

SECOND TAXING DISTRICT COMMISSIONERS
Regular Meeting
January 17, 2012

Present:	Mary E. Burgess	Chairperson
	Al Ayme	Vice Chairperson
	Maria Borges-Lopez	
	Mary Geake	
	Sherelle Harris	
	Mary Mann	
	Cesar Ramirez	
Also Present:	John M. Hiscock	General Manager
	Gwendolyn Gonzalez	Asst. District Clerk
	Kevin Barber	
	Mayhew Seavey	Consultant
Public Present:	Jim Clark	Golden Hill Association
	Jim Delgreco	Golden Hill Association
	Marc Jacobi	Golden Hill Association

Call to Order

Chairperson Mary E. Burgess called the Regular Meeting of the Second Taxing District Commissioners to order at 7:01 p.m. on Tuesday January 17, 2012. The meeting was held at South Norwalk Electric and Water, One State Street, South Norwalk Connecticut.

Acceptance of the Minutes

Commissioner Burgess: "I will call this regular meeting of the Second Taxing District Commissioners for the City of Norwalk to order, Tuesday January 17, 2012 at 7:01 p.m. looks like from here and first thing I need a motion for acceptance of the minutes of December 20, 2011.

Commissioner Ayme: "So moved."

Commissioner Borges-Lopez: "Second."

Commissioner Burgess: "All in favor?"

Commissioner Ramirez: "I will have to abstain, there's a few corrections I do not believe that I expressed myself the way the record show."

Commissioner Burgess: "Alright."

Commissioner Ramirez: "And it's a long meeting so I'm not going to be wasting time to correct, but its show the record it's quite a few errors here I will abstain then."

Commissioner Burgess: "So all in favor of accepting the minutes?"

Simultaneous: "Aye."

Commissioner Burgess: "And one abstention."

CONSENT AGENDA

Electric Write Offs- October 1, 2011 thru December 31, 2011

Appeals Committee Reports

A. Southern

D. Wilson

J. Cutrone

Commissioner Burgess: "And now I need a motion for the consent agenda."

Commissioner Ramirez: "I will move."

Commissioner Ayme: "Second."

Commissioner Burgess: "All in favor?"

Commissioners Simultaneous: "Aye."

Commissioner Burgess: "Appeals Committee Reports."

Mr. Hiscock: "It's part of the Consent Agenda."

Commissioner Burgess: "Pardon me?"

Mr. Hiscock: "It's part of the Consent Agenda, Madam Chairman."

Regular Agenda

Customer Notification and Public Meeting Policy when Considering Rate Increase

Commissioner Burgess: "Oh it is part, oh okay, now we are the regular agenda item 5."

Mr. Hiscock: "Behind item 5 tab is a South Norwalk Electric and Water Rate Increase Notification of Public Meeting Policy, based on the discussion at the last Commission Meeting, I made changes as indicated by the Commission and have sent you a revised

draft the date of this draft is 1/13/12. I'm looking for further comments, questions, issues with respect to this item from the commission."

Commissioner Burgess: "Questions on it?"

Commissioner Geake: "Through the Chair, could we have this so that if we are going to make notification that it be done on our homepage, so that when they type it in get it all straightened out that it will be the first item and they don't have to go anywhere they can just see it immediately?"

Mr. Hiscock: "Yes."

Commissioner Geake: "Okay, thank you."

Mr. Hiscock: "Yes, it will be placed right on the homepage of both the utility and the District and simply will be a click on and (inaudible) will go to whatever report happens to relate to what we are doing. Plus it will specifically indicate right on the homepage (inaudible) date of meeting, time frame, and while we didn't obviously put that it in the policy, it did certainly the procedure we would follow in going through that process."

Commissioner Burgess: "So we would need to approve this policy?"

Mr. Hiscock: "Yes, and a policy of the Commission so that the Commission certainly could change this at a later date if they felt it was either insufficient or too much, but it would be a policy and it would obligate staff to follow this policy."

Jim Degreco: "Can we make statements or ask questions? I'm sorry I'm not familiar with the rules."

Commissioner Ramirez: "I believe this is the same draft we reviewed the last time right? Have you been in communication with them or not?"

Mr. Hiscock: "It's almost the same draft."

Commissioner Ramirez: "Similar?"

Mr. Hiscock: "Very similar, hearing was changed to meeting, other than that there were no subsequent changes."

Commissioner Burgess: "Is it possible for me to..."

Mr. Hiscock: "Take public comment at this point?"

Commissioner Burgess: "Take public comment now instead of waiting till the end?"

Mr. Hiscock: "With the permission of the Commission, I mean you know the long standing policy that public participation is the end limited to two minutes per person with no dialog back and forth but the Commission has waived that from time to time when they feel it is appropriate, they waive it by motion, and an affirmative vote."

Commissioner Ramirez: "I would like to place a motion to accept to listen to."

Commissioner Ayme: "To move the public participation on the agenda?"

Commissioner Ramirez: "To allow them to participate right now."

Mr. Hiscock: "On this item."

Commissioner Ramirez: "On this item."

Commissioner Ayme: "On this item. Second."

Commissioner Burgess: All in favor?

Simultaneous: "Aye."

[Commissioner Harris arrived at 7:09p.m.]

Jim Delgreco: "First of all thank you. I want to thank you for taking the initiative to write the letter, I think it's a good first step. I would like to propose that the number one has additional items within it is a good beginning I would like to see additional items put in it as suggestions or John you said that this would be a policy for staff would follow?"

Mr. Hiscock: "Correct."

Jim Delgreco: "So I would like to see in addition to some of the things that you mentioned like, letter in the bills that go out. I would like to see the notice in the paper, I would also like to see the website as Mary just said. I would also like to see informing affected neighborhood associations, outreach by the members of committee to the public to make sure their informed about the increase. I would also like to see the additional information put in it that we could then comment on before the final draft is voted on. When I read the minutes of the last meeting there were some statistics thrown out for example with that there were 9,000 customer's that bills go out on a quarterly bases, a revolving quarterly bases, which it means it sounded like every three months somebody gets an invoice, which if that's the case it does reduce the cost of actually having additional paper sent out because you figure every month at least 3,000 people are getting an invoice so that would reduce it to 6,000 additional. Plus when I read the minutes from last year the first time that the increase in the water rates was mentioned March and the actual increase was passed in October if I'm not mistaken. That's six months of conversations that could easily have been put out to the public to say that at the regularly

scheduled meetings that information could be added to or discussed at each of the meetings which might alleviate the need to having a special meeting, which I know is one of the concerns. So what we could do is write up our comments about this if you would like and deliver them to you so that you might add some additional comments about it. Also, because everyone's website is the face that the public is now seeing I would suggest that you do engage someone and spend some money on getting your website updated, there was a comment to say you think it's was needed, I don't think an intern is a way to go with that, because I don't think they have the expertise that it needs if you're going to work at your website. Thank you."

Commissioner Burgess: "Thank you."

Commissioner Ramirez: "Thank you."

Commissioner Burgess: "We need to motion to accept these recommendations and possibly add something later after we have gone over or."

