

**STERLING MUNICIPAL LIGHT DEPARTMENT  
MEETING MINUTES**

**TUESDAY, MAY 27, 2008**

**BOARD MEMBERS:** Kenneth I. H. Williams – Chairman  
Arthur J. Coughlin, Sr. – Clerk  
Richard Sheppard – Board Member

**SMLD MANAGER:** John Kilgo, Jr.

**MINUTES:** Sandy Pellecchia

**IN ATTENDANCE:** George Pape, 69 Redemption Rock Trail, Sterling, MA 01564  
Nancy Perry, Sterling, MA 01564

Kenneth Williams (Williams) opens the meeting at 5:00 p.m.

**APPROVAL OF THE AGENDA**

**Richard Sheppard (Sheppard) makes a motion to approve the Tuesday, May 27, 2008 agenda with the addition of two topics: board reorganization and an update on the Tanglewood project. Seconded by Arthur Coughlin (Coughlin). Role call: Coughlin, aye. Sheppard, aye. Williams, aye. Approved by the Board.**

**APPROVAL OF MINUTES**

Corrections/additions and changes were made to the Tuesday, April 15, 2008 regular session meeting minutes as noted and discussed this evening.

**Coughlin makes a motion to accept the Tuesday, April 15, 2008 regular session Sterling Municipal Light Department Board Meeting Minutes with corrections. Seconded by Williams. Role call: Coughlin, aye. Sheppard, aye. Williams, aye. Approved by the Board.**

**CUSTOMER COMMENTS**

Customer Nancy Perry inquires about a recent outage.

Customer Pape, following up on a written request, asks when the information will be available. Kilgo says when the audit is finalized; you will get your copy. It should be 2-3 weeks at the most. Customer Pape asks if Kilgo will release the whole audit report? Kilgo

reminds him that the audit is meant for the use of the SMLD and the DPU (Department of Public Utilities). Williams adds that he would like to read that specific paragraph of the audit aloud to remind everyone of the audit's intended use.

### **AUDITORS (2007 Audit Report)**

Julia Adam (SMLD auditor) introduces herself. She tells the group about Nelson, Adam & Dickson's new name Braver, P.C.. Julia reads page 1 of the independent auditor's report:

Adam reads the paragraph specific to intended use of the report aloud. She states that the financial statements are presented on the regulatory basis, not the GAAP basis. She adds that the report is intended for the information and use of the municipal light board and management and the DPU and should not be used by others except for these parties.

Customer Nancy Perry asks what is the difference between GAAP and regulatory? Adams offers, in brief, that the difference is within the period of time in which you depreciate assets.

Adams reviews the Management's Discussion and Analysis (MD & A): The MD & A includes highlights of the financial statements and projections into the future.

Adams reviews three financial statements. Footnotes and supplemental information follows that.

The statement on page 7 gives the results of Operations 2007 compared to 2006. Operating revenue was up this year with a decrease in kWh sold (most of the decrease found in the Industrial sales area). Revenues per kWh 10.59 cents to 11.54 cents in 2007, necessary due to the increase in Operating expenses.

Adams notes that maintenance expenses are up. Mostly due to the maintenance of overhead lines. Depreciation saw a small increase because the SMLD had more assets to depreciate.

The SMLD saw an increase in net income versus a loss in 2006.

Williams inquires about a figure on page 6. Adam notes that the SMLD took monies out of the NU settlement and applied it against purchased power costs instead of recouping from customers.

Moving to the balance sheet and the statement of net assets. Depreciation account went down this year. The SMLD used some monies for the bond payment and some for additions to plant. The customer's accounts receivable balance includes an 18-day collection versus 2006, which had a 20-day collection period.

Prepayments includes MMWEC working capital and also includes monies for reserve for future power costs. Unamortized debt discount will go away next year when the SMLD pays off bond debt.

Accounts payable is down a little bit. The other accrued expenses are a matter of timing based upon the way that the last payroll for the year falls. Customer advances for construction are still in process.

Total assets are down by about that million dollars expended on purchased power.

