

CITIZENS' ADVISORY BOARD
EXECUTIVE SESSION MEETING MINUTES
JOINT MEETING with the RMLD BOARD OF COMMISSIONERS

TIME: 8:00 P.M.
DATE: Thursday, January 5, 2006
PLACE: Reading Municipal Light Department
PRESENT: CAB: Messrs. Lessard (Wilmington), Carakatsane (Lynnfield Center), Norton (North Reading), Vale (Wilmington), and Ms. O'Neill (Reading)
RMLD Board: Chairman Herlihy, Ms. Kearns, Messrs. Hahn and Pacino
RMLD Employees: Messrs. Cameron (General Manager) and Seldon and Meses. Parenteau, Foti, and O'Leary
RMLD Counsel: Kenneth Barna, Esq.

1. Call Meeting to Order – R. Lessard

Chairman Lessard called the meeting to order at 8:06 P.M.

2. Calpine Issue – V. Cameron

Note: For Minutes of the Meeting, see the *attached* RMLD Board Executive Session Board Minutes dated January 5, 2006, and approved by the RMLD Board of Commissioners on March 29, 2006.

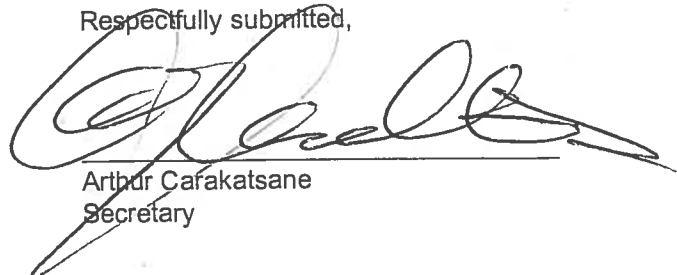
3. Adjournment

Mr. Carakatsane made the following motion at 9:40 P.M.:

MOVE that the CAB return to Regular Session for the sole purpose of adjournment.
Ms. O'Neill seconded the motion.

Motion carried 4:0:0. (Mr. Norton was not present for adjournment.)
Mr. Lessard – Aye; Mr. Carakatsane – Aye; Ms. O'Neill – Aye; Mr. Vale – Aye

Respectfully submitted,



Arthur Cafakatsane
Secretary

/pmo

Reading Municipal Light Board of Commissioners
Executive Session
230 Ash Street
Reading, MA 01867
January 5, 2006

Start Time of Executive Session: 8:04 p.m.

End Time of Executive Session: 9:43 p.m.

Attendees:

Commissioners: Herlihy, Pacino, Kearns, and Hahn

CAB: Lessard, Carakatsane, Norton, O'Neill, and Vale

RMLD Staff: Messrs. Cameron and Seldon
Ms. Parenteau and O'Leary

Guest: Attorney Ken Barna, Rubin and Rudman

Calpine Issue

Ms. Parenteau provided a chronology of events concerning Calpine from December 7, 2005, to the present. Ms. Parenteau said that on December 20, 2005, Calpine filed for bankruptcy. Ms. Parenteau stated that as of October 17, 2005, the Calpine contract is considered a forward contract and that disputes under this contract can be settled outside of bankruptcy court. Ms. Parenteau updated the Board and CAB on how she and Mr. Seldon contacted other power suppliers in order to solidify pricing with other companies to cover the Megawatt-Hours (MWh) in the Calpine contract.

Attorney Barna addressed the legal aspects with respect to the Calpine bankruptcy and RMLD's power supply. Attorney Barna stated that Calpine agreed that the RMLD was a forward contract merchant, which means disputes regarding the contract are outside of bankruptcy court.

Ms. Kearns inquired what Chapter of the Bankruptcy Code Calpine file under?

Attorney Barna replied Chapter 11.

Ms. Parenteau reviewed the letters that were sent to Calpine on December 23, 2005 and December 28, 2005. The letter to Calpine dated December 28, 2005, had a Settlement Amount of \$48,073,476.87 with a spreadsheet showing RMLD's calculation. On December 28, 2005, a letter was also sent to Mellon Bank on the Escrow Account. Ms. Parenteau said that on December 29, 2005, Calpine sent the RMLD a letter disputing the Settlement Amount.

Chairman Herlihy asked if Calpine provided a Settlement Amount?

Ms. Parenteau replied "no".

Attorney Barna addressed the legal issues surrounding the establishment of the Escrow Account. Attorney Barna then turned to the methodology used to arrive at the final number, which was done with preciseness and caution.

Discussion ensued relative to the methodology utilized by the RMLD.