Mr. Hiscock: "Certainly from my perspective I would prefer that we don't delay approval of the draft that you have in front of you mainly because as you look at the agenda we issue that's brewing and brewing fairly quickly and we'll get into that shortly with respect to electric rates. So I would like to have this approval so we can at least follow what's here and number one does say and other notifications as appropriate, okay which is important and considering the fact that we are dealing with electric fairly shortly all electric customers receive a monthly bill. So the \$4,500.00 that was quoted at the last meeting, after I finally got my math straight would not be an issue here if we were to go through this process it would be relatively easy to insert a notice right in the electric bill that's coming out at the end of this month and go from there, so there would be no additional cost."

Commissioner Ayme: "Okay."

Mr. Hiscock: "It becomes a little problematic with respect to water, as you know, but electric notification's much easier."

Commissioner Ayme: "I so move to approve the South Norwalk Electric and Water Rate Increase and Notification and Public Meeting Policy."

Commissioner Ramirez: "Can I umm?"

Commissioner Borges-Lopez: "Second."

Commissioner Ramirez: "Can I do a suggestion to the motion."

Commissioner Ayme: "You can amend the motion, yes."

Commissioner Ramirez: "That's correct, would it be fair to say we accept this policy, can we later on do (inaudible) amendment perhaps a few of the suggestions that have been put onto the table here? Have the (inaudible) write draft and let the CO to consider it, which one of the amendments should be included into the policy."

Commissioner Burgess: "I believe I already suggested we could hear later. "

Mr. Hiscock: "I think based on what I heard we're going to get written comments."

Commissioner Burgess: "Right."

Mr. Hiscock: "And we will take those written I will forward them to the Commission."

Commissioner Ramirez: "So that will be the amendment to the suggestion?"

Commissioner Ayme: "No."

Commissioner Borges-Lopez: "No not an amendment."

Mr. Hiscock: "No it wouldn't, I think that we all know is going to happen this way, I mean obviously we are going to get comments and we are going to receive them and they are going to go to the Commission, and we will start a dialogue based on those comments as to whether or not we should

Commissioner Ayme: "Add."

Mr. Hiscock: "Amend the policy at a later date. "

Commissioner Ramirez: "That's right."

Commissioner Ayme: "Exactly."

Commissioner Ramirez: "I just want to make sure that the public participation is included."

Commissioner Burgess: "We have an action and a second."

Commissioner Ayme: "I think for the record we should say that the amendment failed."

Mr. Hiscock: "There was no amendment offered."

Commissioner Ramirez: "There was no amendment just a suggestion."

Commissioner Burgess: "All in favor of adopting this notification and public meeting policy?"

Simultaneous: "Aye."

Commissioner Burgess: "Item 6."

Mr. Hiscock: I was going to ask the Chair to change the order of the meeting this evening and place item 7 ahead of item 6 because our rate consultant is here, he comes from out of town, and assuming there maybe some lengthy discussion on items 6, I felt it more appropriate, but that's the Commission's decision if they want to do that."

Commissioner Burgess: "Yes, that fine do I need approval, yes?"

Commissioner Ramirez: "I move to accept it."

Commissioner Geake: "I second it."

Commissioner Burgess: "All in favor?"

Simultaneous: "Aye."

Electric Rate Change –Draft Recommendation

Mr. Hiscock: "We'll move to Electric Rate Change –Draft Recommendation, Mayhew Seavey, who you've all met previously is our rate consultant and we've been working with Mayhew for about a year or so now on changing electric rates and coming up with a more modern rate structure in addition to your board book I provided you a stapled document that was about an inch thick."

Laughter

Mr. Hiscock: "Yeah about that thick, which was really a series of emails back and forth between Mayhew and staff and Mayhew's work and changes and recommendations as we discussed what we thought would work best, as you know you had a presentation and at this point I think we are prepared to get into a detailed recommendation, that the purpose of the meeting this evening and Mayhew has draft final report that we're going to go over this evening. Answer your questions, talk about what we've come up with why we've come up with it, in addition Kevin Barber who worked on this with Mayhew and myself is also here so as we go through questions we may end up with all of us talking to you. This is the series of slides we would be working from; we didn't anticipate a crowd so we didn't set up a big projector. When actually have a public meeting on this we will actually have a projector set up for that so since it a Commission meeting we didn't get prepared for public input."

Mr. Seavey: "Good evening."

Simultaneous: "Good evening."

Mr. Seavey: "I think it was probably June when we last got together to go over this, and trying to get my slides to turn over, so the most important step in designing rates is to figure how much money you need to collect through the rates to budgetary requirements. We start out with the cost of service model that I present back in June of last year, which worked off of the Department's budget for fiscal 12 and the (inaudible) amount of revenue that needed to be collected. We've sort of worked together with John, and Kevin to come up with how much needed to come out of the rate stabilization fund in order to mitigate the increase because it was pretty clear early on that it was going to be a fairly sizable increase without taking some money out of rate stabilization fund because of the continued high cost of purchase power. So this is based on \$1,000,000 in rate stabilization funds being applied to the cost of purchase power to get the rate increase down to a reasonable level, and we also backed off on the rate of return the original design that we (inaudible) at back in June looked at airing a 5% rate of return which was close to a \$1,000,000. We cut that in half, again in order to keep the rate increase reasonable. In terms of rate structure I think I talked about the fact that we unbundled the rates of that's the piece industry charge. We've do this because, a couple of reasons, that's the way Connecticut Light and Power structured their rates so that makes it easier for your customers to a Connecticut Light and Power bill and see how the cost compare. It also makes it easier for you to account for revenues and expenses, to see what part of the rate might collecting less than it should. The basic unbundled structure is that we have a distribution charge, which includes the customer service charge and that recovers all the cost of owning and operating an electric system, the poles and wires cost, your administrative cost also includes the net income all the return on the investment, and that's passed on to the customer either as a per cents kilowatt hour charge or if they are a large customer as a demand charge on the dollars per kilowatt month. Then we also have two additional charges a transmission charge and a generation charge. Those are just a pass through of the cost you pay to Connecticut Municipal Electric Energy Cooperative, for the cost of transmitting the power that receive across the local and the regional transmission grid and then the cost of the purchase power that they purchase on your behalf. So those two components are simply a pass through you don't earn anything on those. The next slide shows we simplify we tried to simplify the rate structure, we reduced the number of major rate classifications from seven to four and in doing so have made your rate structure consistent with the standard industry practice in general and with Connecticut Light and Power in particular. We have eliminated the separate municipal rates which had fairly broad applicability and wasn't just municipal customers. It was for any government customer and that a practice that isn't part of the standard industry practice anymore, to distinguish between public and nonpublic entities in terms of the rate the pay for electricity basically because your other customers have to pick up whatever cost aren't being recovered from the government customers so we've basically moved those customers either to a small business rate or a large business rate depending on how much they were using. We then took all the non-residential customer and put them in one of three groupings and so there's no overlap every customer belongs in one class or another other so you don't have to be concerned with making sure the customer in the lowest most economic class for them. So we have a small general service class that has a demand of less than 100kw. Medium general service that's between

