

**Littleton Light and Water Departments
Board of Commissioners Meeting
Minutes – November 2, 2005**

Present for the meeting:

Commissioners: Bruce Trumbull, Joe McCumber, Tom Rauker

General Manager: Savas Danos

Assistant General Manger: Scott Edwards

Staff: Jennifer Pederson, Jerry Young, Kevin Goddard, John Lanciani, Alan Brown, Nick Lawler, Chris Allen, Jay Veasie, Don Callahan, Tom Taylor

Meeting called to order: 7:07 PM

- 1) Approve Agenda—The Board approved the agenda as presented.

- 2) Power Cost Projections/Discussion for 2005-2006—AGM Edwards gave a brief overview of natural gas prices and the volatility of the market. Edwards stated that NEPOOL has warned that gas plants may not run if they can elect to sell their gas on the market and not produce electricity. He went over LELD's mix of contracts and energy prices projected for the winter months. At the conclusion of his presentation, Commissioner Trumbull asked if Governor Romney was going to lessen the environmental constraints to allow oil plants to run more. Edwards stated that if he did then Stoneybrook could run more on oil, which may help us prevent brown outs, but it wouldn't affect the higher prices. Edwards stated that in an unregulated market there is nothing the state can do. Edwards stated that we are in a serious energy crunch and he was speaking with other municipal utilities and they have all had to raise their prices by 20-40%, investor-owned utilities are raising prices 40-60%. Commissioner McCumber asked who was making money off these higher prices; Edwards stated that the gas producers were making money.

Edwards also spoke about the Select buyout and stated that there was quite a difference in what we will pay for replacement power. The money for purchasing replacement power will come out of the settlement. Edwards stated that the buyout might have been higher now but if we waited Select may have gone into bankruptcy. Danos stated that we had the opportunity for low price power, unfortunately both Select and PGET went out of business. Commissioner Trumbull asked if we were paying 4-4.5¢ for Select, couldn't we buy back at an average instead of the 4.5¢. Edwards stated that we could not because it would adversely affect our rates. The money for replacement power is going to be transferred into the power supply fund. Edwards also stated that just one year ago MMWEC calculated our power supply budget at 7¢ per kWh and this year they are predicting 11.2¢ per kWh.

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3. Vote on PCA Increase for Nov. 2005—Business Manager Young gave a presentation on power costs and billed rates for 2005 which showed that the costs started to rise in July. Young stated that in August the PCA was increased but that we are always two months behind. Young stated that we are close to 12¢ per kWh. Danos stated that we need to catch up and Edwards followed up by saying that if we don't have money coming in then we are going to start to go into the red.

Young stated that for 2006 he is projecting an average rate of just under 12.5¢. Young stated that will be a 3-4¢ increase. Edwards reiterated that this is not atypical of what is going on in the industry. Firm energy for January is 20¢ per kWh. Danos stated that although we are going to be above 10¢ for the first time ever, we are still in the bottom third of municipals. Young stated that we are going to need to transfer money out of Select and bring it back to the general fund. Young stated that we were going to need to transfer \$748,000 from the Lowell Money Market account or from MMTD. Commissioner McCumber commented that the Select money will not go too far at this rate; Edwards stated that it was predicted to last until 2011, but most of it will be gone by 2008. Commissioner McCumber wanted to clarify that we were just transferring the money to cover Select; Edwards stated the settlement money was exclusively to cover Select.

Danos asked the Board to authorize the Town Treasurer to make the transfer. Commissioner Trumbull asked what this does to the PCA. Edwards stated that 1¢ per month yields \$200,000. Edwards also stated that this is covering just one portion of the power supply and we still have other contracts that are quite a bit higher. Edwards stated that if PGET had not gone into bankruptcy we would have been in good shape; Commissioner Trumbull asked when we might see the settlement from that and Edwards replied another year or two. On a motion made by Commissioner McCumber and seconded by Commissioner Rauker, the Board voted to transfer \$748,000 from our Select settlement to cover the difference in what we are paying for power to replace Select. **The Vote: Trumbull – Yes, McCumber – Yes, Rauker – Yes.**

Young and Danos stated that we may have a budget at the end of the year that may be negative spending and we may have to transfer from free cash to avoid rate shock.

