

Reading Municipal Light Board of Commissioners
Executive Session
230 Ash Street
Reading, MA 01867
March 16, 2005

Start Time of Executive Session: 8:47 p.m.
End Time of Executive Session: 9:55 p.m.

Attendees:

Commissioners: Pacino, Soli, Herlihy and Kearns
RMLD Staff: Mr. Cameron and Ms. Antonio

Arbitration Update

Mr. Cameron explained to the Board that he had already addressed the Arbitration issue in a prior Executive Session, but Commissioner Kearns was unable to attend that meeting. Mr. Cameron went through the series of events, which precipitated the filing of the Arbitration. The Arbitration involved the closing of the Department on the day after Christmas, December 26, 2003. Mr. Cameron pointed out that there were two e-mails sent to all employees initially on March 20, 2003, by himself then on September 22, 2003, by Ms. Antonio with the same verbiage. Mr. Cameron added he spoke to the three union representatives on this closing with the offer to all employees borrowing a day from 2004 if need be to cover this day. The management union was formed, but there was no formal contract in place at that time. Mr. Cameron mentioned one of the union representatives did tell him that he was unsure how this would be accepted but is no longer in this position. Mr. Cameron has concerns about the arbitrator and the outcome of the Arbitration.

Ms. Antonio agreed with Mr. Cameron on this.

Ms. Kearns suggested strategies to the Department, which they could utilize on such issues.

IBEW Local 103 Vehicle Issue

Mr. Cameron told the Board he spoke to Mr. Hechenbleikner last week as well as last evening, Tuesday, March 15 before the Selectmen's meeting to see if the Town has possibly changed its mind on the vehicle fringe benefit options. Mr. Cameron stated that Mr. Hechenbleikner will get back to him before the end of the week.

FERC/RTO Issues Conference Call with John Coyle, Duncan & Allen

Mr. Cameron called out on the speakerphone to Mr. Coyle.

Commissioners Kearns, Herlihy, Pacino and Soli introduced themselves to Mr. Coyle.

Mr. Cameron asked Mr. Coyle to brief the Board in detail on the ongoing cases he is handling at the FERC. Mr. Cameron then handed out a memo on the Current RMLD FERC Legal Activities – Budgets and Cost-Benefit Assessments and a spreadsheet with the costs broken out. Mr. Cameron stated he has a fiduciary responsibility to the ratepayers, which includes protecting them on the legal side from anything that would have any negative impact on them. Mr. Cameron is concerned that lack of representation at the FERC on the current viable issues will result in an adverse financial impact to ratepayers. At this time, Mr. Cameron's biggest concern is the ISO, who have developed filings and sent them to the FERC without any cost benefit analysis being performed. The cases handled by Mr. Coyle differ from an Massachusetts Commission Against Discrimination case because the RMLD is protecting itself from the ISO.

Ms. Kearns stated she is concerned that the Department may be too far out there with the burden charged to the second lieutenants as held true in the Vietnam War. Ms. Kearns is concerned how long does the Department sustain the fight then run out of money. The Commissioners have a responsibility to the ratepayers. Ms. Kearns saw this month's legal bill of \$44,000.

Mr. Coyle replied that he has developed a cost benefit on each case and a white paper analysis is performed before moving forward with it. Mr. Coyle, as a matter of ideology, reviews each case to see if there is a significant financial impact to the RMLD's customers before suggesting to pursuing them. Mr. Coyle pointed out currently at the FERC there are four big pieces of litigation, which could significantly have a financial impact on the RMLD's customers. The legal expenses may appear extraordinary but he is in the middle of two trials, which are back to back within a two-month timeframe. Mr. Coyle noted that the current level of expenses will taper off. Mr. Coyle explained the current cases he is handling are the RTO New England and its Consequences, "Reliability Must Run", Locational Installed Capability (LICAP), Salem Harbor and Transmission Owners' Return on Equity.

FERC/RTO Issues Conference Call with John Coyle, Duncan & Allen

Mr. Coyle explained each of the cases to the Board and their impact to the Department. The case, which would most negatively impact the RMLD, is LICAP. Mr. Coyle pointed out that the General Manager is very prudent when it comes to cost containment. It is not the death and glory mentality. Mr. Coyle reiterated that the cost benefit analysis is always performed up front with the RMLD

Mr. Herlihy stated that the Board is charged with oversight and when there are significant legal expenses they are compelled to address them. Mr. Herlihy likes to have updates, such as the interchange currently going on. Mr. Herlihy's concern is that of those who do nothing in the municipal sector, which sit on the sidelines but get a direct benefit from the Department's litigation efforts.

Mr. Coyle replied that does unfortunately happen. This has happened on cases the RMLD has been involved with but it cannot deter the RMLD. Mr. Coyle pointed out however, there are cases in which the burden of such expenses is spread out with other municipals who have decided to pursue such cases with the RMLD.

Ms. Kearns is concerned about losing a case in which there is a large financial commitment attached to it. Also, she wants to know if it is a cycle of more lawsuits in the future.

Mr. Coyle addressed this by noting that alternatively the cost of doing nothing may cost you substantially more and the consequences of this would be borne by the ratepayers.

Mr. Cameron then addressed the cost and the delta associated with such cases.

Ms. Kearns then addressed the cost.

Lengthy discussion ensued about the advent of deregulation in 1997 how it impacted the market then up until the present time.

Mr. Pacino pointed out the Pilgrim case that Mr. Coyle handled in 1998 and the results of settling this case reaped excellent financial benefits for the ratepayers.

Mr. Cameron added the cost of the Pilgrim case was paid back within a year.

The consensus of the Board was to proceed forward with the cases presented by Mr. Coyle.

Motion to Adjourn

At 9:55 p.m. Mr. Soli made a motion seconded by Ms. Kearns to return to Regular Session.

Motion carried 4:0:0.

Mr. Pacino called for a poll of the vote:

Ms. Kearns, Aye; Mr. Herlihy, Aye; Mr. Pacino, Aye; and Mr. Soli, Aye.

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

Andrew K. Herlihy, Secretary Pro Tem