100kw and 350 and then a large which is over 350 and that's consistent with the classifications that CL&P uses so that you have comparability throughout the rates. As for as the design for the residential rates we're purposing that you keep the existing block structure. The current rate has four different prices for as usage increases the price increases and that's a rate structure that actually maybe a little bit ahead of curve, I think that's now a type rate structure that's being used more and more to discourage excess use of electricity and to reflect the marginal cost of scarce energy supply and so we are keeping that, and that structure pretty much the same. We are increasing the customer service charge slightly from \$7.41 a month to \$9.00 a month, this is well below CL&P's customer service charge of \$16.00 and you know, it's still a little bit less than the cost of service but the problem with the customer service charge is that it disproportionately affects customers that have a small amount of usage, and those customers tend to be elderly and lower income so, so keeping the customer service charge reasonably low is (inaudible). There's a 0.75 ¢ per kWh in the total energy charge and a average customer bill would increase by 6.5%, and that's still leaves it lower than 8.5% of CL&P's rate (inaudible). Slide six just goes into details of that how the numbers goes out, you can see on the right hand side in place of the current purchase power adjustment there's a transmission charge of about 1.7¢ and then a generation charge of about .09¢ and then the distribution charge is smaller than the current (inaudible) charge and the whole thing works out to be 0.75¢, more, if you add all of the numbers up, as I do at the bottom. Then there's also an increase in the customer service charge. The graph I'm sorry the chart on slide 7 show for different levels of customer usage down the left hand anywhere from 81 kWh a month up to 1,575 kWh a month, what the bill would be under the present rate and what the bill would be under the proposed rate and what the increase is. The numbers here are selected so they are representative of your customers so each, basically each line of that chart represents about 5% of your customers, so that's the way they are grouped and the median customer is 472 kWh that's half the customers use less than that half the customers use more than that, and that's where there appears to be a increase of about 6.5%, and finally the graph on slide 8 shows visually what the average cost per kWh looks like under the present rate which is the purple line and the proposed rate which is the you would call it magenta line and Connecticut Light and Power's line which is black, which is higher except at the very high levels of usage where there about the same. So again, it's important to note small customers are much better off compared to CL&P than larger customer so you rate structure tends to show more favorable to smaller customers. Now the new general service rate 11 smaller general service, the current rate 11 is being eliminated all of those customer will be moved to current rate 12 which will be the new small general service rate and these customers will see about a 6% reduction because of the way the new rate 12 is structured, is more favorable to them there are about 800 I think there are about customers in this group who get moved. The table on the next slide shows how the present rate 11 compares to the proposed rate 12, the customer service charge is higher, there's now a demand charge where there wasn't a demand charge that's the main difference and the reason that we are able to do this is that all these customers will have new meters, that are able to meet a demand in the past the reason we didn't meter demands for small customers is because the metering cost was too high, so it's much better from a cost perspective to bill customer on the bases of demand.

Demand being the highest rate at which customer uses electricity during the course of the month, because demand is really what causes you all the cost in running the distribution system you size your transformer, all of your wires, and so forth to meet that maximum demand that a customer is going to put on the system, and so you want to charge them on that bases, because if a customer only has a demand for 5kWh but only for only a couple of hours if you only charge them for kilowatts you'll never recover the full cost for the customer because you are not billing them for enough kilowatt hours, so this makes the rates much more in line with the way customers actually cost you to provide the service, So this rate change will get your rates more in line with cost of services. The new proposed general service rate 12 on slide 11, there are currently about 250 customers in this class you will be bring in about 800 of the small, rate 11 customers about 50 of the municipal rate 15 customers to this class so that this combined class will be a fairly sizeable class. It will be the second largest in terms of kWh sold after the residential class. There's also a significant change in that we're increasing the demand charge from \$5.30kw to \$12.00kw and lowering the energy charge. This is significant because the cost of service is much higher than the \$5.00 and CL&P's charge is currently about \$12.00 for small commercial customers, so this gets you in line with cost of service and (Inaudible) CL&P, starts to sound like a broken record but the idea here, you want these rates to line up well with CL&P and we also to line up with the cost of service. The demand charge only applies to demand over two kilowatts so small customer who don't have up to two kilowatts demand will have not have any demand charge, so that helps with smaller custom, we're eliminating the block the structure in the rates, there's a very complex energy rate to be charged in the current rate and this applies to all of the commercial rates, and we are just going to eliminate that there's a single rate for all kilowatt hours, for this the average increase is only about 0.2%, unfortunately while these rates would have looked quite favorable compared to CL&P, CL&P lowered their rates significantly on January 1, so this new rate is up 6% higher the CL&P new general service (inaudible)."

Commissioner Ayme: "Can you repeat that please, what you said."

Mr. Seavey: "Yes, CL&P had about I think it was about a 15% decrease in all their in all their rating as of January 1, so while this rate would have been lower than the old CL&P rate, it will now be about 6% higher than CL&P. Should I move up and speak in the microphone?"

Mr. Hiscock: "It'll be better for the tape, while we don't amplify it so, it's certainly better for the minutes, should have done it earlier, we did at last (inaudible)."

Mr. Seavey: "I do think you are right, so that slide 12 shows the breakdown of the numbers there, and you can see the complicated energy, there are three different energy charges under the current rates there's only one under the proposed rate. So it's a simpler rate it's actually for this class of customers it relatively a small increase. The new rate that we created its still called rate 13 but it's now distinct from in terms of customers that fall under this class it's distinct from the small and large general service customer. There

are only 13 customers in this class, 6 are moved over from the Municipal rate 15 and 7 currently in the sort of mixture of 13, 16 and 17 which are all large customers who have different interconnections voltages and different transformer ownership, we are aggregating all of those into a single rate and dealing with the transmission ownership and the interconnection voltage with just changes in the rate structure. We're increasing the customer service charge significantly to \$250.00, I think it is presently \$8.70, its customer this size have expense meters the billing is more expensive to do so that's justified by cost of service and still significantly lower than what CL&P charges for customers this size. We have a demand charge of \$11.00 which applies to all kilowatts and we have a single energy charge. This class sees about a 2% increase and is about 3.5% higher than CL&P. Just you would like it to be lower but 3.5% is not really significant not really visible to customers. Skip ahead to slide 15 the large general service this is a new class for the very largest customers there are only 5 customers in this class yet they still account for about 15% of the total sales so it's the third largest. We're going to add a primary metering discount and a transformer ownership credit to take care of the differences in how these customer connect to the system, and the customer service charge for this class its now \$400.00, because the are very large customers. The demand charge of \$12.00, really the same changes the structure between small, medium and large is not that different in terms of how the rates are structured, these customers are going to be billed and I hesitate to even mention, they will be billed kilovolt ampere KVA rather than KW, that's consistent with what utility practices for these large customers. Large customers like this contend to have a poor power factor, which is a engineering term but it basically means that if a customer has a poor factor they're drawing more, they're drawing more current and using the equipment more heavily than if they had a good power factor and so you want to charge them a little bit more for that so we're making that change as well, and the average increase here is about 3% and they're about 4% higher than CL&P. Go down to the last slide that's a summary of the whole thing, on one slide if we looked at a similar table back in June it shows for each of the four classes that remain a residential the small general, the medium general, and large general service what the rate of return is, what the change in revenue is in dollars and percents and how these rates compare to CL&P. So the residential rate has the, I think probably back in June it had about a -20% rate of return is now only -10% so what we are doing here is moving the rates more towards the uniform rate of return but the three general services class are very close to each other now, very uniformed in terms of how much next income you're earning from each of those three classes. The residential is still a lot lower but it's sort of taking the first step towards moving them together. The overall increase is 3%, 3.1% and overall you are about 1% below CL&P but the way that breaks out is that the residential is 8% below and the commercial are between 4 -6% higher, so it's on average you're comparable to CL&P, but nobody is average here, so the residents are lower the commercial is higher. On balance I think we've done a good job of balancing out all of the objectives here we've got rates that are a good move in the direction of having greater fairness between residential and nonresidential customers none of the impacts here are practically startling you know the impacts are between 0 and 6%, a 6% increase is not terrible and I think that you know given what I know about the trends in

power supply cost over the next few years, that's probably going to be the last increase that you'll have to put in place for quite a while so"

