

Tan Clark

Reading Municipal Light Board of Commissioners
Regular Session
230 Ash Street
Reading, MA 01867
February 18, 2004

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Start Time of Regular Session: 7:55 p.m.
End Time of Regular Session: 9:40 p.m.

Attendees:

Commissioners: Hughes, Pacino, Soli, Herlihy and Ensminger

RMLD Staff: Messrs. Cameron, Blomley and Fournier
Mses. Antonio and Gottwald
Mr. Kazanjian

CAB: Mr. Stevenin

Chairman Pacino called the meeting to order at 7:55 p.m.

This meeting of the Reading Municipal Light Department (RMLD) Board of Commissioners February 18, 2004 is being broadcast live at the RMLD's office at 230 Ash Street, Reading, MA. Live broadcasts are available only in Reading due to technology constraints.

This meeting is being video taped for distribution to the community television stations in North Reading, Wilmington and Lynnfield.

Minutes

December 10, 2003

Mr. Ensminger made a motion seconded by Mr. Hughes to approve the Regular Session meeting minutes of December 10, 2003 with the corrections presented by Mr. Soli.

Motion carried by a show of hands 5:0:0.

December 30, 2003

Mr. Ensminger made a motion seconded by Mr. Hughes to approve the Regular Session meeting minutes of December 30, 2003 with the correction presented by Mr. Soli.

Motion carried by a show of hands 4:0:1. Mr. Soli abstained, as he was not present at this meeting.

Report of the Chairman of the Board

Update on General Manager's Agreement

Mr. Pacino noted the General Manager's Agreement Subcommittee met before the meeting this evening.

Mr. Soli noted there are two vital issues they are in the process of deciding. One item is the methodology for rating the General Manager and using that methodology to determine a pay raise; they are not there yet. The second item is Exhibit B to the General Manager's contract each year sets forth goals and in many cases timetables for them to be met. They have embarked on them and hope to have this by early March.

History of Commission

Mr. Pacino was looking at the history of the Commission and he would like to share this with those in attendance. Mr. Pacino commented that the Commission started in 1895, and consisted of three members. Mr. Henry Robinson was the first seat; in his seat there have been fifteen Commissioners to occupy his seat. Mr. Frank Turner, who occupied this seat in years 1951-1957, later became a state representative. Mr. Pacino pointed out Winfred Spurr was a Commissioner for eighteen years and whom this room is named after, the sixth longest Commissioner. His successor was Allan Ames for twenty-seven years. Mr. Ensminger presently occupies that seat. The second seat is for Charles Abbott who served for two years. Then Henry Johnson 1926-1947, he is the third longest Commissioner. There are seventeen Commissioners who sat in that seat, and it is presently occupied by Mr. Hughes.

Report of the Chairman of the Board

History of Commission

Mr. Pacino added the third seat is occupied by A. Newton Harts who served 1895-1902. There have been fourteen Commissioners who have sat in this seat. In ninety-two years only seven Commissioners have sat in this seat. Mr. Flint sat in this seat for nineteen years, the fifth longest. Herbert Evans sat in this seat for twenty-seven years and is tied with Allan Ames for first in terms in length of service. Henry Johnson held this seat and John Crooker served for twenty-one years. Mr. Soli presently occupies this seat.

Mr. Pacino pointed out in 1987; under Charter reform two seats were added to this Board. Barry Hampson occupied the first seat and there have been three members to serve in this seat, which is Mr. Herlihy's seat.

Mr. Pacino added the other seat was his and he is the only one to sit in this seat. Mr. Pacino noted there have been fifty Commissioners to serve on the Board over time. The average Commissioner has served seven years. The longest serving Commissioner has won nine elections.

Selectmen Liaison, Citizens' Advisory Board and Customer Comments

Mr. Pacino polled those in attendance to see if there were any comments.

Mr. Stevenin replied he did not have any at this time.

Mr. Hughes heard earlier in the evening the Board of Selectmen was reorganized in January.

Mr. Cameron replied he is unsure.

Mr. Ensminger is unsure. Mr. Ensminger's recollection is that the Selectmen wait until June to reorganize. Mr. Ensminger added Mr. Cummings is still the liaison to the Board.

Action Item

Janitorial Services Bid

Mr. Cameron pointed out the janitorial services company the Department currently retains by contract will at the end of April. Mr. Cameron noted the Department went out to bid on this and the proper analysis has been performed.