Commissioner McCumber asked how much we have in the rate stabilization account and Young stated we have \$1.2 million. Danos

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stated that power bills have gone up significantly and MMWEC requires cash to cover 1 ½ months of power bills, which is why the Board voted at the last meeting to transfer money out of rate stabilization into the working account at MMWEC. Commissioner Trumbull asked if there was a more economical way of doing things rather than putting our money with MMWEC to have them paying our bills. Young stated that we would not be able to pay the power bills on our own; he said that with MMWEC paying them, we still make interest and we save on penalties for late payments. Edwards reminded the Board that we can transfer money back out at any time as was done a couple of years ago.

Danos asked the Board to approve a PCA increase effective November 1, 2005. Commissioner McCumber asked if we could take money out of rate stabilization and Danos stated that of the \$1.2 million, \$800,000 would be going to MMWEC. Edwards stated it was best to get through this period and maybe transfer in the spring, but also stated he is unsure prices are going to come down. On a motion made by Commissioner Rauker and seconded by Commissioner McCumber, the Board agreed to raise the PCA by 1.5¢ to 3.5¢ effective November 1, 2005. **The Vote: Trumbull – Yes, McCumber – Yes, Rauker—Yes.**

4. Special MMWEC Project Biomass Power - Discussion and Vote—Edwards stated that there is a new wood plant being planned which will be online in May of 2009 and prices should be around 6.5¢. Edwards said that the municipals agree that the best way to control prices is to own their own generation and the renewable energy credits are making that possible. Commissioner Trumbull asked for clarification whether we would be involved in one plant or two. Edwards stated we would be pursuing the Russell Biomass because it was more favorable; Panda is an alternative. Edwards stated that he would be working to get a group of municipals together to see about financing the plant. Commissioner Trumbull asked if the Board was going to vote on authorizing \$35,000; Edwards stated that the \$35,000 would be divided by the number of systems that are interested. Edwards also stated that it allows us to be in the project and if we get to a certain point and we do not want to be part of the contract, we could pull out. After a brief discussion, a motion was made by Commissioner Rauker and seconded by Commissioner McCumber to approve participation in MMWEC's Special Project 2005C (see attachment 1). **The Vote: Trumbull – Yes, McCumber – Yes, Rauker—Yes.**
5. Discussion on 4-day work week for Conservation Purposes—Danos presented the Board with a summary of senior staff's discussions

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regarding a 4 x 10 work week. Danos stated that the first consideration is energy conservation, fuel savings and tracking it to determine if we realize savings. The second consideration is a PR campaign to encourage other companies and departments to do the same and for customers to recognize why we are doing it and the value to us and them.

Commissioner Rauker asked what the cost savings would be; Danos and Edwards stated that we have never really tracked it in the past, although the line crew is more efficient on 4 x 10 days. Edwards stated that there is a review committee in place that will track it from day one; he stated that in regards to the building and vehicles he expects to see 10-15% efficiencies. Edwards stated that the review committee would be reporting monthly and if we get into the program and see that it is not working, we can go back to regular hours with two weeks notice. Edwards stated that we tracked trouble calls and there are more between 3-5 p.m. when people are getting home from work. The PR campaign will be done over the next three weeks. Commissioner Rauker asked about the response from the unions; Danos said there was strong interest but each will have to vote. Edwards stated that we need a unanimous decision from the work groups to proceed. Commissioner Rauker asked if there were any safety issues with OSHA and 10 hour days; Danos and Edwards stated there were not and the crews currently work extended hours during certain times of the year. Commissioner Rauker asked about overtime on Friday; Edwards stated we actually pay more overtime during the week than weekends. Danos stated that if there is a lot of overtime then that may be a reason to suspend the program. Business Manager Young told the Board that total overtime year-to-date is \$87,000 and the linecrew is \$80,000 of that total.