Mr. Hiscock: "We talked about this I believe in the October or the November meeting I can't remember which one right now, but were only able to achieve this by taking a million dollars out of the competitive municipal trust held at CMEEC and there was considerable discussion about that an explanation it was what the funds were intended to be used for originally when we went from a regulated market to a deregulated market and we were trying to match up or rates by saving up some money when we were significantly lower than CL&P, saving up some money for the period of 12-17, as you know it was not quite 20% of that fund that we took out so that it could continue to take that amount out over the next four years we essentially will almost get to the point where the debt service that CMEEC is paying on the original bonds to get us out of Millstone will expire, so our rates, wholesale rates that we pay or the money that CMEEC collects from us will be lower, to the level of the debt service, so that will help out in trying to, it will help out in getting our wholesale rates closer to CL&P's wholesale rates. One of the real problem that we face with deregulation is that CL&P now buys power the way that we do, that's an issue, they're certainly larger than us, they deal with the market in a different way, when dereg first started they didn't do a very good job due to I guess regulatory constraints is a nice way to put it, and we took advantage of that for quite a few years our rates were very very low compared to CL&P this unfortunately is the reality of where we find ourselves today. There's one other issue I think that we discussed previously and it has to do with the wholesale price of power that we're currently paying its high, due to some forward gas purchased in the 2009 or so time frame by CMEEC when we got to really high gas prices and they started to drop off and CMEEC's purchasing policy or procedure the risk management committee figured it was going to level off so we bought gas (inaudible) four years or so and gas prices continued to decline and you wonder why that has and affect on rates it's because when we negotiate the purchase power its always for the power coming out of the plant with us supplying the fuel, so and that the only way it's really done it can be done other ways but it made the most sense for us, so we're caught in a very difficult situation where CL&P isn't stuck with these gas futures, they're taking advantage of the lower gas prices, and we obviously cannot until the contracts run out, so we are essentially paying for gas at a higher price and purchasing gas at higher price is resulting in a higher price to us we've mitigated a little bit by taking a \$1,000,000.00 out of the trust and that's fine, Mayhew and I had a discussion last week trying to figure out what it cost or how it would work out if we some other subsidizations so to speak and I think I asked Mayhew what it would cost for us to take care of the CL&P situation and put us back into what we were looking at two months ago and I think he worked out a number for us."

Mayhew Seavey: "Yeah, you would have to take another \$750,000.00 in the current fiscal year to be able to match CL&P's rates for all the customer class or increase the residential rates buy an additional 10% above the 16% that already there in order to lower the commercial rates down where CL&P is."

Mr. Hiscock: "So we would have to balance the rates completely to get everybody below CL&P or we would have to take \$750,000.00 more out of cash to get the commercial at CL&P's levels and the residential, well I don't know you did the calculations?."

Mayhew Seavey: "Keep the residential at 8% below."

Commissioner Ayme: "Through the Chair, what we are saying here on the bottom line there is no way to keep it stable for the short term, so you are saying we have to take another \$750,000.00?"

Mayhew Seavey: "Well you can, in order to be equal to CL&P you would have to take another \$750,000.00."

Commissioner Ayme: "Otherwise you go up CL&P."

Mayhew Seavey: "Otherwise you will be above them."

Mr. Hiscock: "And then you can see the table on page 17."

Commissioner Ayme: "We have arrived, we have arrived at a point where we are going to have to go over expenses for both the water and the electric company in detail, and that the point that we are at right now."

Mr. Hiscock: "I think it's important for you to note that 2/3 of our expense is purchase power over which we have no control what so ever, I want to make that very clear."

Commissioner Ayme: "I realize that, I realize that."

Mr. Hiscock: "This is something that we are all facing all of us who purchase from CMEEC, as members. I agree with your comment I'm just pointing out to you that this is really a result of the difference between CL&P's cost of power verses our cost of power."

Mayhew Seavey: "It really is and I wish I had made that comparison but if you look at each of the rates, you see that there's a distribution energy in the proposed rates and you can compare that number, that distribution energy charge, its, I'm trying to find one where it's simple the residential have blocks so that harder to compare, but if you look at rate 12 it's 3.6 ¢ a kWh, CL&P's distribution energy charge is higher than that, and that's the piece that you can control by controlling the expenses of the department and you're already below CL&P in the area's that you can control. In the areas where you are higher is in the cost of purchase power which unfortunately you have no control over. The reason that they're lower, John explained that the reason that they are lower is that they are required by the state to go out and buy all of their power every twelve months. You have the ability to manage your purchases of power and that allows you to have prices that are more stable over the long term, but right now when we're in an economic depression recession an energy prices are very low your stable prices are high, if the price

of natural gas went up doubled your cost of purchase power would stay the same because you've locked in a price, CL&P would go up."

Commissioner Ayme: "I fully understand what you are saying, I fully understand what you are saying, what you are saying bottom line is that in order to maintain what we have on an equal basis this is what we have to do."

Mayhew Seavey: "If you want to be equal to, I think that you can however be 5, 6% higher than CL&P for some period of time, and it doesn't harm the customers it's not a significant amount if you look over time, for a long period of past you've been lower than CL&P, in another year or two you will be lower than CL&P so right now this is a short-term situation where you're higher for some customers, you could live with that or you could take, you could certainly use the rate stabilization money to keep it."

Commissioner Ayme: "You say short-term how long is short-term?"

Mayhew Seavey: "I'm not sure what the contracts how your power contracts roll off."

Mr. Hiscock: "It's about two years that all of the expensive gas rolls off, towards the end of 13 all of the expensive contracts disappears, and then we'll be at market rate, the risk management committee of CMEEC is meeting in about two weeks to discuss this whole idea of stable rates versus market rates and whether due to deregulation and changes in the electric industry we should possibly change our position to attempting to shadow CL&P and UI, and be under them slightly under them. That's going to result in a very different scenario you'll end up with fluctuating rates, you won't have stable rates they will go up and down with the market and you'll be exposed to the very high rates that occur when fuel prices go high and you'll also benefit when fuel prices go low with cheaper rates, you'll have a rate that will look like this as opposed to what we've historically had which is very, very flat that's a policy decision that the board is going to have to make up its mind about, what's appropriate. We all know that between 2000-2010 our prices were great we looked great, and our customers loved us well I don't care how much they love you for ten years, the minute you flip the other way, you're the dog."

