

**CITIZENS' ADVISORY BOARD
MEETING MINUTES
Regular Session**

TIME: 6:30 P.M.
DATE: Tuesday, April 14, 2009
PLACE: North Reading Town Hall, Room 10, 235 North Street, North Reading
PRESENT: CAB: A. Carakatsane, Chairman, (Lynnfield), J. Norton, Secretary, (North Reading),
Q. Vale (Wilmington), T. Sopchak, (Reading), G. Hooper (Wilmington)
RMLD Board: Chair Hahn
RMLD Staff: V. Cameron, R. Fournier, J. Parenteau, K. Sullivan, B. Antonio, P. O'Leary

1. Call Meeting to Order – A. Carakatsane

Chairman Carakatsane called the meeting to order at 6:32 P.M.

2. FY2010 Operating Budget – V. Cameron, R. Fournier

Mr. Carakatsane suggested voting on the Capital Budget before discussion of the Operating Budget.

Mr. Norton made the following motion seconded by Mr. Hooper:

MOVE that the CAB recommend to the RMLD Board of Commissioners the First Draft of the FY10 Capital Budget in the amount of \$6,533,256 dated April 1, 2009. Any significant changes are to be submitted to the CAB for review and recommendation.

Motion carried 4:0:1. (Ms. Sopchak abstained.)

Mr. Cameron referred to his Executive Summary and the Six-Year Plan included in the front of the Operating Budget binder. He stated he tried to hold the non-power supply expenses at the FY09 budget levels. He noted that the staff did a great job in keeping the expenses down, and came within \$192,000 over last year's level. One of the items that had to be recognized this year is the post-employment benefit funding, which this year is in the Operating Budget for \$377,000. If the Department did not have to recognize that liability, the FY10 budget would have been below the FY09 budget.

He added the staff is recommending increasing the Purchase Power Adjustment (PPA) from approximately \$.03 in 2009 to \$.051 in 2010.

Mr. Fournier referred to the sheet (see attached) he distributed entitled 2010 Operating Budget-Draft 1 dated 4/14/2009. It summarizes the major points of the FY10 Operating Budget Book. Mr. Fournier noted that the sheet shows that the RMLD is a high fixed cost organization and explained that although the total expenses are about \$87,000,000, if you deduct the fixed costs of \$76,154,779 and the semi variable costs of \$7,661,504, a total of \$3,131,092 or less than 4% of the budget is left to adjust.

Purchase Power

Ms. Parenteau referred to Page 4 under the Summary tab, which lists the various projects that the RMLD is contracted with. Projects are broken down by capacity payment, energy payment, and transition payment. Following are the highlights:

- Overall fuel is down significantly and that would be a pass through by the fuel charge adjustment and the department would be using the deferred fuel cash reserve.
- Fuel charge is anticipated to be in the mid \$.06 range. Currently it's about \$.059 and was at a high of \$.095.
- Overall capacity has increased approximately \$1.95 million as a result of the forward capacity market and the transition payments that the RMLD is obligated to pay. This rate is going from \$3.75 kW month to \$4.10 kW month.
- The Watson unit is coming on-line.

- Hope to receive PASNY credits in June to be applied in FY10, which has an overall cost of about \$1.9 million.
- Capacity and transmission are allowed to be covered through the PPA.
- A projected estimate for transmission includes a 17% increase for the R&S payment.
- The Capacity component is around \$26 million, which is about \$2.5 million higher than last year.

Mr. Hahn asked about the 17% increase.

Ms. Parenteau has not received any official document regarding the increase, but she believes the increase is accurately reflected.

Mr. Cameron explained that the transmission is under a tariff that has to be paid, and there is not much that the RMLD can do about the increases.

Mr. Parenteau stated that one thing the Energy Services Division (ESD) will be working on is lowering the peak demand monthly to manage the costs.

Business Division

Mr. Fournier first made a few points:

- It is not a line item budget. Individual expenses are listed by line to give the reader a better idea of what makes up the number. If an expense is exceeded in one account and not another, it does not mean the money has to be spent.
- If the account is overspent, it is reported at the monthly meetings.
- If the money is not spent, it goes to the bottom line.
- One good storm or some unfortunate incident can throw the budget in a week.
- Salary increases are based on calendar year so there is a 2% increase from January through June 2010.
- Post employment benefit must now be accounted, and the Department made its first payment in FY09 and the FY10 payment is included in the budget.
- Pension contribution amount is not as high as it usually is due to the hit it took last year on the RMLD's investments. An actuarial study will be done in FY10.

Accounting

Mr. Caraktasane stated there was a large increase in supplies and office supplies, and asked if it were something planned.

