

SECOND TAXING DISTRICT COMMISSIONERS

Special Meeting Minutes

April 26, 2016

Present:	David Westmoreland Maria Borges-Lopez Harold Bonnet Mary Geake Mary Mann Martha Wooten-Dumas	Chairperson Vice Chairperson <i>(Arrived @ 7:15 p.m.)</i>
Absent:	Sandra Stokes	
Also Present:	Paul Yatcko Kevin Barber Lisa Roland	General Manager Director of Finance & Services District Clerk
Public Present:	None	

Call To Order:

Commissioner Westmoreland called the Special Meeting of The Second Taxing District Commissioners to order at 7:00 p.m. on Tuesday, April 26, 2016. The meeting was held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut.

Commissioner Westmoreland: "Its 7 o'clock therefore I will call the meeting to order, if the Clerk will read the legal notice?"

Lisa Roland, District Clerk read the legal notice.

Commissioner Westmoreland: "Great thank you. Before we move into acceptance of the minutes, I would just like to officially welcome our new District Commissioner, Mr. Harold Bonnet, is that right?"

Commissioner Bonnet: "Yes."

Commissioner Westmoreland: "So welcome, please let us know if we can answer any questions for you and feel free to share your opinion as everybody else does, so we encourage a free exchange of ideas."

Commissioner Bonnet: "Thank you I will."

Commissioner Westmoreland: "So the first order of business is the acceptance of the minutes. I think we should probably move and vote on each of these individually since I think some of us were not at all of these meetings and will need to abstain."

Acceptance of the Minutes

Commissioner Westmoreland: “So do I have a motion to move the Appeals Committee Meeting Minutes?”

Commissioner Borges-Lopez: “So moved.”

Commissioner Mann: “Second.”

Commissioner Westmoreland: “Alright. Any discussion? All those in favor?”

Commissioners Geake, Borges-Lopez, Mann: “Aye.”

Commissioner Westmoreland: “All those opposed? All those abstaining? That would be me and Commissioner Bonnet will abstain?”

Commissioner Bonnet: “Yes.”

Commissioner Westmoreland: “Ok, the regular meeting minutes of March 8th, do we have a motion to accept those?”

Commissioner Borges-Lopez: “I make a motion that we accept the regular meeting minutes of March 8, 2016.”

Commissioner Geake: “I will second it.”

Commissioner Westmoreland: “Any discussion? All those in favor?”

Commissioners Geake, Borges-Lopez, Mann: “Aye.”

Commissioner Westmoreland: “Opposed, abstentions? Commissioner Bonnet abstains. And then finally the annual budget meeting minutes of the Electors Meeting Minutes of March 15, 2016. Do I have a motion to accept those?”

Commissioner Mann: “I make a motion that we accept the Electors Meeting Minutes of March 15th.”

Commissioner Borges-Lopez: “I second the motion.”

Commissioner Westmoreland: “Any discussion? Changes? All those in favor?”

Commissioners Geake, Borges-Lopez, Mann: “Aye.”

Commissioner Westmoreland: “Opposed? Abstentions? Commissioner Bonnet abstains. Alright, thank you very much. Ok, the next item on the agenda is public participation. Being that there are no members of the public here, we will move on ahead to the Consent Agenda. There are three items on the Consent Agenda, electric write-offs, annual SoNo

Banner funding request and ratify Appeals Committee Decision. Do I have a motion to move the Consent Agenda?"

Commissioner Borges-Lopez: "So moved."

Commissioner Westmoreland: "Do I have a second?"

Commissioner Mann: "Second, Mary Mann."

Commissioner Westmoreland: "Alright, is there any discussion on...do we have to have a discussion on the Consent Agenda?"

Lisa Roland: "No."

Commissioner Westmoreland: "Ok, there is no discussion. All those in favor of the Consent Agenda?"

Commissioners Unanimously: "Aye."

Commissioner Westmoreland: "Opposed? Abstentions? Motion carries, alright. Now to the regular agenda. Item 5, the Non-Residential Customer Deposits. I believe the staff has written a policy for us."