Commissioner Ayme: "I know that."

Laughter

Mr. Hiscock: "And that's an unfortunate statement and maybe that's a little bit too blunt, but that's where it's at. The other issue is that our customers, are locked to us by state law and we gained that right during deregulation by arguing how good our rates have historically been, and that's an issue that risk management at CMEEC needs to take up because you get political pressure if you're higher than your competitors no matter small that difference is for a year or so that pressure starts to build. So we're balancing all of this at CMEEC trying."

Commissioner Ayme: “Again, I know exactly what you’re saying, the past is the past and the present is the present. I think we owe to the customers users to take a hard look at the operations and we’ll take it from there, we have to make a revision or let’s take a look at what we have and let’s take at look at all the expenses we have and we owe that to the customers and we owe that to the users and the owners the utility companies, I think. So let’s take hard look and see what we can come up with. That’s not to say that for, at the present time we going to have to through with that increase, because we have to, that the recommendation that’s been made.”

Mr. Hiscock: “The original goal of this project so to speak wasn’t focusing completely on rates, although that was an important component the original focus of this was to create more modern rates and rates that were similar in structure to CL&P so that our customers could compare, and at that point and time it was a favorable situation in the year that we have been working on it has become unfavorable, obviously to the fallen gas prices, and the fallen wholesale cost of CL&P verses ourselves. So not only is it a rate increase but it was a total restructuring as Mayhew has explained to you this evening to one make our rates more simple to unbundle them and make them easily tracked against CL&P and UI. But CL&P is really our competitor not UI.”

Commissioner Ramirez: “Through the Chair may I.”

Commissioner Burgess: “Yes.”

Commissioner Ramirez: “If customers (inaudible) suffer the 15% that will pay the most those consider most to be the very large commercial (inaudible)?”

Mayhew Seavey: “Yes, those are the largest commercial customers.”

Commissioner Ramirez: “(inaudible) what would have if three of those could go out of business? Let say maybe two customers.”

Mayhew Seavey: “Ah there.”

Commissioner Ayme: “Excuse me can, you repeat the question.”

Commissioner Ramirez: “The question is, there are five customers that will pay the most increase assumingly commercial, what would happen if two of those commercial businesses would go out of business. What would be facing? Increasing the residential?”

Mayhew Seavey: “Well you would probably want to revisit the entire rate structure but it would probably be an increase account the board. Everyone would go up by some percentage.”

Commissioner Ramirez: “Why those five individuals have to be really increased tremendously like that?”

Mayhew Seavey: "They are not increasing, their rate is only increasing by 3% it's .."

Mr. Hiscock: "Page 15."

Commissioner Borges-Lopez: "They comprise of 15% of the total sales, but there increase is only 3.1%."

Mayhew Seavey: "Yeah, they are not having a 15% increase of the total they make up 15% of the total."

Commissioner Ramirez: "I misunderstood."

Mayhew Seavey: "It's only a 3% increase that they are seeing."

Mr. Hiscock: "I don't know all five of the customers off the top of my head, I know three of them. We probably won't face that situation based on the nature of our service territory and the nature of those particular customers. But not to say that's a good thing, I'm not saying that because they are captive and because the nature of those customers they won't go out of business and it is unlikely that they will. So I'm not anticipating us running into that issue however, there is always that possibility."

Commissioner Ramirez: "I'm afraid the commercial business will be taking a hit in general, and afraid also for the residential (inaudible) fixed incomes how tough it will be to increase (inaudible)."

Commissioner Burgess: "Commissioner Harris, do you have a question?"

Commissioner Harris: "Were you finished? I'm just curious as how it would (inaudible) if we took this other \$150,000.00 from the rate stabilization fund."

Mr. Hiscock: "We won't take it out the rate stabilization fund because we are limited to 20% of the fund and we are about if I had to guess and I don't have the memo in front of me, we took about 17%. We would actually have to take the \$750,000.00 out of cash, out of SNEW's cash, out of the electric fund cash that's where it would come from. There's another option and I didn't propose it to you because I didn't want to make you aware of it this evening, there is another source of funds, we have in the economic development fund as of the end of November, I didn't bring the end of December but it's fairly close we have \$1.068 million in the economic development fund, we haven't taken any money out of the economic development fund since, well before I was Manager which was 2001 July, the economic development fund some of the utilities have stopped taking it out do to rate pressures obviously, it's not a very large amount of money I mean it wouldn't materially affect these rates its accumulated over a very long time frame. Groton has about \$4,500.00 in the economic development fund, Norwich has about \$262,000.00, Jewett City has about \$241,000.00, East Norwalk has \$147,000.00, we have \$1.068 million, that would be a source of the \$750,000.00 if we chose to do so, that will get us in

a position where the commercial rates will essentially be the same as CL&P's so it's significant it's something."

Mayhew Seavey: "For one year."

Mr. Hiscock: "For one year, that's the problem, this is a fund that's accumulated for ten to twelve years and it's only a one shot deal. For the subsequent years you would have to take it out of regular cash on the balance sheet. That's not a very good situation obviously when we are building a substation, so all these issues that we are looking at, this is a really tough situation."

Commissioner Burgess: "Anything else?"

Commissioner Harris: "Your recommendation?"

Mr. Hiscock: "My recommendation is going, is to go with the rate design as submitted, and accept the unfortunate circumstances and answer the commercial customers that they've had a very good break for a very long time and it is a short duration even though it's going to be well over a year that they are going to be higher than CL&P and hope like hell gas goes up, but it's not going."

Mayhew Seavey: "I would point out that if you sort of break apart the two pieces, one is putting the rate design in place and then the other is adjusting to match CL&P, you can match CL&P through just changing the generation charge which doesn't involve resigning the rates, so that could happen really at any time you can respond in three month, in six months by putting more money into the generation charge and to reduce it taking money out to raise it and it wouldn't affect the rate design that you approve put in place immediately, so if that makes it easier to make a decision the rate design is more than just a comparison with CL&P it's all the restructuring and the big problem that's really troubling people is that comparison to CL&P and that's today and that can change quickly of the price of natural gas goes up, all of a sudden the problem goes away, and it's as simple as that. Really the reason you have a problem is because, it's not that your rates are much higher than they were a year ago it's that CL&P's are much lower than they were a year ago. So that's not necessarily bad news I mean it not that your customer are suffering in absolute terms, they're not paying a lot more than they were a year ago, it's just by comparison they're neighbors are doing a lot better, so doesn't feel as good and doesn't look as good in the newspaper but it spends the same for them."

Mr. Hiscock: "And if the Commission was inclined to put more cash at the situation the \$750,000.00, we talked about it really wouldn't matter a lot whether we took it out the economic development fund or whether we took it out of cash it really it's essentially the left pocket verse right pocket it's our cash. Whether it happens to sit in the economic development fund or whether it happens to sit as pure cash on the balance sheet it is really not terribly relevant."