Attorney Barna explained that if this matter should go to court, outside of the bankruptcy stay, payment could come in full within two days. It would take seven business days if the numbers were needed to go to court. He said that it was prudent not to force this issue to court at this time because the Creditor's Committee has to address this; therefore it is reasonable to give them time.

Mr. Carakatsane asked Attorney Barna if there were any related penalties or interest that could create an incentive to cut off the Settlement Amount dispute as a means for final Settlement?

Calpine Issue

Attorney Barna replied that the RMLD could articulate that Calpine is acting in bad faith and this would be a means to proceed to court because they are forward contract merchants. Attorney Barna explained that the judge will ask for the methodology used and it would be in the best interest of Calpine not to be sued.

Mr. Carakatsane suggested Calpine should be kept on a tight, short lease.

Discussion proceeded by those in attendance the "what ifs" based on the methodology provided by the RMLD and possibly by Calpine in terms of the Settlement Amount. Different scenarios were addressed.

Ms. Kearns asked Attorney Barna if there was any advantage to arbitration?

Attorney Barna said that in arbitration both parties have to agree to the value and case methodology. Attorney Barna said that the arbitrator should possess expertise in this situation.

Ms. O'Neill inquired if this goes to court how long will it take to resolve?

Attorney Barna replied it would take a three to six month timeframe in the court.

Ms. O'Neill asked what is the worse case scenario for the RMLD?

Attorney Barna replied that the worse case scenario is that the RMLD will get no money from the Escrow Account, however, he said the outcome is extremely unlikely.

Chairman Herlihy asked if the RMLD will get the undisputed amount before next week?

Attorney Barna replied that Calpine's Credit Committee will be meeting and will be discussing the methodology. Attorney Barna should know by early next week.

Mr. Hahn inquired if the RMLD has provided its methodology to Calpine?

Attorney Barna replied "yes".

Discussion then evolved relative to negotiation for a Settlement Amount. One avenue considered was for one RMLD Board and one CAB member to be involved with this part of the process. The consensus was to wait ten days for more information.

Extensive discussion then turned to whether RMLD's replacement contracts should be discussed in Open Session.

Mr. Hahn stressed this is competitive information and should never be in the public forum.

Attorney Barna explained Chapter 164 section 47D where power supply is exempt from discussion in Open Session under the Open Meeting Laws.

CAB Chairman Lessard suggested that there is no need for a quick follow up meeting until the RMLD receives from Calpine the undisputed amount. At the next meeting there will be more factual information provided and if warranted moving forward with litigation will be a consideration.

Both the RMLD and CAB members agreed that the next meeting date should be Thursday, January 12, 2006, at 7:00 p.m.

Mr. Cameron then addressed the three power suppliers who the RMLD contacted to cover the termination of the Calpine contract. The RMLD has secured contracts with Constellation, Dominion and WPS.

Both Ms. Parenteau and Mr. Seldon explained the rationale in selecting Constellation, Dominion and WPS based on credit ratings and pricing.

Mr. Hahn inquired if these were boilerplate contracts?

Attorney Barna replied that these contracts have guarantees attached to them.

Calpine Issue

Mr. Cameron then told the RMLD Board about a Board vote in June 2001, in which the Board authorized the General Manager to execute a contract that vote provided. "That the Board authorize the Reading Municipal Light Department to enter into one or more Firm Entitlement Strips Agreements for a duration not to extend beyond December 31, 2007 and at a weighted average price not to exceed 7.45 cents per kilowatt-hour in a form similar to the Agreements attached to Reading Municipal Light Department Request for Proposals of July 31, 2001 and that the Board delegates to the Reading Municipal Light Department General Manager the authority to finalize the negotiations and execution of the above-described Agreements."

Discussion ensued about how the power market and suppliers in the market have changed due to deregulation.

Mr. Cameron said that he is looking for a motion to authorize the General Manager to fill the Calpine contract with another contract, which expires on October 31, 2007. These contracts need to be executed so that the RMLD's ratepayers do not see any change in the Fuel Charge due to the Calpine bankruptcy.

Mr. Hahn stated that if we do not grant the General Manager that authority then he is willing to stay in the room all night until it is approved. Mr. Hahn emphasized that the RMLD will be totally exposed in the market if no agreement is made.

Mr. Vale inquired if the Twenty Year Agreement is unique to the RMLD?

Attorney Barna explained that the Twenty Year Agreement is unique to the RMLD. Attorney Barna briefly described the Twenty Year Agreement.

Mr. Pacino stated that he was involved with the negotiations of the Twenty Year Agreement. Mr. Pacino explained that the focus was on Seabrook, which was a long-term power deal. At that time, the focus was on long-term not short-term contracts. He said the power market has changed substantially since that time.

Mr. Vale inquired what do other Massachusetts municipals do in this situation?