Paul Yatcko: "That is correct Mr. Chairman. You had asked us to do a little bit of research on the performance of the commercial accounts and what we have discovered is that surprisingly enough, we all have an anecdote about commercial accounts being more volatile and perhaps more risky than residential accounts. But, what we have found is that over 95% of commercial balances are indeed paid off within sixty days and 75% of commercial balances are paid off within the 10 day discount window. So by and large the commercial account class performs pretty darn well with respect to keeping their accounts current. As a result, we don't believe that there is a tremendous amount of risk here in the class as a whole. Now, there might be individual accounts that are risky, but the policy as we have written it accomplishes a number of things. It accomplishes the legislative intent, which is to permit customers to post a surety bond in place of cash. We listened to what the Commission said and we will review deposits for customers who have a good payment record of one year and then if that deposit is more than 25% out of spec, we will adjust it and return the overage to the customer and at the customer's written request, after 24 months of good payment, if that account is in good standing, we will refund half of the deposit, which was what the legislative intent is. Again, we think that the class overall is not as risky as we might have thought. This implements the intent of the legislation in the budget implementer last summer and also I think we are managing the risk in that any customer who does not have a good payment record cannot avail of themselves of the refund as part of the deposit and indeed if they accept a refund of half their deposit and then they go on the bad list, then we are going to go back after them for

the deposit refund. So, we think that this is a prudent way to implement the policy and we are committed to reviewing the performance of this policy over the course of the year and if it looks like it is not working for us, if we need to tighten it up and manage the risk even more stringently than we are here, we are willing to do that and come back to you.”

Commissioner Westmoreland: “Ok, great. Any questions?”

Commissioner Mann: “I have a question. Are we going to advise the commercial accounts of the new policy or just put it in effect?”

Paul Yatcko: “I don’t think I am going to take out an advertisement in the Hour, but I think the way we will approach it initially is that if any customer has a question or has a specific request, we will respond to it. We will post the new policy on the SNEW website and we will discuss internally just what the best way is to publicize it. I don’t want to create a situation here where we have a sudden outflow of cash because people are requesting that we review their deposit balances. On the other hand, I want to be fair with customers as well.”

Commissioner Westmoreland: “Any other questions? Alright, do I have a motion to accept and approve the new policy revisions on the Non-Residential Customer Deposits?”

Commissioner Borges-Lopez: “I make a motion that we ratify the appeals committee decision.”

Commissioner Westmoreland: “Second, Mary?”

Commissioner Geake: “Second.”

Commissioner Westmoreland: “All those in favor?”

Commissioner Borges-Lopez: “Hold on.”

Commissioner Westmoreland: “All those opposed?”

Lisa Roland: “Maria said that she would make a motion to ratify the appeals committee decision.”

Commissioner Borges-Lopez: “No, no, no.”

[Laughter]

Commissioner Borges-Lopez: “I make a motion to accept, I am sorry, the Non-Residential Customer Deposit.”

Commissioner Westmoreland: “I thought it was just me. Alright and Mary do you still second?”

Commissioner Geake: "Yes, I second it."

Commissioner Westmoreland: "All those in favor?"

Commissioners Unanimously: "Aye."

Commissioner Westmoreland: "Opposed, abstentions, motion carries. Alright, financial statements, 3rd quarter fiscal year 2015-2016."

Paul Yatcko: "With your permission Commissioners I am going to ask Kevin Barber to give the financial report because quite frankly his voice is a whole lot better than mine."

Commissioner Westmoreland: "Absolutely."

Kevin Barber: "Alright in your board packet we did provide you with the third quarter financial reports. So I am here to quickly review them with you and hopefully answer any questions that you may have. I believe...is the water on the first page?"

Paul Yatcko: "Pardon me?"

Kevin Barber: "Is the water the first page or is it electric?"

Commissioner Mann: "No, electric."

Commissioner Geake: "Electric is first."

Kevin Barber: "Ok Electric first. Then we will start with the electric. In our revenues for our first three quarters of the year, we are showing a budget shortfall of over \$500,000 for nine months and that is for the electric sales. That is attributable to basically the very mild weather, the winter we did have, which did affect our revenues on the electric side. As you can see, all of our sales, conservation, gross revenue taxes and discounts are all under budget from what we projected. Taking into consideration the Miscellaneous Customer Service Charges, which was showing a positive for the nine months, the total revenues we have a shortfall of \$496,000 and change for the year to date. Moving to the expense side, I would like to point out that on the first line under the expenses, which is purchase power; that also is under budget by \$437,000, which directly relates to our sales being under. Because we sold less energy, we also had to purchase less energy, so those two go hand in hand. All of our other line items under the operating expenses are all under budget to varying degrees. So that our total operating expenses for the first nine months is under budget by \$1.4 million, which shows on the expense side we are doing very well. I will point out for you that for this report, I did include a depreciation expense."

