan replied that they recently completed a pilot project in Reading. Mr. Sullivan is working on proposals for the other towns the RMLD serves.

Ms. O'Neill asked about a timeline on the GIS project?

Mr. Sullivan said that he does not have this information.

Ms. Kearns asked that in the capital plan projects there was no activity to date because of Gaw.

Mr. Sullivan replied that Projects 5 and Projects 10 are scheduled for the first and second quarters.

Mr. Soli commented on the poles on Walnut and South Streets.

Mr. Cameron said that November 1 is Sunnyside then Walnut Street will be next.

Engineering and Operations Update for the month of September 2008

Ms. O'Neill asked Mr. Sullivan to update the Board on the Gaw project?

Mr. Sullivan provided an update on Gaw, the control wiring schedule has been received and reviewed, the control wires between the station yard and control house have been marked and identified, equipment spec has been received and reviewed, the legal notice will be placed on October 24. The first transformer 115 disconnect has been received for 110c transformer the remaining two disconnects have been ordered with delivery late November or early December. Existing capacitor and enclosures outside that existed have been removed in expectation of locating the 110c transformer foundation containment. The equipment control devices quotes have been received and reviewed. The RMLB is required to vote tonight for the award. Discussion between him and Waukesha indicate that the transformers are in manufacture and will be arriving by truck in December. Concrete barriers have been placed within the station yard to protect the existing 115-ring bus structure and underground tray from harm.

Ms. O'Neill said that last month the Board was told that the schedule was 45 days behind, what is the current estimate?

Mr. Sullivan said that as he had said in the prior month the schedule was aggressive, on some items it has slid to 60 days. They are planning to do a redo on the schedule he would like the construction spec beforehand.

Chair Hahn asked if the transformers are coming in on a low bed?

Mr. Sullivan replied, "yes" and will be craned in.

Mr. Sullivan said that on the Lynnfield transformers they received one bid from NSTAR for the transformers. Mr. Sullivan reported there were no bidders on the breakers.

M. G. L. c. 30B Bids

4X4 Pickup Truck – IFB 2009-8

Mr. Cameron stated that there were three bidders and the lowest bidder was not chosen. Two of the bidders did not meet the specifications for the captain's chair with the console. The person wanted this to use his laptop in the field. The other reason is the four wheel anti lock disc brakes. The difference in the bids is \$300.

Ms. Kearns commented that she does the payables each week and Stoneham Motor Co. has an invoice. Neither Liberty Chevrolet nor Robertson GMC Truck has any invoices. The RMLD is not selecting the lowest bidder and Stoneham Motor is a regular vendor. She asked if Liberty and Robertson knew how important the captain's chairs were and made aware of that requirement?

Mr. Cameron replied, "yes."

Ms. Kearns added also the requirement of the anti lock break requirement?

Mr. Cameron replied, "yes."

Ms. Kearns said that she couldn't believe that Liberty and Robertson do not have captain's chairs.

Chair Hahn commented that they did not bid it.

Mr. Soli said that you often get them off the state bid.

Mr. Cameron stated that if you get it off the state bid, you do not have to go through the competitive bid process. Mr. Cameron said that the state bid pricing was higher than the competitive bid process.

Mr. Soli made a motion seconded by Mr. Pacino that bid 2009-8 for one 4X4 Pickup Truck be awarded to: Stoneham Motor Co. for a total cost of \$26,050.00 as the only qualified bidder that meets the needs of the RMLD on the recommendation of the General Manager.

Motion carried 4:1:0. Ms. Kearns voted against this motion.

M. G. L. c. 30B Bids

Substation Relays – IFB 2009-7

Mr. Sullivan stated this invitation to bid went to seven bidders. Only one bid was received from Schweitzer Engineering Laboratories Inc.

Chair Hahn said that he would like to see more bidders.

Mr. Cameron said that the RMLD went through the competitive bid process because the bid is over \$25,000. The bid was mailed to seven companies that are in the business. Mr. Cameron said that in the past the RMLD has called the bidders as to why they did not bid. The Inspector General's office would not take exception because 30B was followed.

Ms. Kearns asked in the exception, in the risk of loss, the bidder says it is not their fault, was it in the bid?

Mr. Sullivan explained that is outside the warranty period.

Mr. Cameron said that if the RMLD is comfortable with the exception they can accept the bid because it is not a material change to the bid.

Ms. Kearns is concerned with the one-year warranty on the relays.

Mr. Sullivan said that the relays are tested.

Mr. Soli asked if the RMLD went out to bid for five gadgets that require installation?

Mr. Sullivan replied that is correct.

Ms. O'Neill said that the RMLD does business with WESCO, Graybar and Irby and asked why they did not respond. She asked the General Manager to inquire about this and inform the Board of the results at its next meeting.

Mr. Soli made a motion seconded by Mr. Pacino that bid 2009-7 for Substation Relays be awarded to: Schweitzer Engineering Laboratories Inc. for a total cost of \$36,112.00 as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 5:0:0.

Chair Hahn commented that the Rate Comparisons for October 2008 and the E-Mail responses to the Account Payable/Payroll Questions are in the Board book.

SCHEDULE FOR UPCOMING BOARD MEETINGS

Monday, November 10, Town Meeting

Wednesday, November 19

Wednesday, December 17

General Discussion

Statement of Chair Hahn

At a previous Commission meeting, this Board voted to approve an increase in our electric base rates, a vote that was opposed by only one member of this Board, Commissioner Soli. Since that meeting, that decision has been discussed in various public and private forums outside of this Board. Other issues, never discussed before this Board, have been raised in these forums.