Attorney Barna replied that the other municipals would act in the same way that Mr. Cameron as General Manager has done. Other Boards would be taking votes similar to the one proposed this evening.

Attorney Barna stressed again how the power market has been affected by deregulation.

Ms. O'Neill asked about the financial soundness of the companies that the RMLD was committing for new power supply?

Mr. Cameron replied that the companies under consideration had to maintain a certain investment rating with Standard & Poor's and the pricing of such contracts would help alleviate any negative effect to the RMLD's customers.

Discussion then turned to Constellation, Dominion and WPS what they had to offer in terms of power supply and what their strengths were separate from the Standard & Poor's rating.

Mr. Vale inquired about the term of the power supply contract because a longer time frame, such as thirty-six months would garner better pricing?

Mr. Cameron agreed that in other situations they would go out for a longer time frame because longer time frames provide for an economy of scale. This time however, it is to cover the twenty-two month timeframe left void by the Calpine contract.

Ms. O'Neill asked Mr. Cameron which of the three power suppliers he would chose to replenish the power supply?

Mr. Cameron replied that based on the Standard and Poor's ratings he would chose WPS as his first choice then Dominion and Constellation.

The sense of the RMLD Board of Commissioners and the Citizens' Advisory Board was to replenish the power supply by contracting with Dominion and Constellation as recommended by the Department.

Mr. Norton suggested that both Boards' move on Mr. Cameron's motion.

Mr. Pacino added that there is stability in these companies. Mr. Pacino stressed that whenever possible, as Mr. Vale pointed out, a longer-term contract should be considered if it financially benefits the ratepayer.

Calpine Issue

Mr. Norton made a motion seconded by Mr. Carakatsane that the Citizens' Advisory Board recommend to the Reading Municipal Light Department Board of Commissioners that the Reading Municipal Light Department Board of Commissioners authorize the General Manager of the Reading Municipal Light Department to finalize negotiations and execute one or more Firm Entitlement Strip Agreements to cover the On-Peak and Off-Peak Firm Energy amounts as stated in the recently terminated Power Supply Agreement for Firm Entitlement Strips between the Reading Municipal Light Department and Calpine Energy Services, L.P. dated October 5, 2001 for a duration not to extend beyond October 31, 2007 and at a weighted average price not to exceed \$98.65 per Megawatt-Hour, and the Firm Entitlement Strip Agreements will be in a form similar to the Agreements presented to the Reading Municipal Light Department's Citizens' Advisory Board at their meeting held on January 5, 2006.

Motion carried 5:0:0.

Ms. O'Neill asked what are the power supply sources?

Ms. Parenteau responded to the question.

Mr. Vale questioned the parameters.

Mr. Cameron said that the Department does not foresee going beyond the parameters in the Calpine contract, however, if that were necessary, the Department would come back to the CAB and the RMLD for approval.

Discussion ensued relative to the length of the contract and the cost to cover the contract.

Ms. O'Neill stated that she was concerned about evaluating companies based solely on costs.

Mr. Cameron and Ms. Parenteau explained what criteria were used to compare the companies.

Mr. Pacino made a motion seconded by Mr. Hahn that the Reading Municipal Light Department Board of Commissioners authorizes the General Manager of the Reading Municipal Light Department to finalize negotiations and execute one or more Firm Entitlement Strip Agreements to cover the On-Peak and Off-Peak Firm Energy amounts as stated in the recently terminated Power Supply Agreement for Firm Entitlement Strips between the Reading Municipal Light Department and Calpine Energy Services, L.P. dated October 5, 2001 for a duration not to extend beyond October 31, 2007 and at a weighted average price not to exceed \$98.65 per Megawatt-Hour, and the Firm Entitlement Strip Agreements will be in a form similar to the Agreements presented to the Reading Municipal Light Department Board of Commissioners at their meeting held on January 5, 2006.

Motion carried 4:0:0.

Mr. Norton left the meeting at this point.

Motion to Adjourn

At 9:40 p.m. Mr. Carakatsane made a motion seconded by Ms. O'Neill that the CAB return to Regular Session for the sole purpose of adjournment.

Motion carried 4:0:0. Mr. Norton was not present for adjournment.

CAB Chairman Lessard called for a poll of the vote:

Mr. Lessard, Aye; Mr. Carakatsane, Aye; Ms. O'Neill, Aye; and Mr. Vale, Aye.

At 9:43 p.m. Mr. Pacino made a motion seconded by Ms. Kearns to return to Regular Session for the sole purpose of adjournment.

Motion carried 4:0:0.

Chairman Herlihy called for a poll of the vote:

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

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

Ellen C. Kearns, Secretary
RMLD Board of Commissioners