Commissioner Ayme: "You're talking about the \$750,000.00 we don't have to do that right now?"

Mr. Hiscock: "No, you absolutely do not have to do that right now, okay this assumes that the CMEEC budget is passed by the CMEEC board in December we will be equal to and not worse and I'm talking about at the CMEEC level, remember our rate is based on their budget and their budget to actual is what has really caused us to have a favorable balance in the economic I'm sorry in the rate stabilization fund over the years because we've recommended PPA changes to you to leave the or to have an ending balance in that rate stabilization fund and we've always done better, because CMEEC has always come in under budget however CMEEC changed its budgeting process for year 12 and took the cushion out, I'll put it in those terms CMEEC Staff, CEO and Board had a tendency to create a generous budget in relationship to its expenditures so we were always under budget. I am not anticipating for 12 us to be in that situation CMEEC has really pared its budget down significantly compared to prior years in the process, so we're not going to have that nice little bounce, that nice little cushion that reflects when you true all of these cost up as you remember we pay CL&P, we pay CMEEC a set amount and the rate stabilization fund goes up and down during the year depending on the actual budget, its trued up monthly one month in arrears, and that how it actually works, that's how it's actually closed, so that we are not going to have that little extra amount and I'm presuming that CMEEC will match the budget very closely this year as opposed to years where they did way better. So again I'm inclined to say to you if you want to at least match CL&P for the general service \$750,000.00 comes out of cash or it comes out of the economic development fund (inaudible)."

Commissioner Ramirez: "Through the Chair, this is a learning process correct me if I'm wrong okay, if I hear correctly what would happen the scenario perhaps if we, if I hear correctly you said about a year or so difference (inaudible)."

Mayhew Seavey: "Maybe two."

Commissioner Ayme: "Three years."

Mayhew Seavey: "Maybe two years yeah."

Commissioner Ramirez: "If we take \$750,000.00, to maintain the equal and less say a year and half from now how long will it take for us to recuperate that difference (inaudible) economic situation?"

Mayhew Seavey: "I guess I would ask why you would need to reestablish a rate stabilization fund since essentially well, you could, you could build that fund up again but that fund was designed to take care of differences that resulted from deregulation and deregulation is ten years old it's not to say that it isn't good to have a rate stabilization fund if practically if your design is to have stable rates and your competition doesn't have stable rates then."

Commissioner Ramirez: "It's also a piece of mind to say okay we have (inaudible)."

Mayhew Seavey: "We have a cushion."

Commissioner Ramirez: "To mediate the issue that exist right now especially in the economic process its difficulty that exist right now, when you put \$750.00 in the bank and hit pretty hard perhaps later in a year and a half from now can we go back and try to recuperate that money."

Mayhew Seavey: "It's very hard to say right now how long it would take to recover that, because that depends on so many things that you can't predict right now in particular what happens to the price of natural gas in the future."

Commissioner Ramirez: "Would it make any serious damage, through the Chair, sorry would it make any serious damage to our financial well being if we take \$750.00, \$750,000.00 (inaudible)?"

Mr. Hiscock: "You would."

Commissioner Ramirez: "Based on what the projects we have."

Mr. Hiscock: "You would end up taking another \$1,000,000.00 for 13 or \$1.1 or \$1.2 million in 13 from the competitive municipal trust, you probably could take \$750,000.00 either out of the economic development fund or out of cash it doesn't matter and to have the same affect next year you probably would only have to take and this is a guess on my part \$500,000.00 out of cash the following year so in essence over the two year time frame you're taking about \$1.2 million out of cash, hopefully to whether the storm and to deal with the two years that our purchase power from CMEEC is going to be greater than CL&P's purchase power from the market place. That's one alternative you know that we are working on a substation and we are working the details of the substation out right now. Part of the substation was probably going to be funded with debt we'd make that 1.2 up with increasing the debt load now, all of this starts run out in a long term analysis and everything goes back and forth you know that's a possibility, that certainly a possibility, there are options it's really the direction the Commission wants to go."

Commissioner Burgess: "Commissioner Harris."

Commissioner Harris: "Is it okay, I know he's been waiting for a long time."

Commissioner Burgess: "Yes, I realize that. Sir, we're not being asked to vote on this tonight correct?"

Mr. Hiscock: "You're not being asked to vote on this we just."

Commissioner Burgess: "Until February."

Mr. Hiscock: "We just

Commissioner Burgess: "Since we have a long meeting, hold your comments until."

Commissioner Ayme: "Public."

Commissioner Burgess: "Either the public participation part of this meeting or get them to us in between, or get them to John, would you mind?"

Public Participant: "Not at all."

Commissioner Burgess: "Thank you."

Mr. Hiscock: "The other issue Madam Chairman is that under the policy we just adopted, we have to hold a public meeting."

Commissioner Burgess: "Yes, I know that."

Mr. Hiscock: "We will hold a public meeting."

Laughter

Mr. Hiscock: "We will be doing that, I think the purpose of tonight's meeting is to really make a determination as to what we want to do, and then the report will be finalized, and then we will take that finalized report and go to a public meeting the report itself will be a public document, that document will be posted on our website and available and we will then go through this process again with the rate consultant explaining it to the wider audience and at that point you will get comments and then you will need to make your final decision sometimes towards the final end of February."

Commissioner Ayme: "At the next meeting? Right, okay."

Mr. Hiscock: "And I will anticipate a public meeting sometime around the second week of February."

Commissioner Ayme: "Okay."

Commissioner Harris: "I just want to make sure I'm understanding this correctly if we keep things as are, the customers would go through this for what two years? Where our rates are higher and then thereafter we would be lower than CL&P? Is that (inaudible)?"

Mr. Hiscock: "Probably, it's likely that our wholesale rates will drop in two years when the gas futures the contracts that we purchased in 09 are out and we are buying market rate gas. And let me put it in one other term or one other comment so you understand it, is if CMEEC takes the position and a significant number of the board members are

leaning in this direction if the CMEEC Board decides to follow the market closer and cannot have a stable long-term price our rates will essentially shadow CL&P's, and hopefully because we have some pricing advantages namely we don't pay taxes, we don't pay property tax, we don't pay federal tax, on our profit and we don't have stockholders to satisfy, those give us a competitive advantage and if we move in that direction we should always be lower than CL&P. That does make and I can tell you the type of customer that gets very unhappy with that, we don't have the type of customer that gets unhappy with that, because we don't have large commercial industrial power users. The three larger munies will be uncomfortable with that because they have fairly decent industrial customers who kind of like stable prices and understand the market place and can accept occasionally being higher than the market if in general they get a stable price and the average price is lower than the market. So it's not a given that the CMEEC board is going to move in that direction we're only exploring it."

Commissioner Ayme: "There's not guarantee?"

Mr .Hiscock: "There's no guarantees, as a small company with no industrial customers we be leaning towards that, there is one down side you need to understand if the gas price explodes like it did in 08."

Mayhew Seavey: "2008."

Mr. Hiscock: "08, your rates will go up very high."

Commissioner Ayme: "Through the roof."

Mr. Hiscock: "Okay that's the risk, so it's the trade off stability verses shadowing the market and occasional excursions into an ugly rate, and I cut you off Mayhew."