Commissioner McCumber stated he was initially against the proposal, but there is a significant savings with the crews working 4 x 10. Given that the message is to conserve he is willing to give it a try. Commissioner Trumbull asked if those employees in the audience were for or against the proposal. Chris Allen responded that he thought it was largely a "for" crowd. Edwards stated that there would need to be a big push on publicity and on implementing conservation measures. Edwards stated that the key would be to track the number of customers coming in, the building and vehicle costs and while it may not be a huge amount of money saved it will send a message to the community. Edwards stated that he does not feel that people understand the severity of the situation this winter. There was a brief discussion on how final readings will be handled when Friday is the end of the month. Danos stated that we would be sending letters to lawyers and realtors to notify them of the

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change in business hours. Commissioner Trumbull said he wants to save ratepayers money and we need to see that, he also wanted to make sure that employees were on board. Danos reiterated that all work groups will be voting. PR Manager Goddard went over the PR strategies. IT Manager Brown commented that it has been a very positive process. Danos stated that it would be a stand-alone amendment to the contracts; Commissioner Rauker asked Danos to pass it by Counsel. Commissioner McCumber stated that Commissioner Rauker might want to make a statement about the importance of conservation at the Selectmen's meeting.

Commissioner Rauker expressed concern that the public might get the wrong impression that we are working less and their rates are going up. Commissioner Rauker stated that without knowing the savings, it was going to be hard to answer ratepayers who have questions about it. PR Manager Goddard stated that it may be looked upon that we are leading by example. Edwards stated that it is hard to quantify it when we have never done it; he further stated that it did not start as an employee benefit, the motive is conservation and we have to show that we can conserve. Commissioner Rauker asked Danos to ask Counsel if we can legally implement it and what happens if we stop it.

On a motion made by Commissioner McCumber and seconded by Commissioner Rauker, the Board voted to set into motion the attempt at a 4 x 10 work week with the conservation measures proposed and that the process will be monitored and reported on monthly to show savings and continued productive work. **The Vote: Trumbull – Yes, McCumber – Yes, Rauker—Yes.**

6. Program by CEA for LELD Sponsorship of Commercial/Industrial and Municipal Property Managers attendance at Energy Management Seminar—Danos stated that one of our consultants, Richard Vaillencourt, is proposing an energy management seminar directed towards property managers. The seminar would give facilities people ideas on how to save. Municipal facilities managers as well as commercial industrial facilities managers would be invited. His proposal is to offer two days of seminars, 6 hours each day for \$1500 per day. Danos stated that we would need 20 participants to continue. Commissioner Trumbull asked that Commissioners be given the opportunity to attend as well. On a motion made by Commissioner Rauker and seconded by Commissioner McCumber, the Board voted to accept the proposal by CEA for an Energy Management Seminar. **The Vote: Trumbull – Yes, McCumber – Yes, Rauker—Yes.**

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7. Non-Union Employee Manual Sub-Committee Discussion – Danos informed the Board that Alan Brown and Chris Allen had been chosen as the subcommittee representatives for the Non-union group. Danos said he would have the latest copy of the manual to Commissioners Gruskowski and Trumbull for their review. Commissioner Trumbull asked if the intent was to go through section by section; Danos said that the subcommittee would set the ground rules when they meet, but that was the intent.

With no further business before the Board, on a motion made by Commissioner Rauker and seconded by Commissioner McCumber, the Board voted unanimously to adjourn the meeting at 8:45 PM. **The Vote: Trumbull – Yes, McCumber – Yes, and Rauker—Yes.**

Respectfully submitted,

Savas C. Danos

Date

Approved: December 7, 2005