

2013 at 8:00 p.m. The meeting will be held at SNEW, One State Street, South Norwalk, Connecticut for the following purpose.

A G E N D A

1. To consider and vote upon the Resolution entitled: "Resolution Appropriating \$10,000,000 For The Planning, Design, Acquisition and Construction By The Second Taxing District Of The City Of Norwalk, South Norwalk Electric And Water Of An Electric Substation Facility And Authorizing The Issuance Of \$10,000,000 Bonds Of The District To Meet Said Appropriation And Pending The Issuance Thereof The Making Of Temporary Borrowings For Such Purpose".

Copies of said proposed Resolution are on file, open to public inspection at the District Clerk's office of the Second Taxing District, One State Street, Norwalk, Connecticut.

Public Participation

Adjournment

Dated this 24th day of May, 2013

Attest:
Lisa Roland
District Clerk"

Mary Burgess: "Now may I have a motion to accept the legal call?"

Jim Clark: "So moved."

Robert Burgess: "Second."

Mary Burgess: "All in favor?"

Electors Unanimously: "Aye."

Mary Burgess: "Opposed?"

[None Opposed]

Mary Burgess: "Now I will appoint, for the vote on this, Kevin Barber as Teller, Kevin is over there [pointing to Kevin] and Gwendolyn Gonzalez as Checker and then we will have a substation update by our General Manager, John Hiscock."

John Hiscock: "When you came in this evening you should have picked up two documents. One is the power point presentation that we are going to go through so you can follow it if you are having trouble with the screen and the other is the actual formal bond resolution which we will not read into the record. It is part of the record and we will only read the title when we come down to that portion of the meeting. This is an update for the electors to let you know where we are on the substation, to give you a description of the background of the project, what we have completed, what we are

working on now and what else needs to be done. For some of you who have attended meetings it will be a little bit repetitive but we will go through it quickly. Our service territory is two square miles. We have about 6,600 electric customers. Our peak load, which is the highest amount of electricity we supplied to our system, was August 3, 2006 of 21.5 megawatts. It is very weather dependent and the peaks always occur during the summer months, usually in the late afternoon, weekdays when we have heavy commercial air conditioning load. It has been in that vicinity for the last four or five years, between 20.5 and 21.5 megawatts. Peak loads are anticipated to be between 25 to 30 megawatts within ten years due to a combination of redevelopment and commercial projects. We all know that 20 North Water Street is under construction. We understand Washington Village is applying for some additional residential units. The old bank building where Ginger Man is located is being developed. We have the 95-7 which Spinnaker and its partners eventually will construct. So we are slowly growing and we eventually will outstrip our system and be unable to supply unless we make improvements. The current supply system, we are fed from a single substation in the vicinity of Flax Hill Road in Norwalk. The facility is owned by Connecticut Light & Power. We are fed through two separate feeders, one underground and one overhead. Many of you are aware of the very significant number of interruptions and outages we have had in the last ten years. Almost all of the outages relate to the failure of the overhead line in the 2005 through 2012/2013 range and the 2000 through 2005 we had successive failures of the cables in the underground system. CL&P has the ability to manually switch us to an alternate substation and these two lines that come in and feed us feed SNEW's distribution system, a system that we own at two voltages, 13.8 kV and 4160 volts. The 4160 volt is the overhead system and the 13.8 kV is the underground system. Next, a quick map of SNEW's service territory. If you look at the left-side of the map you will see a green screen. That is the Flax Hill substation that we are fed from. There are two small squares in the middle. The upper one is the existing State Street substation and the lower one is the proposed substation. As you can see, it is along the blue railroad tracks and along the blue railroad tracks as we all know is the 115 kV grid system from ISO New England. You can see that we are going to be right on the main grid system and we are no longer going to be fed from a significantly remote location. The proposed system is to connect directly into the 115 grid on SNEW owned property adjacent to the 115 at Dr. Martin Luther King Drive and the Metro North main line. The station will have a pair of redundant transformers to supply the entire distribution system at probably 13.8 kV from the transmission grid with what is called a split buss, which means we have an open connection between the two transformers, each of them being able to supply the entire system. One transformer goes down, one feed goes down. We have an alternate system and the connection is to the southeastern transmission line that is the lower one on this side. Well, right here we are on the other side. It is the one to the southeast, towards the water. Our primary concern is reliability while cost has something to do with it. The current two feeds from CL&P, one is old, underground and lead and needs to be replaced. The overhead line was installed in the 1990's, a very difficult route in streets and inaccessible right-of-ways and subject to wind and tree damage when there are storms. The other issue is our future loads will exceed the current feeder capacity and also the transformer rating from the CL&P transformer. We have had many outages. We have had a significant number of hour outages on a single feed. Once we go to a single feed it is extraordinarily risky because that means if we have a second failure, we are out and that is a problem. Since July of 2009 we have had 15.5

hours with both feeds down on five different events. That is not a good situation at all. The other issue is CL&P has a single transformer at Flax Hill with a manually switched feed from the 9S substation which is the big substation at New Canaan and Route 7. But to put us on that substation in an emergency means it has to be manually switched. It means that a substation and an electrician's crew has to come in and physically do the change. They have to patrol the circuits, they have to make sure of safety and it is hours before we can be brought back online. So that is an unacceptable solution. The next three pages are simply outages listed in detail. I don't expect you to read it. Take the thing home and look at it. This is part of our presentation to both ISO New England and the Connecticut Siting Council to get approvals. And by the way, if you have any questions as I am going, please ask don't wait until the end."