Mr. Fournier replied that under the supplies on page 3, there is an increase in postage and an adder in the town hall services. On the office supplies on page 4, the \$222,000 is the Department's baking fees including credit card fees.

Discussion ensued.

Mr. Norton asked how much (by percentage) is the Department up over last year with non-payment.

Mr. Fournier explained how difficult it is for many customers including loss of jobs, illnesses, etc. He stated he has increased the bad debt in Customer Service to \$150,000 from \$75,000-\$100,000.

Discussion ensued.

Mr. Carakatsane noted the increase in Outside Services.

Mr. Fournier explained the account.

Customer Services

Mr. Fournier stated that one change on page 6 under Labor where it says Less: Eng Audits Tier 1 (10.0%) is going to Energy Services/Energy Conservation Program.

Mr. Fournier noted that since Atlantic Supermarket is closed and the RMLD's pay station gone, Town Hall offered their mailbox be used as a pay station for the convenience of RMLD customers.

Management Information Systems

Page 9 – Head count is reduced by one; training went down since one employee received his degree.

Discussion ensued.

Miscellaneous Income Deduction

Page 12 - 3% depreciation based on the projected net plant as of June 30; 2% voluntary payments to the four towns again based on the net plant and kWhs sold; customer deposits interest expense; payment to the town of Reading based on the CPI; book loss on disposal of assets (mainly transformers); interest expense bonds-last payment due on September 1; amortization debt expense-cost the RMLD pays to procure bonds, which will also disappear after bond is paid.

Energy Services Division

Ms. Parenteau stated that excluding labor the overall ESD budget has gone down about \$92,000. She detailed the decreases.

Discussion ensued.

Ms. Parenteau continued with explaining that the Residential and Commercial Conservation Programs have been added to the ESD budget. She said that the Energy Efficiency Engineer is on board and his time is split between the Residential, Residential Other, Commercial, and Commercial Other Conservation Programs. She noted that the Residential Rebate has been increased from \$60,000 to \$70,000 and the Residential Energy Audits from \$24,000 to \$25,000 as more customers try to look for ways to save money.

Mr. Carakatsane stated that the Department does recover the costs through the energy conservation charge.

Ms. Parenteau stated that is correct and there is a separate line item on the bill so that those dollars will be funding those programs.

Mr. Fournier referred to Page 1 of the Summary under Operating Revenue where there is a separate line for Energy Conservation for \$593,000. The programs are basically a pass through.

Discussion ensued.

Engineering and Operations

Mr. Sullivan reported that the E&O Division is down about 9.8% according to the three-year average and about 8% from FY2009. Two positions were cut (through attrition)--a station operator and a troubleman, which speaks for a large part of the deduction.

Mr. Norton asked with the reduction of one troubleman, are the same hours of service covered?

Mr. Sullivan replied that the weekend hours have been abbreviated, 8:00 A.M. to 8:00 P.M. Saturday and Sunday, as opposed to 7:00 A.M. to 11:00 P.M.

Mr. Carakatsane asked if an on-call employee covers the other hours?

Mr. Sullivan replied, "yes".

E&O Manager Department

There is a \$53,000 reduction due to the reallocation of the Operational Assistant- Engineering to the Engineering Department.

Engineering

Currently there are four employees and there will be five employees.

Line Department

There is a reduction from \$2.1 million to \$1.8 million and that is the split between Operating and Capital.

Mr. Carakatsane asked about tree trimming.

Mr. Sullivan replied there is a reduction—this year there will be one crew versus one and one-half last year. Mr. Sullivan noted that if there were a need, the department would hire another crew.

Mr. Norton expressed his concern about cutting it too far due to what happened to our northwest neighbors and Unitil during and after a storm. He does not want to see tree trimming cut back any further.

Mr. Carakatsane asked about maintenance of streetlighting and asked if towns were cutting back on streetlights again as they did in the early 2000s?

Mr. Cameron replied that none of the towns have reduced their streetlights.

Ms. Sopchak asked about 5593 on the AC Summary sheets and its reduction.

Mr. Sullivan stated that this item speaks to a capital/operating budget split and reduction of police details.

The overtime is up about \$60,000 because in annualizing the number, we felt the figure was not where it should be in 2009.

Staffing includes a total of 19 lineman, which puts it below 2008 staffing of 21. There are three apprentices with an opening for a fourth and one opening for a first-class lineman.

Mr. Norton asked how many hours did the troubleman actually work in a week?

Mr. Sullivan replied that without overtime, 40 hours.

Mr. Norton asked with overtime?

Mr. Sullivan replied it varied.

Mr. Norton asked if we were covering two people per day?