Mr. Ensminger made a motion seconded by Mr. Hughes that Janitorial Bid 2003-14 for Janitorial Services to be performed at Town of Reading Municipal Light Department (RMLD) office buildings, substations, service centers, and warehouses at Ash Street in Reading, and substation buildings in Reading and North Reading be awarded to Commonwealth Maintenance Systems, Inc. (CMS) for a total cost of \$5,442.46 per month as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 5:0:0.

The 2004 Operating budgeted amount for this bid is \$103,200.00

Mr. Pacino inquired if this was the present contractor?

Mr. Cameron replied no, it is a new contractor.

Mr. Herlihy thought he was going to get a copy of the bid, he did not see it. Mr. Herlihy inquired how often the Department provided janitorial services to the substation, service station and warehouse? By this Mr. Herlihy meant things not in the building.

Mr. Cameron replied on a weekly basis. Mr. Cameron added in this building it will be done daily.

Mr. Hughes inquired on Commonwealth Maintenance Systems, Incorporated did the Department check them out and evaluate the track record?

Action Item

Janitorial Services Bid

Mr. Cameron replied all the bidders sent in references and all the references were checked out.

Mr. Soli asked if this a considerable reduction from the current contract?

Mr. Cameron replied there is \$103,000 budgeted for the janitorial services this year. Mr. Cameron replied the bid came in at under \$6,000 per month. Mr. Cameron added the Department cut down cleaning from six to five days in this building. Since the last contract the business environment and economy being down with more contractors chasing less business the pricing has been reduced. Mr. Cameron added the Department will save approximately \$28,000. The remainder will go to the bottom line.

Presentation (Vinnie Cameron)

Broadband Over Power Lines (BPL)

Messrs. Cameron and Hughes attended a presentation while at the APPA Legislative Rally. This seminar was held in Manassas, Virginia.

Mr. Cameron explained it is broadband over power lines to the house. There is no installation except for the repeaters and concentrators as well as the modems. Mr. Cameron added if anyone wants more information on this or wants to discuss this they should call him. Mr. Cameron commented that his plans are to get in contact with this company and set up a presentation.

Mr. Hughes added he and Mr. Cameron spoke to these people in length. Mr. Hughes wanted to impress upon the listening audience, fellow Commissioners and Department employees. Mr. Hughes commented that the RMLD was asked if they would kindly attend this presentation in Manassas. Mr. Hughes noted the Department should feel proud as they are on the map and a known commodity. Mr. Hughes pointed out in attendance at this presentation were representatives from Oregon to Maine. Mr. Hughes highly recommends this along with Mr. Cameron that they invite this presentation group up for a full presentation. Mr. Hughes noted the presentation is impressive.

Mr. Pacino asked if this would replace the broadband over cable in Reading or would it be a supplement?

Mr. Cameron replied if the Department were to go into this type of venture they would have to figure out the penetration rate it would have as far as many customers they could get. At the presentation in Manassas they are selling solely Internet at \$26.95 monthly. Mr. Cameron did emphasize at this point it is only involved with Internet. There is no voice or data. It is just Internet. Mr. Cameron noted he should mention there are all kinds of business models where you provide everything or just provide the infrastructure and one contractor provides the rest. The less you do the less revenue is obtained out of the \$26.95 monthly. It would put the Department in a position to be a competitor with ComCast. Mr. Cameron did point out however; the Department would not be providing all the services ComCast provides only the Internet portion.

Mr. Soli commented it looks like if you are twenty or fifty times faster than dial up which is 56 K, you are not as fast as broadband over cable.

Mr. Cameron replied probably not.

Meeting with Federal Energy Regulatory Commission

Mr. Hughes pointed out on another matter he wanted to discuss the meeting with the Federal Energy Regulatory Commission. Mr. Hughes added once again he and Mr. Cameron were asked to attend along with four other individuals by the FERC. Mr. Hughes noted at the FERC they met with the Honorable Suede G. Kelly who is a FERC Commissioner.

Mr. Hughes read a letter from Allen Mosher, Director of Policy Analysis, American Public Power Association (APPA) to the Honorable Suede G. Kelly, Commissioner at the FERC. On behalf of Vinnie Cameron, Bill Carnahan, Duane Dahlquist, Bill Hughes and Jim Majer, thank you for meeting with our delegation of APPA member executives this past Tuesday. You were very generous with your time and insight, and we appreciated the opportunity to visit with you. For your information, I have enclosed copies of the resolutions passed by our Legislative and Resolutions Committee.

Meeting with Federal Energy Regulatory Commission

Mr. Hughes added they were allocated a half-hour but Ms. Kelly spent over an hour and a half with them.