Those of us that voted for this action have been falsely accused of several improprieties, including deliberately favoring large customers over small ones, overcharging schools, violating open meeting laws, and not following industry regulations.

Tonight, I wish to tell the citizens in the towns that we serve that these allegations are not true.

General Discussion

Statement of Chair Hahn

The Board has always acted, and will continue to act, fairly and in the best interest of all of its ratepayers and other stakeholders. I believe that the behavior of the dissenting Board member has been inappropriate, unprofessional, and unwarranted. I also believe that Commissioner Soli owes an apology to the other Board members.

However, whether the apology ever comes forth is not as important as finding a way to move forward in a professional and collegial manner, so to fulfill the responsibilities and obligations that this body has been charged with by those who elected us.

Therefore, I call for an end to this campaign against the Board and the public squabbling. I ask that Commissioner Soli identify all of the issues he would like to discuss, and to put them in writing, describing his position and the basis for it in as much detail as he can muster. This material should be submitted to the Board as soon as possible, so that it can be considered via the Board's normal procedures. I cannot predict the possible outcome from that process. I can and will guarantee that anything so submitted will be thoroughly analyzed and reviewed by RMLD staff, its consultants if necessary, the Power and Rate Committee, the CAB and the full Board.

It's time to move on. I ask the entire Board to embrace this approach.

General Discussion

Ms. O'Neill thanked Chair Hahn for his remarks.

Statement of Commissioner Pacino

Mr. Pacino said that he is disappointed how this issue has been raised by one of the members of the Commission, handled in the public forum the way it has been handled. He has been called and has returned phone calls. He is more than happy to return phone calls and explain the situation. The forums that have been used are not the correct forums. The Department of Telecommunications (DTE) in the Commonwealth is the correct forum if there is a problem here. These are trained people whose full time jobs whose knowledge is rate paying. We can manipulate the numbers anyway we like to favor anybody because there is a lot of allocation and standards here. I will go back to the time when we had the dispute with the Town of Wilmington. There was a legal case that was brought in court against us based upon this allocation. At that time, we demonstrated that we followed industry practices and that case got dismissed. It was brought by the commercial and industrial ratepayers in the Town of Wilmington. We demonstrated that we followed industry rules, which we are still doing. We should be very careful not to get away from the precedent we have set that was set back in the eighties going forward.

General Discussion

Ms. Kearns said that she adopts Chair Hahn's statement and recommendation.

Mr. Soli said that relative to the schools on October 11 he sent to the General Manager and all the Board members the data he had received in the Cost of Service Study provided to him by General Manager Cameron. Mr. Soli has not received acknowledgement that this was received. It is very clear, very detailed. Eleven days later he has not received acknowledgement it was received. The Fuel Charges are a big problem that needs to be looked at.

Chair Hahn said that put the apology aside, does Mr. Soli think he can put in writing what his concerns are?

Mr. Soli replied that he has a presentation to show what the problems are with the Fuel Charge.

Chair Hahn asked is the presentation in enough detail that someone could pick this up to understand this?

Mr. Soli replied that it needs words to go with it.

Chair Hahn asked Mr. Soli if he would be willing take the time to put the words down to show what the concerns are?

Mr. Soli replied he would be willing to make the presentation to put the words with it.

General Discussion

Chair Hahn asked again, if Mr. Soli can put the words down in advance of the presentation so we can see it? It would help us to understand the concerns.

Mr. Soli said the charts are very simple.

Ms. O'Neill said that the first step is to bring this to the committee level. Ms. O'Neill said that she received the information but could not understand it.

Mr. Soli said that he is happy to make the presentation before the committee.

Chair Hahn agrees it should go to the committee, but the information needs to be received beforehand. Chair Hahn would like the slide presentation with the words around it. It is a good way forward.

Mr. Soli said that this evening there was a presentation by an attorney from MEAM. He gave the charts and descriptions.

Chair Hahn stated in fairness to Mr. Rodophele he did not do to us what you did to us. Chair Hahn said he did not like it, it hurt, and it was not the right thing to do. Chair Hahn does not want to relive history; he wants to go forward from here. To him the best way forward is to have all your concerns in as much detail as you can. You still will have your opportunity to make your presentation at the committee meeting. The more information we get in advance we can have staff take a look at it. If necessary, our consultant from Virchow & Krause can look at it this information. It will help make the meeting where you make your presentation be more productive.

Mr. Soli said that the consultant had nothing to do with the Fuel Charge.

Chair Hahn is only offering that as a possible source of additional information that we can bring to this issue. Chair Hahn's intent is to put this behind us as quickly and efficiently as possible.

The date of November 15, 2008 at 10:00 a.m. was agreed to for the Power/Rate Committee meeting and on the date Mr. Soli would make his presentation.

Chair Hahn implores Mr. Soli to put his thoughts and concerns on paper.

Ms. O'Neill would like Mr. Soli's material at least two days ahead of time.

Mr. Pacino would like a copy of Mr. Soli's correspondence.

Mr. Soli said that he would like a response to his October 11 letter regarding the Coincident Peaks for the school and the data used in COSS Report that differ by a factor of three.

The letter will be scanned to all the Commission members.

Motion to Adjourn

At 9:20 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