Commissioner Westmoreland: "I did notice that."

Commissioner Geake: "Yes."

Kevin Barber: "I don't have to go through explaining that each month. You will see that has a net variance of zero because the depreciation expense is what it is."

Commissioner Westmoreland: "We know what it is."

Kevin Barber: "So, as I said for the first nine months of the fiscal year, we are under budget on the expense by \$1.4 million. Our operating income over expenses we are at a plus \$967,000 for the year. So we are also doing well on that side. Moving down to the non-operating revenues and expenses, for the first nine months we are under budget by \$292,000. Once again, as I think I mentioned each of the last two times we discussed the report, under the miscellaneous income and expense line, we are showing a shortfall of \$250,000 that is directly related to some State projects that we are currently in the middle of and we have not invoiced for. Once those projects are complete, we will invoice the State for that and that negative \$249,000 will go down to a reasonable number, more likely to a positive."

Commissioner Westmoreland: "Kevin, just one question on that. Does the State pay like financing costs or our cost of capital to finance those projects?"

Paul Yatcko: "We have not had to do any permanent financing on those projects. Essentially, the material is funded out of inventory, to the extent that we mark up our inventory for A&G costs, accounting charges on inventory should be covered. There is the time value of money however. I mean if we lay out the money today, essentially they get to float until they pay the bill."

Commissioner Westmoreland: "Right, I just don't know why we are financing the State's projects unless you are telling me that it is covered in the A&G overhead."

Paul Yatcko: "Some portion of it is David, not all of it."

Commissioner Westmoreland: "Ok."

Kevin Barber: "We do have overhead costs that are included in there. We do get some back."

Commissioner Westmoreland: "Ok."

Paul Yatcko: "Part of the problem too is that while the State audits our rates for overhead and labor and so forth and we are limited as to the overhead adders that we can put on the various costs components, according to their formulas and so to quote one presidential candidate, 'the game is rigged'."

Commissioner Westmoreland: "Well, what if you just don't have the money to do one of their projects for them? You call them up and say send me a check?"

Kevin Barber: "We do, I believe, have an option, we could do a forward funding, if I recall correctly. We have always been in a good cash position where we wouldn't have to do

that. I think our goal will be to at least get an invoice out, not a completed invoice, but by the end of the year so at the end of the fiscal year will show that in a better light.”

Commissioner Westmoreland: “Right, it is not like we are losing any money, because we can’t make any money on the money we have so, right now. Alright thank you.”

Kevin Barber: “Are there any other questions on the electric? Ok let’s switch over to the water. On the water, the revenue side for the first nine months we are showing for the sales, a positive \$378,000, so we are ahead of our budget and a total operating revenue of \$382,000. I will point out that in the past our budgeting convention is to take our yearly water sales, divide by 12 and apply to each month, so while it is showing a large, positive variance, that may diminish down slightly by the end of the year. Also, if we do get a very dry spring, we will also see. After today’s rain I am not sure that is going to happen, but we may see that stay about where it is. We do expect it to stay at a positive through the end of the year though. On the operating expenses, overall for the first nine months we are under budget by \$573,000 and all of our categories that we have listed are also under budget. As with the electric, we have also created a depreciation entry so that will show up as a variance of zero. And I also will point out that we do have unallocated expenses on both water and electric. Under the water, we have \$376,000, which will get reallocated at the end of the year to other operating expenses in the categories above it, like water supply and the transmission and distribution categories. So our total operating income minus expenses, we are at a positive \$955,000 for the year, which is well ahead of what our budget was. Under the non-operating revenues for the year, we are showing a positive \$4,366 taking into consideration miscellaneous expenses, interest income and interest expenses. So, our income before operating, we are at a positive \$599,000 for the first nine months. Are there any questions on the water financials?”

Commissioner Westmoreland: “Great, thank you.”

Paul Yatcko: “Thank you Kevin.”

Commissioner Westmoreland: “Next item Notice of Accession of the Bozrah Light & Power Company.”

