

Reading Municipal Light Department

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06/08/2009 Power Contracts, Rate Setting, Green Power Committee Regular Session

Reading Municipal Light Department (RMLD) Board of Commissioners Power Contracts, Rate Setting, Green Power Committee Regular Session Minutes June 8, 2009

Start Time: 7:35 p.m.
End Time: 9:35 p.m.

Attendees:

Committee Members: Mr. Hahn, Ms. O'Neill, and Mr. Soli

RMLD Board: Ms. Kearns

CAB Member: Mr. Vale

RMLD Staff: Mr. Cameron, Ms. Parenteau, and Mr. Seldon

Mr. Hahn called the meeting to order at 7:35 p.m.

Mr. Cameron explained that the RMLD was providing an update of the Deferred Fuel Cash Reserve (DFCR) analysis, which demonstrates the recommended level of funding, required to back up the fuel charge.

Deferred Fuel Cash Reserve - Updated Analysis of Balance

Ms. Parenteau said that the RMLD had performed an analysis to determine the appropriate DFCR level given the RMLD present fuel costs, related energy expenses and the historic fluctuation in the natural gas market. Ms. Parenteau explained that the RMLD has entitlements in power plants and have medium term power supply agreement that have fixed prices or locked into the natural gas prices. Therefore, the RMLD's exposure to price fluctuations have been minimized over the years. However, the RMLD still has over 20% of its power supply in the day-ahead market and is subject to price fluctuations. Ms. Parenteau explained that the DFCR stabilizes the fuel charge on an ongoing basis. Further, Ms. Parenteau has had discussions with the Customer Specialists and the Key Account Managers and both have said that the customers desire to have stable rates with no large price spikes. Ms. Parenteau reported that Mr. Cameron had performed statistical analysis of the natural gas wellhead prices from 2000 to present and found that the average price during that period was \$5.42 with the standard deviation of \$1.90, resulting in one standard deviation price movement of 36%. Based on these statistics the RMLD looked at a "worst case" price movement around the mean of the August gas price.

Mr. Soli pointed out that the unit fuel price trend in Table 1 and the fuel cost and revenues shown in Table 2 do not seem to reflect the same pattern. Discussion ensued. Ms. Parenteau said that she would review the data to see if there is an inconsistency in the data.

Mr. Soli pointed out in Table 1 that the fuel charge shown was higher than what was actually charged to the customer. Mr. Cameron asked if Mr. Soli was referring to the PASNY Credit issue. Mr. Soli replied, "yes." Mr. Cameron explained that all customers are charged the same fuel charge amount, however, the residential customers also received the PASNY credit monthly, which is received in the form of the our (not clear here) credit.

Discussion ensued.

Ms. O'Neill made a motion seconded by Mr. Hahn that the Power Contracts, Rate Setting, Green Power Committee recommend to the RMLD Board to increase DFCR level to between \$2.5 to \$2.9 million.

Motion passed: 2:0:1. Mr. Soli voted against the motion.

Ms. Parenteau then explained the RMLD's most recent power supply purchase. On May 28, 2009, the RMLD asked suppliers to bid for certain amounts of monthly power supply for the period 2010 through 2013. The lowest bidder was McQuarie Cook LLC out of New York and Houston, who are owned by a large Australian bank.

Ms. Parenteau then updated the Committee on the progress of the BELD Watson Generating Unit. Ms. Parenteau said that the plant is presently in the process of being commissioned and should be on-line in July, 2009.

Ms. Parenteau then updated the Committee on the progress of the Taunton Municipal Light Plant's proposed generating plant. At the present time, there isn't much activity concerning the RMLD because the ownership group is trying to get their agreements together.

Mr. Seldon then updated the Committee on the Middleton Generating Unit project. Mr. Seldon said that an update meeting had been held at the RMLD on May 27, 2009. There were approximately 15 municipal light departments that attended the meeting.

Mr. Cameron said that Mark Kelly, Middleton Electric Light Department (MELD) General Manager, Alan Rice, PLM Consultant, and himself attended a kick off meeting with ISO-NE to discuss the Middleton Generating Project today. Mr. Cameron reported that the meeting went well.

Mr. Cameron then explained that he had received answers on the questions he posed to Mr. Mark Sylvia, Director of the Green Communities Act (GCA) Program. Mr. Cameron said that after reading the answers he had more questions about the GCA. Mr. Cameron said that he will be sending more questions back to Mr. Sylvia soon.

Mr. Cameron updated the Committee on the Town of Reading's Energy Conservation Program. Mr. Cameron said that he and staff met with Mary DeLai, Town of Reading Finance Director and Human Resources Manager, Beth Greenblatt, Beacon, LLC, a consultant to the Town of Reading, and Bob LaLecheur, Assistant Town Manager, to discuss the Town's energy conservation initiative. Mr. Cameron said that the Town of Reading was looking for funding from the RMLD for proposed energy savings, however, Mr. Cameron told Ms. DeLai that the RMLD would analyze the report and determine the value of the demand reductions to the RMLD and get back to them. Mr. Cameron also stated that a large part of the energy conservation initiative involved retrofitting energy efficient lighting and other energy efficient lighting, which the RMLD does not recommend and will not give rebates for. However, the RMLD is analyzing the report and will get back to the Town of Reading with an answer on the rebates by June 12, 2009.

Mr. Vale then asked if he could discuss the building code standards for new or substantially renovated buildings in the service territory. Mr. Vale said the building codes make construction more expensive and the builders may not want to go along with it.

Discussion ensued.

Motion to Adjourn

Mr. Hahn made motion seconded by Ms. O'Neill to adjourn the meeting.

Motion carried 3:0:0.

At 9:35 p.m. the meeting adjourned.