Adams reviews the statement of Cash Flows, which is the last major statement, which breaks down what the SMLD paid to suppliers and what the SMLD received from customers. Shows an increase in cash of \$42,000.

Notes are self-explanatory. They go into detail on different line items. Adam wants to point out one footnote on page 14 regarding post-employment benefits. The Town of Sterling (TOS) pays health insurance for retirees. This has been on a pay-as-you-go basis. There is a phase-in of a new requirement. SMLD will be phased-in with the TOS. This falls under GASBY and the SMLD will be required to project the cost of this benefit for our current employees and measure the under funding of it and record it. Three to four years from now this will be required. This will be an additional cost to the SMLD and to the TOS to have an actuary record this.

A customer's cell phone rings in the middle of the meeting. At the request of the Chairman, at the beginning of each SMLD board meeting, all cell phones are to be shut off please.

Sheppard inquires about power supply information on page 18. He asks if the Mirant contract is done? Kilgo still keeps them live for quotes and potential opportunities. Sheppard asks what does WPS stand for? Kilgo answers that this company is now Integrys. This will be changed on the next audit. It will simply be a name change. Sheppard asks, what is system power? Kilgo answers power purchased through MMWEC at times. Kilgo offers that this is usually a mix of what is out there in the pool.

## **FINANCIALS**

Kilgo notes that April kWhs are up 4.7 percent. Dollars are up too. Residential usage is up 3% Industrial usage is up 6.5%.

Regarding the board financials, the SMLD has started a new way of estimating. We will continue to work at this.

Kilgo notes that the average system load factor is 72.1 percent and this is great.

Customer Nancy Perry asks why were April kWh's up? Kilgo offers that the degree-days were down so people could simply be using differently.

Sheppard asks if we can differentiate rows on pages four and five included in the totals at the bottom in a light gray? Kilgo says yes we will make a change to help visually.

Williams notes the total yearly dollars net on page 7 of the financials. The change from 2007 to 2008 is noticeable, yet necessary. Williams expects the need for this to continue and notes that we should not let happen again what happened in the 90's. Kilgo agrees.

The group talks about the project work done by Earth Sun Construction. In general, they are very pleased. Kilgo says labor, equipment and time is paid under the invoices, the SMLD is paying for the conduit. Williams asks what are the rest of the estimated costs (planning, engineering, labor). Another \$100,000? Kilgo offers about \$200,000 to be safe.

Kilgo offers that we are trying to reuse stock that we had from the Quail Roost project. Sheppard asks where did we store this stock? Kilgo answers at 50 Main Street, 2 Leominster Road, and at the warehouse.

#### **BOARD RE-ORGANIZATION**

Williams offers that he thinks it is Sheppard's turn to be the Chairperson.

**Williams makes a motion that following tonight's meeting that the board make up be as follows:**

**Richard Sheppard – Chairman  
Arthur J. Coughlin, Sr. – Clerk  
Kenneth I. H. Williams – Third Member**

**Seconded by Sheppard. Role call: Coughlin, aye. Sheppard, aye. Williams, aye.  
Approved by the Board.**

#### **OTHER BUSINESS**

There is nothing to report at this time.

#### **NEXT BOARD MEETING**

The June 2008 Board meeting will be held on Tuesday, June 24, 2008 at 5:00 p.m.

#### **MOTION TO EXECUTIVE SESSION**

**Sheppard makes a motion to go into Executive Session per MGL Chapter 164, Section 47D to discuss confidential information. We will not come back to open session except to adjourn. Coughlin seconds the motion. Role call. Coughlin, aye. Sheppard, aye. Williams, aye. Approved by the Board.**

The Board goes into Executive Session as of 5:40 p.m.

**RETURN TO OPEN SESSION AT 6:32 p.m.**

**MOTION TO ADJOURN**

**Coughlin makes a motion to adjourn the meeting at 6:32 p.m. Sheppard seconds the motion. All in favor? Coughlin, aye. Sheppard, aye. Williams, aye. Approved by the Board. The meeting is adjourned at 6:33 p.m.**

**ATTEST:** Arthur J. Coughlin, Sr.  
Arthur J. Coughlin, Sr., Clerk

**DATE:** 02-22-2009