

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

TIME: 9:00 P.M.
DATE: Wednesday, January 18, 2006
PLACE: Reading Municipal Light Department
PRESENT: CAB: Messrs. Lessard (Wilmington), Carakatsane (Lynnfield Center), Vale (Wilmington),
and Ms. O'Neill (Reading)
RMLD Board: Chairman Herlihy, Ms. Kearns, Messrs. Hahn, Soli, and Pacino
RMLD Employees: Messrs. Cameron (General Manager) and Seldon and Meses.
Parenteau, Foti, and O'Leary
RMLD Counsel: Kenneth Barna, Esq.
ABSENT: John Norton (North Reading)

1. Call Meeting to Order – R. Lessard

Chairman Lessard called the meeting to order at 9:00 P.M.

2. Calpine Issue – V. Cameron

Note: For Minutes of the Meeting, see the *attached* RMLD Board Executive Session Board Minutes dated January 18, 2006, and approved by the RMLD Board of Commissioners on March 29, 2006.

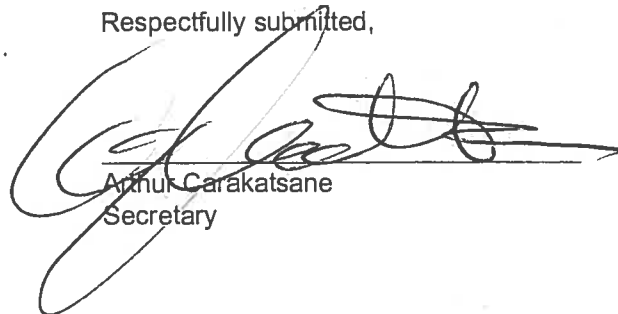
3. Adjournment

Mr. Carakatsane made the following motion at 10:21 P.M.:

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

Motion carried by a poll of the Board: 4:0:0.
Mr. Lessard – Aye; Mr. Carakatsane – Aye; Ms. O'Neill – Aye; Mr. Vale – Aye

Respectfully submitted,


Arthur Carakatsane
Secretary

/pmo

Reading Municipal Light Board of Commissioners
Executive Session
230 Ash Street
Reading, MA 01867
January 18, 2006

Start Time of Executive Session: 8:55 p.m.

End Time of Executive Session: 10:22 p.m.

Attendees:

Commissioners: Herlihy, Pacino, Soli, Kearns, and Hahn

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

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

Guest: Attorney Ken Barna, Rubin and Rudman

Calpine Issue

Mr. Cameron stated that the scheduled Board meeting for January 12 did not take place because a decision with respect to legal action with Calpine was still ongoing. He said the RMLD did have conversations with Calpine on Friday, January 13. He said that both the RMLD Board and the Citizens' Advisory Board will be updated on what has transpired.

Ms. Parenteau said that since the last meeting with the RMLD Board and the Citizens' Advisory Board three power contracts were executed. The power contracts are with Constellation, Dominion and WPS. Ms. Parenteau explained that she and Mr. Seldon went over the power supply figures to calculate the net effect of covering the power supply with three new contracts. The numbers they came up with were the proposed Settlement Amount to Calpine is \$48,073,476 and the coverage contracts costs an additional \$44,836,000 to cover the Calpine Contract. The remaining \$3.8 million differential can be negotiated with Calpine.

Chairman Herlihy asked about the timeframe for these new power contracts.

Attorney Barna replied that the Calpine contract was terminated as of December 28, 2005 and that the new contracts would fulfill the time framing on the Calpine contract.

Mr. Soli wanted to know the power costs to the RMLD customers of the bankruptcy decision?

Ms. Parenteau replied that the increased costs would be \$.033/kWh in additional Fuel Charge to the RMLD's customers.

Discussion then turned to the WPS power contract with the strategy and negotiations outlined.

Ms. Parenteau then explained how the RMLD had a conference call with Standard & Poor's explaining the RMLD's status with Calpine. Ms. Parenteau said that the conference call with Standard & Poor's was positive.

Ms. Kearns expressed her concern that not paying Calpine would affect RMLD's rating with Standard & Poor's.

Ms. Parenteau replied that this would not affect the rating because the RMLD has not received any numbers or the termination methodology from Calpine.

Mr. Vale asked if any other rating agencies have called the RMLD?

Ms. Parenteau replied that only Standard & Poor's contacted the RMLD.

Attorney Barna stated that the rating agencies are interested in whether a light plant has the ability to pay its bills.

Calpine Issue

Mr. Carakatsane asked if the Town of Reading should be told that Standard and Poor's has checked on the RMLD's rating?

Attorney Barna replied that the RMLD's rating is separate from the Town of Reading. Attorney Barna stressed the RMLD does its own separate rating to satisfy its power suppliers.

Chairman Herlihy pointed out the RMLD has to get its General Obligation Bonds with the Town of Reading because it is in the Bylaws.