Mr. Cameron commented that Commissioner Kelly is a recently appointed Commissioner from New Mexico. Mr. Cameron added she did a lot of public power work in New Mexico. Mr. Cameron noted APPA took the opportunity to have an audience with each of the FERC Commissioners, which does not happen that often. The President of the United States appoints these positions. Mr. Cameron was contacted by APPA for this meeting. The others in attendance at this meeting were from such states as Kentucky, California and Ohio. Mr. Cameron noted the attendees were scheduled to get ten minutes to speak. Everyone was surprised that the meeting did in fact last for over an hour and a half. Mr. Cameron emphasized points mainly to do with the Independent System Operator in New England.

Mr. Cameron added he could not comment specifically on this case. Mr. Cameron expressed concerns on how important it is to keep the sanctity of NEPOOL and the NEPOOL Agreement the way it is. Mr. Cameron also pointed out how the governance right now in NEPOOL is proper and public power having a twenty percent vote is very important. Mr. Cameron emphasized what Mr. Hughes said that you do not get a chance to talk to these people very often. Mr. Cameron noted you do not see these people at the FERC that often and do not have much contact with them at all. Mr. Cameron noted the Department's Washington lawyer firm for the FERC, Mr. Coyle thought it was a great opportunity.

Mr. Hughes noted Commissioner Kelly is of the mind set if it is not broken then do not fix it. Mr. Hughes is under the assumption it is not broken.

General Manager's Report December Financials

Mr. Cameron stated the Commission asked for a pro forma year-end Financial Statement.

Mr. Fournier added these are the unaudited figures for December 31, 2003. Mr. Fournier noted that the RMLD's auditors Melanson & Heath were in here last week. Mr. Fournier pointed out they have finished their fieldwork and there are just a few loose ends they need to tie up, but basically they completed their audit. Mr. Fournier added these are preliminary numbers and there are a few adjustments.

Mr. Pacino asked Mr. Fournier if he knew when the Audit Committee for the Town of Reading was meeting to discuss the findings. Do you have a date?

Mr. Fournier replied he has not set anything up. Mr. Fournier did add there is a deadline for the audited numbers for the Annual Report. Mr. Fournier needs final numbers approved by the Board by Monday, March 15.

Mr. Pacino inquired if Mr. Hechenbleikner has been contacted to set up a meeting with the Audit Committee?

Mr. Cameron replied he is meeting with Mr. Hechenbleikner tomorrow and will discuss this with him.

Mr. Fournier noted on Page 3A, Total Revenue for the year \$58,600,000, which includes the \$3.0 million Rate Refund, Purchase Power Adjustment of approximately \$3.6 million and Fuel Revenue pass through. The total kilowatts sold increased by 15 million, to 696 kWh.0 Base revenues were \$6 million under budget because of the PPA, rate refund and the rates being levelized and decreased in June. Total operating expenses came under budget by about \$500,000 for a total of approximately \$56 million. Purchase power base expense was under budget by about \$90,000. Operating expenses increased by about three percent. Mr. Fournier noted such items as Line Miscellaneous Labor which includes the Line Department and their down time due to weather, vacation and sick time. Accounting and Collection was up by \$83,000, which was due to the new computer system software because more work was expensed than capitalized. Another increase was due to the large Pension Trust contribution made in December. Mr. Fournier pointed out the expenses, which came down such as the Professional Services (legal expenses) \$168,000 under budget, Property Insurance \$258,000 under budget and Miscellaneous General \$122,000 under budget. Mr. Fournier highlighted such items as Other Income, Interest and Dividend Income, Total Miscellaneous Deductions.

**General Manager's Report
December Financials**

Mr. Fournier noted on the Outside Streetlights this year the Department made a very small profit of \$183. Mr. Fournier added total Net Income for fiscal year 2003 is approximately \$2.8 million.

Mr. Soli inquired about Page 1, Total Electric Utility Plant of \$51 million and change. Is that the number the Department bases its eight percent on?

Mr. Fournier replied yes. This is one of the numbers used in the calculation. Mr. Fournier added based on the Melanson Heath adjustments if the Board decides to meet the eight percent, the transfer from the Rate Stabilization Fund to the Operating Fund would be \$2.5 million as it stands now using these numbers.

Mr. Soli asked is the eight percent of the \$51 million or is it more to it than that?

Mr. Fournier replied it is investment in associated companies and he has backed out the contributions in aid of construction to arrive at the allowable eight percent on net income return is. Mr. Fournier added it is a piece of the number and not the only number he looks at.

Mr. Soli inquired on Page 3A, the budget was \$5.2 million bottom line Net Income?

Mr. Fournier replied, yes.

Mr. Soli noted he was trying to correlate this to eight percent of \$51 million which was about \$4.1 million.