Mayhew Seavey: "The one thing I was going to say is that I will be sure for the public meeting to bring along a comparison that compares the components of your rates and CL&P's rates that are comparable so that you can see that your distribution cost is less than theirs and right now your generation cost higher but that if your generation cost were the same then you would be below them, and that's really the assurance that you have that in the long run you will be lower than them if you manage the generation cost the purchase power cost. I'll make sure I have that comparison."

Mr. Hiscock: "And you know essentially again probably to keep the commercial customers and the CL&P level over the next two years is going to cost us \$1.25 million in cash for one source or the other. Order of magnitude to give you a comparison substation is going to be about a \$8 million project, the way it's currently structured it was 10 to 11 previously CL&P decided to fund what's called and I know we're talking a lot of topics here but you need to understand relativity CL&P has agreed to fund the PTF portion of our substation so that they can earn the return on investment, it makes our substation cost

probably \$2 million or so cheaper than they would have been, so it takes away a revenue stream from us.”

Commissioner Ayme: “Through the Chair, under what conditions are we allowing CL&P to share?”

Mr. Hiscock: “We’re not allowing them to share we are complying with, complying is a bad way to put it, and we are agreeing to allow them to fund the substation PTF portion. The PTF portion is part of the bulk power grid, if it became, this is going to be complex and as part of regional network service and everybody in New England pays for, if for some reason CL&P cannot get RNS treatment for that portion of the substation, we will then go to CL&P for that portion we will then go to CL&P and tell them we want to fund it.”

Commissioner Ayme: Okay, alright, okay.”

Mr. Hiscock: “Because if it becomes LNS we have to pay for it ourselves, if its regional network service everybody in New England shares and it’s just less cash out lay on our part, and remember when the substation was built we will spend about a million dollars less on transmission charges.”

Commissioner Ayme: “I know.”

Mr. Hiscock: “So there’s no decision with respect to the substation that is a go no matter what.”

Commissioner Ayme: “Right, I understand.”

Mr. Hiscock: “Its a million dollars in cash at our cost to cap, you can afford a very large project.”

Commissioner Ayme: “I understand that, alright I have no other questions, none from me.”

Commissioner Burgess: “Any other questions?”

Mr. Hiscock: “You can defer the decision on the \$750,000.00 until after the public meeting and when you get your public input, and you can make the final decision on that at the point and time at , or whatever point and time if you need to.”

Commissioner Ramirez: “Through the Chair, inaudible.”

Mayhew Seavey: “Thank you all.”

Commissioner Ayme: “Thank you Sir.”

Mr. Hiscock: "So at, just too sort of wrap up our thought here when we do the public meeting we will post the information provided tonight, we'll post this plan and see what input we get."

Commissioner Ayme: "Okay."

Commissioner Geake: "Could I ask a question? You said the second week in February? Is it going to be the second or the third week?"

Mr. Hiscock: "Because there's a half week and you don't know how I'm defining the second week."

Commissioner Geake: "Yeah, because I don't really and I'll be out of town the rest of that the 15,16,17."

Commissioner Ayme: "We don't have to talk about that."

Mr. Hiscock: "I can poll the Commission on that."

Commissioner Mann: "Yes."

Mr. Hiscock: "Right now we need to wait until after the bill that goes out February 1st to notify the customers, but it can be anywhere in that time frame. Thank you Mayhew, I'll talk to you."

Commissioner Burgess: "Alright can we go back to item 6."

Employee Issues: Salary Structure, Manual, Job Descriptions, Organizational Chart

Mr. Hiscock: "Okay, you received a report on salary benefits, and employee manual information, it something you know we do on an annual bases. We've historically been doing this annually for a very, very, long time you have recommendations included in the report they include a CPI adjustment, they include a organization chart change, they include a minor to the employee manual with respect to the job title that exist today in relationship to when the mandatory drug testing portion of the employee manual was written, there are no changes to that other than we lined the titles up to match the org chart and it includes a change to the organizational chart with a report chain of several employees and it included taking two of the vacant positions in the technical services department and redefining them into new job descriptions to match what we are doing. One of the job descriptions is simply for an existing employee so that the existing employee's job description matches what he actually does and matches the intent of where we are going with respect computerized mapping and the new position would be essentially filling one of the current vacancies in the department and as you know out of the 53 currently authorized positions we have been through attrition leaving vacancies in place for economic reasons and currently have 46 of those positions filled most of the

vacancies are in the construction department and the technical services department this recommendation would increase the number of employees from 46 to 47 it would be out intention to leave the other vacancies where they are until we hopefully get an economic recovery and we can make some changes. It is something that we need to look at going forward with respect to the number of employees and that's an overview of the recommendations, I can go through you know all of the detail or I can answer questions whichever you would prefer to do, the cost of the recommendation is included in I believe d, which amounts to an annual cost of \$117,978.00 to cover the CPI adjustment which is recommended to match the CPIW at 3.25%."

Commissioner Ramirez: "Through the Chair, simple question I know in the union negotiation process and a nonunion company, the changes that you just mentioned right now, have you presented any draft on changes to the (inaudible), its customary let's put it that way to send a draft and changes to the (inaudible)."

Mr. Hiscock: "It is not."

Commissioner Ramirez: "To the personnel or just approve it and they will accept it (inaudible), no , no I just, I know what you are getting up to."

Mr. Hiscock: "Well."

Commissioner Ramirez: "Transpire in a different changes of the job descriptions."

Mr. Hiscock: "No, absolutely nothing was discussed with the employee's, we have historically not discussed changes with employees, there are several reasons, one is recommendation of counsel, the minute you get into a discussion with an employee there's always the fear of a (inaudible) union situation, and that it becomes a negotiation no matter what you call it. I will tell you that I our, again and I know I've said this a million times it bears repeating, that we cognizant of what union wages are and go out of our way to pay, not a lot more but higher than comparable union positions at CL&P and we use CL&P as a guide we also look at the City of Norwalk unionized positions to make sure we are not out of line, part of the recommendation we look at the salary structure we look at the City salary structures, we look at the CL&P union contract, strategically we have tried and it's no secret the employees are aware of that. We have tried to create an atmosphere in which there's no reason for employees to unionize, and while we don't want to over compensate them in anyway because it cost the rate payer money we're comparable and slightly better than CL&P on wages and probably the most structured portion of our salary as it relates to the outside market is the electric employees because there are only CL&P, UI and the six munies in Connecticut. The other areas very, very different because there are many, many, many water utilities, there are regional water utilities and private water utilities and municipal water utilities, and there the salaries are all over the lot so to answer your question, no we have not discussed this with anyone at all I would like to characterize the job description changes as not very significant,

nobody's job is materially changing as seen from what you looked at they're mostly subtle changes."

Commissioner Ramirez: "(inaudible) transpired not clearly(inaudible)."