Mr. Sullivan replied that there are two shifts per day, 7:00 A.M. to 3:00 P.M. and 3:00 P.M. to 11:00 P.M., with the rest of the hours covered by stand-by.

Mr. Norton asked that if the department is down one troubleman and an off-hour situation arises, and if the two troublemen are not available, who does it go to next?

Mr. Sullivan replied that the entire line department (those who are qualified) has been enabled to fill in for the troubleman. Basically most of the linemen (12) minus the apprentices are qualified.

Mr. Norton's concern was not having enough coverage.

Mr. Vale questioned the clothing line allowance.

Mr. Fournier explained that the crews now have fire retardant (FR) clothing that must be purchased so the clothing allowance line is no longer. The FR clothing is under general expense.

Ms. Sopchak asked about hiring an additional employee instead of having overtime.

Mr. Sullivan responded that this is an analysis done depending on the cost-benefit. The General Manager and he did not feel at this time it would make sense to hire a third troubleman and be beneficial to the RMLD. Discussion ensued.

Meter Department

Costs in the Meter Department are up \$6,000 for the year. Costs are fairly flat.

Station Department

Page 19-Station Supervisor-the difference in last year and this year is due to the capital/operating split, and time spent at Gaw Substation.

Station Supplies was reduced to \$7,500 from \$17,000 in FY09 due to FY09 actuals.

Labor Regular was reduced by one person retiring, and the position not being filled.

Mr. Vale asked if the same cost-benefit analysis had been done in the station as with the troubleman.

Mr. Sullivan replied, "correct."

Mr. Carakatsane asked about the reduction in Transformer Maintenance.

Mr. Sullivan explained that a reevaluation was done and taking into consideration the three new transformers going into Gaw, the budget amount was lowered.

Mr. Hahn asked if the net capitalized labor in the FY09/FY10 budget is up or down?

Mr. Fournier did not have FY09 comparison with him, and would be happy to provide the information at a later date, but believed it would be down.

Discussion ensued.

General Manager Division

General Manager

Mr. Cameron stated that his budget is about \$2900 more than last year and the increase is all in Labor.

Human Resources

Ms. Antonio stated that the overall budget will be a decrease of a little less than 1% for FY10. Outside services is going up \$5,100 based on some upcoming arbitrations and union negotiations beginning in the fall for all three unions.

Ms. Sopchak asked about the arbitrations.

Ms. Antonio replied that they involved two employees.

Mr. Carakatsane stated that any detail regarding arbitrations would need to be done in an executive session.

Training was decreased and hopefully HR will receive a grant for some training; Miscellaneous General-received a discount on the employee assistance program and estimated four employee openings.

Community Relations

Ms. Antonio stated that this budget is projected to be 9.1% lower than last year. The brochure project and Halloween party will not be done this year.

Mr. Carakatsane asked just in general the party won't be done or because of less interest?

Mr. Cameron responded that it was just one of the items cut.

Ms. Antonio stated that the budget last year was \$9,000 and about \$7,000 was spent. She noted that the T-Shirt contest is a big event, and that they are looking for some lower cost things to do. Calendars will still be done.

Mr. Vale asked about the Culver Website.

Ms. Antonio stated that it's the license for the kid's section of the RMLD Website, and noted the new website is almost complete.

CAB

Mr. Fournier stated that less than \$4,000 has been spent in the past three years. \$15,000 is mandated by the Twenty-Year Agreement.

Board

No discussion.

Facilities

Mr. Cameron reported that Building Maintenance is down about \$30,000; Supplies on Page 4 are down about \$10,000.

General Benefits-The bulk of the increase in this is in Employees Pensions and Benefits and the property insurance went up about \$14,000 and most everything else is leveled.

Discussion ensued.

Transportation-Mr. Cameron referred to Page 11 that lists the transportation expenses. Mr. Fournier explained that on Page 12 it shows how the Department figures the costs and then allocate the costs out.

Mr. Carakatsane asked how many vehicles do employees take home.

Mr. Cameron responded seven.

Mr. Norton made the following motion seconded by Mr. Vale:

MOVE that the Citizens' Advisory Board recommend to the RMLD Board of Commissioners the acceptance of the FY10 Operating Budget based on a net income amount of \$1,607,693. Any significant changes are to be submitted to the CAB for review and recommendation.

Motion carried unanimously: 5:0:0.

3. Other Items for Discussion

None.

4. Schedule Next Meeting

To be determined

5. Adjournment

Mr. Norton made a motion seconded by Ms. Sopchak to adjourn Regular Session at 8:33 P.M.

Motion carried: 5:0:0.

Respectfully submitted,

John Norton, Secretary

Minutes approved on: 9/14/09

/pmo