Paul Yatcko: “Yes, Commissioners this item is simply a formality and is in the package for your information. You will recall back in October we were advised that Bozrah Light & Power, a wholly owned subsidiary of Groton Utilities, had applied for membership in our wholesale co-op of which we are members and part owners, the Connecticut Municipal Electric Energy Co-op. As you will also recall, a vigorous debate occurred at the time as to the appropriate price at which to allow them to enter into membership in CMEEC. It is fair to say that despite the impassioned pleas that we made and over our objections, the rest of the membership approved the membership of Bozrah Light & Power. The governing bodies of the other municipalities involved also approved the transaction. We on the other hand here at the Commission tabled the matter and did not vote on it. So

the end result of that, which was formalized with this letter that was in your packet, is we have been advised by CMEEC that all of the legal formalities have been completed and the requirements have been met and as of the first of the year Bozrah Light & Power is a full member of CMEEC.”

Commissioner Westmoreland: “Ok, great.”

Commissioner Geake: “And there is nothing we could do about it?”

Paul Yatcko: “And there was nothing we could do about it. We had our say, I will say that I think our arguments were valid and they are every bit as valid today as they were then, but it was the will of the membership that Bozrah become members.”

Commissioner Westmoreland: “Alright, thank you. The final item on the agenda, testing services, it is an item I asked Paul to put on the agenda. I thought it might be helpful for the Commissioners. I had asked him a question about the testing for lead in the water with all of the news reports about the terrible situation in Flint, Michigan, I thought it might be useful for the Commissioners to be informed about what SNEW is doing regarding lead testing and the quality of our water and what services are available to people if they have concerns. So with that...”

Paul Yatcko: “Thank you David. SNEW provides lead testing for customers free of charge upon request. Any customer who has a concern about the level of lead in their drinking water, all they have to do is pick up the phone and call us and we will arrange to do the testing. Typically, we receive one request like this a month. There are a few day care centers in the service territory who I believe legally are on a two-year cycle and we support that. We had a few requests from the Norwalk Health Department, the City’s health department in cases where they know that a child has tested positive for lead, but in none of these cases has there been lead in the drinking water that we have provided and we never had a sample since testing has been in place, so we have never had a sample that has been over the lead action level. As a company, we are on the ultimate reduced monitoring period under the EPA’s lead copper rule. Sampling is required on a three year cycle, since we meet the 90th percentile action level. We are due again to do this testing system wide in July of this year. We test 30 so called ‘high-risk homes’ every time we go through this cycle, those high-risk homes are homes that were built between 1982 and 1988 before the ban on lead solder took effect in Connecticut. We also test all of the homes where we know there are lead service lines and we are currently aware of only five of those in our service territory and again on all of those homes that have been tested, since the testing began back in 1992, we have never had a test that was out of spec for lead. One of the complications for lead testing is that while it is not impossible for us to actually do the physical sampling, it is nearly impossible, now why is that? It’s because the samples need to be drawn where the water has been still for 6 hours or more. So in general that would be the first thing in the morning after the family has been sleeping. So, we provide the customers with the means to draw the sample, but they have to draw the sample before anybody runs a shower, fills the coffee pot or flushes the toilet and it is almost impossible for us to be there to do that for the typical residential customer. We do add a compound call Zinc Orthophosphate, it’s a corrosion inhibitor and it acts to prevent

the lead from leaching out of the material. We make that addition of that chemical in the treatment plant, so it is in all of our water and that prevents the lead from leaching out into the drinking water. And just to clarify there is no lead in our source water. Testing of our reservoir water has indicated that we are not bringing lead into the system. Again, if any customer has any concern at all, first we will tell them if they think there is a problem; that they need to run their water for 15 minutes because usually you get the highest lead level when the water has not been run for a while. So we tell them to run the water before using it and of course we would be happy to support them and have them sample the water so we can test it for them. But, we have never had a problem under the lead copper rule.”

Commissioner Westmoreland: “Great, thank you. Any questions? Discussion? Alright can I have a motion to adjourn?”

Commissioner Borges-Lopez: “So moved.”

Commissioner Mann: “Second, Mary Mann.”

Commissioner Westmoreland: “All those in favor?”

Commissioners Unanimously: “Aye.”

Adjournment

The meeting adjourned at 7:40 p.m.

Attest:

Lisa G. Roland
District Clerk