Mr. Hiscock: "This was a recommendation that was based on the CPI, very, very similar to the Norwalk City employees if you look at their contracts both in general wages and in percentage increases they've received I characterize the City as having two of their union contracts, now I'm not talking police or fire, I'm talking about regular City employees or I'm not talking about teachers. The general City employees, DPW, Parks & Rec., the Administrative staff generally their raises over the last three or four years have been similar to this they have two contracts running out the end July 1 or June 30 I believe of 12, and they have one contract that has not been negotiated or hasn't come over due since 09 I believe, one of the bargaining units their contract ran out in 09 according to the city website, I don't know where that's at. Those are the things I use as tool to look towards the changes. The additional employee would be IT Manager, and you've heard me talk for many, many, many meeting in the last two years about how complex our computer system are getting because of the advanced meter infrastructure, because of the rep resentment that's going to come along because of the NERC requirements and moving to a very computerized mapping system, and a electric distribution system."

Commissioner Burgess: "Any other questions? Are we voting on this tonight?"

Mr. Hiscock: "That was the intention, based on the document I sent to you indicated that we always to this in January."

Commissioner Ayme: "That was the idea."

Commissioner Borges-Lopez: "I make a motion we increase 3.25% for Grade 1 to Grade 15 effective December 1, 2011."

Commissioner Geake: "I second it."

Mr. Hiscock: "Unless you intended to do this and I'm not saying that you didn't there are other recommendations in here that also need the Commission's authorization, so if you are intending to the employee manual changes, the org changes, the job description changes, it has to be an acceptance of the report as submitted."

Commissioner Borges-Lopez: "Okay, I make a motion to accept the report as submitted."

Commissioner Ayme: "You're talking about the employee's manual?"

Commissioner Borges-Lopes: "Yes."

Commissioner Mann: “The total report.”

Commissioner Borges-Lopez: “In general the total report, which includes the increase, the employee manual and also the.”

Commissioner Ayme: “The total report.”

Commissioner Mann: “Job descriptions, yes.”

Commissioner Ayme: “We can break it down.”

Commissioner Mann: “No.”

Commissioner Burgess: “No.”

Commissioner Geake: “I seconded it.”

Commissioner Burgess: “Any questions? All in favor?”

Simultaneous Aye

Commissioner Burgess: “Opposed? Abstentions?”

Annual Budget Approval Schedule-Review

Commissioner Burgess: “Annual budget.”

Mr. Hiscock: “Under tab 8 in the book is the annual budget approval schedule, it the same schedule we’ve used in previous years it matched the charter requirements of, draft budget to the Commission on February 15th, regular meeting of the District Commissioner on the 21st to review the draft budget, February 22nd the final draft budget goes to the District Commission to review, that matches the charter the budget language was created back when we had an Electric Commission and a District Commission, serving as Water Commissioners. I can’t do anything about the charter, that’s someday that should happen, we schedule a February 29th meeting for further review and discussion as an option and that really depends on the Commissions discussion on the 21st and I expect it to be a lively discussion based on our rates and other issues. March 8th notice posted in The Hour, including notice of budget availability at the District offices, March 12th consolidated final version goes to The Hour, March 13th Regular Commission Meeting of the Commission, at which time the Commission usually adopts the final budget and makes a recommendation to the Electors, March 14th the budget is available the final budget form is available to the public, March 20th is the Annual Budget meeting once or twice in and I won’t call it recent time the meeting that’s scheduled for the 13th there’s significant discussion the Commission has then scheduled a Special Commission

Meeting prior to Elector Meeting on the 20th that if they have additional issues to discuss. So this is the schedule I called it an approved because most of it matched the charter and I presumed the Commission would accept it however if the Commission has some concern about the schedule, let me know now and we can alter it.”

Commissioner Ayme: “(Inaudible), I move to approve the schedule for the annual budget.”

Commissioner Burgess: “Is there a second?”

Commissioner Borges-Lopez: “Second”

Commissioner Burgess: “Any discussion? Anybody have a problem with any of these dates? Specifically those who may have birthdays.

Commissioner Borges-Lopez: “My Mother’s Birthday on the 20th.”

Commissioner Burgess: “All in favor?”

Simultaneous Aye

Commissioner Burgess: “Opposed? Abstentions?”

Commissioner Ayme: “Public Participation I don’t know if.”

Commissioner Burgess: “Well I don’t know.

Public Participation

Commissioner Burgess: “We are at the point of Public Participation if you want one extra shot at this.”

Commissioner Borges-Lopez: “He forgot what he was going to ask.”

Commissioner Ayme: “Move to adjourn.

Marc Jacobi: “I would like to something, I’m Marc Jacobi and I live in the area, I have a couple of questions, first off why are we comparing only to CL&P and not to other energy providers not necessarily in state but also out? For what I’ve heard about CL&P they are not particularly well run, witnessed all of the problem they had during the recent power outages, etc. etc. I’m thinking if you’re, sorry there was so much covered and there’s so little time, and I believe that is a for profit venture CL&P? They are for profit and SNEW is not correct? So my question would be what’s their profit margin? You know if we are comparing and trying competitive rates and everything else, I don’t and

this whole thing was to simplify the rates? And this whole analysis and everything else was done to simplify rates?"

Mr. Hiscock: "That was one aspect of it, yes."

Marc Jacobi: "Because it seems to me by making these few changes that really residential side is really getting hit hard, is really getting hit hard compared to the others segments of the thing, and if you gonna have rates, if you're gonna raise it 3.1% for the highest users if we decide that that okay yeah we have to have a rate increase sorry okay, but I'm wondering if you do a 3.2 and why are these other ones their seeing a portionately very small increase if they, I'm wondering if like a 3.3% for the combined large generals for instance, what kind of impact would that have on the residential side? If the combined large general is 15% of the usage, do you know what I'm say?"

Commissioner Burgess: "Mr. Hiscock."

Marc Jacobi: "You know what I'm saying spread this out a little bit, make incremental increases, if we decide that we have to increase anything. If we make slight increases a little bit more increased for the larger users that could really help off the average user in the streets, who got hit by the way with a 50% water bill increase. I didn't ever know about then all of a sudden I got a notice in the mail saying your rates going up 50% to build up some fund, which brings me to this next thing. Funds you're taking out a \$1,000,000.00, out of some fund and that going to be twice for two years you're going to do that not just one but for two years, \$2,000,000.00 out of the rate stabilization fund are you gonna come back to us and say oh we need to get that back up again, you know are we gonna have another huge increase to build up the rate stabilization fund? You know, and you're talking about and then talking about another so it's not \$750,000.00, it's \$1.75 million, that you are proposing to take out to keep the cost and down and, you know as much is said the \$750,000.00 is gone forget it and good luck trying to rebuild that in the future. So that going to be like \$1.5 million over the two years gone, it's just very concerning and I would ask that you maybe think about spreading out the impact, if we all take it with shorts we should be a little more equitable about it, because I think the poorer folks you know, I'd love to get a 3.5% increase in my (inaudible) I'm down big time, I should be on food stamps, so any increase that you charge they hurt."

Commissioner Burgess: "Thank you, we'll take your comments into consideration."

Adjournment

Commissioner Ayme: "Move to adjourn."

Commissioner Ramirez: "Second"

Commissioner Burgess: "All in favor"

Simultaneous Aye

The meeting adjourned at 8:45 p.m.

Attest:

Gwendolyn Gonzalez
Asst. District Clerk