Attorney Barna then addressed where the RMLD stands with Calpine. Attorney Barna said the good points are that Calpine is not challenging existence of the Escrow Fund and the RMLD contract is considered a forward contract, which is outside of the bankruptcy stay. Attorney Barna said the issue at hand is the methodology. RMLD has presented its methodology to Calpine whereas they have not provided theirs. The issue is not will the RMLD get its money, but when. Attorney Barna said that last Friday it was understood the RMLD would get fifty percent of its money, or \$24 million. However, this all changed by Tuesday. Attorney Barna then addressed the fact that contributing to this uncertainty is that the infrastructure of Calpine is shattered. The part of this case, which is being handled by New York counsel and it, is their opinion that the RMLD will get money, it is just a matter of when. The next critical date is January 25. If the RMLD does not get money then the recommendation would be litigation as a means to secure these funds.

Discussion then turned to the methodology the RMLD used.

Attorney Barna then addressed one key component in RMLD's favor. Attorney Barna explained that Mr. Seldon and a Calpine employee exchanged e-mails on the amounts to be put into the Escrow Account for two and a half years. This is a proven and established pattern. Attorney Barna explained that Mr. Seldon received an e-mail from this Calpine employee on December 22, 2005, after the bankruptcy, which shows Calpine's methodology with the numbers a bit higher than provided by the RMLD. Attorney Barna then explained that he, Ms. Parenteau, and Mr. Seldon met and had evidence to show that the RMLD has had a consistent methodology for over two years. The numbers come in at \$48,730,000 and these still covers the new power contract coverage amounts for \$44,836,000.

Discussion ensued on the potential strategy the RMLD may use.

Ms. Kearns suggested that once litigation has begun, Calpine may say they will settle for \$40 million.

Attorney Barna replied that it could come to that.

Mr. Carakatsane said that it could be "a take it or leave it" compromise.

Ms. Kearns stated that the RMLD might have to pay \$500,000 in order for this to be litigated in order to garner \$40 million.

Ms. O'Neill stated that in December when Attorney Barna spoke he gave a rosier outlook of the situation. Ms. O'Neill pointed out this could potentially cost the ratepayers \$30 to \$35 monthly. She said she was looking for dates, earliest for the receipt of RMLD's funds. Ms. O'Neill suggested that the ratepayers be informed of this potential rate increase.

Attorney Barna pointed out he cannot give dates earliest or latest. Attorney Barna will make the same statement today, the RMLD is almost there, the issue is when not whether. It behooves Calpine to file their methodology because there is millions of dollars involved in this.

Ms. O'Neill asked if Calpine was willing to release the funds?

Attorney Barna replied that they have to release the funds. Attorney Barna reiterated that the RMLD is outside of the bankruptcy stay. The RMLD has great support because of the December 22, 2005 (which occurred after the bankruptcy filing), e-mail from Calpine and the two and half years of e-mails on the same subject.

Ms. O'Neill was concerned that the RMLD could cover its costs now without a rate increase.

Mr. Cameron replied that there is \$6.5 million in the Rate Stabilization Fund. Mr. Cameron stated that per the Board agreement the RMLD can raise the Deferred Fuel by \$.005/kWh per month, therefore the costs may be mitigated by these mechanisms.

Calpine Issue

Mr. Carakatsane suggested as one means of trying to expedite the process, and to speed resolution that perhaps the Creditors Committee may be willing to share the information relative to Calpine's methodology.

Attorney Barna replied that Calpine will get the methodology from the Creditors Committee and use this document for the filing.

Discussion then ensued to the "take it or leave it" scenarios, which could possibly occur.

Attorney Barna pointed out how in a California case involving Calpine, the matter went back to court because it was in the best interest of Calpine to file in bankruptcy court versus federal district court.

Mr. Carakatsane asked if filing with the state or bankruptcy court would force a faster decision on the disputed amount.

Attorney Barna replied that in the bankruptcy court it would take a maximum of six months.

Mr. Vale asked if Calpine drafted its methodology and the Creditors Committee signed off on this, was the next step in the process is to file with the courts.

Attorney Barna said that the next step was for the courts have to review the methodology provided.

Mr. Soli suggested not taking any action now.

Brief discussion evolved around how deregulation has caused numerous power providers to go bankrupt.

Vice Chair Soli left the meeting the meeting at this point.

Attorney Barna explained that there are two other municipals involved with the Calpine issues and his billings will be split three ways. The other municipals involved are Middleton and Mansfield who are part the Calpine issue.

Mr. Hahn said the RMLD with making the right moves and was in better shape than most municipals in terms of its power supply.

Mr. Carakatsane said that he advocated using the two sets of legal counsel involved in this issue, the New York counsel and Rubin and Rudman. Mr. Carakatsane suggested that the filings be prepared because based on what happens on January 25, if this is not filed timely, leverage can be lost.

The sense of the Board was to have the Department move forward to prepare to file and take all actions to prepare for potential litigation. No formal vote was taken.

Executive Session Minutes

December 6, 2005

Chairman Herlihy stated that the Executive Session meeting minutes of December 6, 2005, would be deferred until the next meeting.

Motion to Adjourn

At 10:21 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.

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 10:22 p.m. Ms. Kearns made a motion seconded by Mr. Pacino to return to Regular Session for the sole purposes of adjournment.

Motion carried 4:0:0. Vice Chair Soli had left the meeting and was not present for the vote.

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