Mr. Cameron replied you couldn't do this, as there are other items that are taken into consideration. Mr. Cameron noted the \$5.2 million is not the total eight percent as there other items which come out of this before the Department makes its eight percent income. Mr. Cameron mentioned the variance between the actual versus budget is approximately \$2.4 million and right now is pro forma number. Mr. Cameron added when the Department levelized the rates in June that was not included in the budget. Mr. Cameron pointed out that Vermont Energy Ventures said if the Department levelizes its rates in June revenues would take the biggest hit.

Mr. Soli added the Cost of Service Study would project what the Department will do for the future.

Update Cost of Service Study (COSS)

Mr. Cameron added the Cost of Service Study the Department is in final draft form. Mr. Cameron noted the Department is settled on the rates. Mr. Cameron commented the Executive Summary and report are written. Mr. Cameron is hoping this will come out in March. Mr. Cameron pointed out the go live date for the new computer system is still March 1. Mr. Cameron remarked that the Department does not want to jam new rates into the system. Mr. Cameron highlighted that the difference between the current rates and the new rates is not much different. Mr. Cameron added there would be differences in the commercial rate and differences in the school rate. Mr. Cameron cautioned that there is no urgency to get these new rates into effect until the new billing system is live and running for a few months. Mr. Cameron wants the Department to walk before it runs.

Mr. Soli inquired if the projected to go live date is for a March cutover?

Mr. Cameron replied yes. Mr. Cameron pointed out the go live date is March 1. Mr. Cameron added the employees have been working feverishly on this.

NEPOOL ICAP Issues

Mr. Cameron pointed out this issue has been ongoing for about six months. Mr. Cameron explained Installed Capability in the NEPOOL.

General Manager's Report NEPOOL ICAP Issues

Mr. Cameron noted FERC has ordered that the ISO New England to file LICAP which is Locational Installed Capability which means if an area is congested such as the NEMA zone is the LICAP would cost more. If the area were not congested you would pay a lower market price. Mr. Cameron noted there is a lot of consternation in NEPOOL right now. The Markets Committee was dealing with this. There is going to be a Participant's Committee meeting on Friday. Mr. Coyle will be representing the RMLD, Braintree, Taunton and Wellesley. It will be pivotal on Friday to see whether the filing ISO will pass the Participant's Committee.

Mr. Cameron noted if it does not pass the Participant's Committee the ISO would file something because they have been ordered by the FERC to make a filing by May. Mr. Cameron added if that should occur the filing would contain the caveat that this is a filing for Locational ICAP, however, a majority of the Participants Committee disagrees with it. Mr. Cameron added this has happened before. Mr. Cameron noted only twenty percent of NEPOOL members agree with the filing before the FERC. Mr. Cameron added it does not make sense that a large majority of the participants do not agree with the filing. Mr. Cameron noted it has to do with money and governance. Mr. Cameron will update the Board.

Addendum to Policy 12, Board Documents Dissemination

Mr. Cameron noted there is an addendum to Policy 12, Board Documents Dissemination. Mr. Cameron pointed out what the policy has to do with is the disseminating documents under the Freedom of Information Act. Mr. Cameron added the Board never had a policy for disseminating Executive Session minutes. Mr. Cameron noted the CAB has taken this up as well and it is a good idea for the Board to do so as well. Mr. Cameron has a draft for the Policy Subcommittee and it is important to do this because the changes are based on the Open Meeting Laws in Massachusetts.

Letter from Den 2 and Den 12 North Reading Cub Scouts Pack 729

They are thanking Ms. Gottwald and Maillett for their tour and presentation at the RMLD.

Ms. Gottwald commented this is a thank you letter from the Cub Scouts to Department.

Letter from Daisy Girl Scout Troop #3734, Killam School Reading

They are thanking Ms. Gottwald and Maillett for their presentation at on electrical safety at the Killam School.

Ms. Gottwald commented this is a thank you letter from the Girl Scouts to the Department.

Mr. Hughes reiterated this is proof of the Department reaching out to the communities, both Ms. Maillett and Gottwald going out to schools as well as tours being offered at the RMLD.

Board Discussion

Rate Comparisons, February 2004

Mr. Cameron noted for February the Fuel Charge decreased to 4¢ per kilowatt-hour. Mr. Cameron added it did not get the Department below Peabody or Middleton on the residential side. The Department is still ten to twelve percent above them. Mr. Cameron added the Department is below NSTAR and Massachusetts Electric and five percent below Wakefield. Mr. Cameron added on the Residential Time of Use the Department is above Middleton and Peabody, although the Department is getting closer. In the Commercial side the Department is below everyone except Middleton. Mr. Cameron also added the Department in the Commercials is three percent higher than Middleton and is seven percent higher in Industrial Time of Use. Mr. Cameron also added the Department is endeavoring to get the Fuel Charge down.

APPA Legislative Rally (Vice Chair Hughes)

Mr. Hughes added he as one Board member and attendee pointed out the Department is fortunate to have Mr. Coyle from Duncan, Allen as our Washington firm. Mr. Hughes was impressed by Mr. Coyle's handling of the Legislative Aides. Mr. Hughes added they did get a chance to speak with Mr. Tierney very briefly. Mr. Hughes commented that the Reading Municipal Light Department is well respected in Washington, DC. Mr. Hughes commented the Department was well received on all levels.

Board Discussion

APPA Legislative Rally (Vice Chair Hughes)

Mr. Cameron wanted to add the hot issues in Washington, DC in addition to the ISO issues before the FERC is the issue of the Energy Bill that was killed last year. Mr. Cameron added there are some provisions in that bill that may not be good for public power such as tax issues, and the Public Utility Holding Company Act.

Mr. Cameron commented there is more work to do on the Energy Bill side and the Locational ICAP issue. Mr. Cameron added they did meet with the Legislative Directors for Markey and Tierney who get into the detail of the issues and make recommendations. Mr. Cameron added it was a very successful trip and worthwhile. Mr. Cameron commented it would not hurt to follow up with these individuals locally.

Mr. Herlihy added along those lines of following up that no Congressman has more municipal electric utilities in his district than John Tierney. Mr. Herlihy pointed out the Department's proximity to two nearby Congressional districts, which would provide an opportunity to meet at the RMLD with the other municipal utilities. Mr. Herlihy added there could be a roundtable discussion here with the other municipal utilities and the representatives.

Mr. Cameron commented he thought Mr. Herlihy's idea was a good one. Mr. Cameron noted he will go forward this.

Mr. Hughes added he was going to cover this before Mr. Herlihy addressed this. Mr. Hughes commented it is good to have them up here to have a roundtable meeting.

Mr. Herlihy asked along with the change for the computer system there is going to be a change in the Department's web site?

Mr. Cameron replied there is a budgeted item for the website. Mr. Cameron added the Department has not gone forward with this because MIS has been concentrating on the new computer system.

Mr. Herlihy noticed while he was on the Department's website some interesting language that suggests the Department's low rates has to do with our partnership with Energy New England. Mr. Herlihy would like this changed.

Mr. Cameron replied it will be done.

Next Meeting Dates

RMLD Board of Commissioners Meeting

Tuesday, March 9, 2004

Tuesday, March 23, 2004, Joint Meeting with the Citizens' Advisory Board on Cost of Service Study

Mr. Cameron added on March 23 there will be a Rate Subcommittee meeting in the afternoon.

RMLD Board of Commissioners Subcommittee Meetings

General Managers' Agreement, Subcommittee, February 27, 9:00 a.m.

Public Relations/Community Relations Subcommittee, March 3, 7:00 p.m.

Audit Subcommittee Meeting, March 9 before the RMLD Board meeting.

The Audit Subcommittee and Policy Subcommittees will schedule out accordingly.

Mr. Herlihy exercised a point of order. When does the Board Subcommittee reorganization take place?

Mr. Pacino replied the Board traditionally reorganizes the meeting after the election in March.

Mr. Herlihy's concern is having Subcommittee meetings set up and members changing due to the reorganization.

Mr. Pacino commented, the meetings need to be set up and having the effective date of the reorganization occur after this.

RMLD Board Rotation at Citizens' Advisory Board (CAB) Meetings

Mr. Stevenin replied their next meeting is the joint meeting with the RMLD Board.

Executive Session (General Manager's Conference Room)

At 9:00 p.m. Mr. Soli made a motion seconded by Mr. Ensminger that the Board go into Executive Session to discuss strategy with respect to litigation, and discuss collective bargaining and to return to Regular Session for the sole purpose of adjournment.

Motion to Adjourn

Executive Session (General Manager's Conference Room)

Mr. Pacino called for a poll of the vote:

Mr. Soli Aye; Mr. Herlihy Aye; Mr. Pacino Aye and Mr. Hughes Aye; and Mr. Ensminger Aye.

At 9:40 p.m. Mr. Soli made a motion seconded by Mr. Herlihy to adjourn the Regular Session.

Motion carried by show of hands 5:0:0.

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

Daniel A. Ensminger, Secretary
RMLD Board of Commissioners