Mary Burgess: "Excuse me, if you ask questions or make a motion, could you please state your name for the record?"

John Hiscock: "Our concerns and needs. Cost is certainly an issue and re-cabling or a third feeder from CL&P is not a viable option for us from an economic perspective. CL&P is an investor-owned utility, they pay taxes, they pay dividends to their shareholders and essentially we end up paying an annual carrying charge of slightly over 20% for every dollar invested. That means for every one million dollars in investment CL&P makes to feed SNEW; we have an annual cost of \$200,000. Those economics are frightening. As compared to our municipal debt, which should be at the below 5% range and municipal facilities are not taxed giving us a tremendous advantage when we self-supply and own our own facilities. For the same reason a CL&P owned substation at the new SNEW site is not effective for the same reason. A \$10 million investment to supply us at our substation site would take \$2 million dollars a year in annual carrying charges. Where are we? What have we done so far? We acquired the first parcel on Martin Luther King from the City in 1997 and it was part of the arrangement between the City and South Norwalk Electric Works when the City wanted to build the garage, they needed some of SNEW's land and some easements. So, we essentially traded some land and easements to the City in trade for two parcels. One on Dr. Martin Luther King Drive at the railroad tracks and the what we used to call Franklin Street Island which is now a retaining wall and paved and we are using it as a yard right adjacent to the facility. We also obtained this condominium unit although SNEW actually paid the fit-out costs for it. In 2009 we acquired a second parcel because the first parcel was not large enough for Dr. Martin Luther King. We hired a consultant in 2010, AECOM/Mott MacDonald to complete a Siting Council application and a connection permission from ISO New England to the overhead 115 lines. We met with the ISO New England/Southwest Reliability Group to explain the project, we met with Siting Council staff, and we received a demolition application from the City of Norwalk for the existing buildings on the parcel that we bought. In early of 2012 we received what is called an I.3.9 approval from the ISO New England which is permission to hook into the transmission system and apply a 40 megawatt load to it. We met with City zoning officials, Planning and Zoning and Corporation Council in the same timeframe. We submitted the Municipal Consulting Filing Application to Planning & Zoning in April of 2012. In May we went before the Planning Review Committee. Also in May the Planning & Zoning group approved the Municipal Consultation Filing, which is the local approval telling the Siting Council that the City was willing to accept the plans that SNEW had submitted as part of the

application. We completed and then submitted the actual Siting Council Application in September. We then selected an engineering consulting firm in October of 2012 for final design, Mott MacDonald. We went through the Siting Council public hearing in December of 2012. We hired a surveyor to map existing utilities and pathways between the substation site, down old Ely Avenue for the secondary redundant route. The primary route to get from the new substation to our system is down through a significant amount of existing vaults and conduit works in Martin Luther King but you can't put your two main supply systems in the same conduit system in case there is a fire. So, we are creating a parallel and redundant feed system on Ely Avenue. We were issued a certificate from the Siting Council. It is called an Environmental Compatibility and Public Need in March of 2013. We selected a tree removal service for taking the vegetation along the western edge of site, along the tracks so the transmission lines can be moved. We have selected a consulting engineer to develop soil and erosion plan, a requirement. We have completed the remedial action plan and transmitted to DEEP for site remediation. When we acquired the second site, it was an old repair garage and under the State Statutes we were required to do some environmental testing. As a result of the environmental testing, we found a significant amount of fill with lead and arsenic in it, not very high levels, fairly easy to dispose of and one area of volatile organics probably solvents that went through the floor drains in the repair garage. All of the environmental study work was done prior to acquisition. A prudent measure that you take before you acquire a parcel of property, we were aware of the extent of the contamination and the cost to clean it up. We submitted a Phase I D&M Plan to the Siting Council to start work. So that is where we are today with approvals and process we have completed. What are we doing right now? We are in the process of drafting additional development and management plans. It's a series of plans that lets the Siting Council know the deminimis, the minor changes that we are making to the project as the final engineering designs are completed. The Siting Council application was based on preliminary design and as you go into final design certain things occur. Facilities need to be moved, they have different shapes. We are developing a final design of the substation. That is final electric and structural design. That is about 50% complete. Yes?

Tom Soltes: "I do have a question, how do you say, make a proposal or...how do I say that?"

Attorney Zullo: "State your name."

Mary Burgess: "Can you state your name."

Tom Soltes: "My name is Tom Soltes. I don't know if you understand this but there is much buzz on the internet about what they call EMP's?"

John Hiscock: "EMF."

Tom Soltes: "Is that what they call it? Electromagnetic pulses."

John Hiscock: "Ok."

Attorney Zullo: "Yes?"

Tom Soltes: "But whatever you call it. They come from several sources but one of them could be for example a gigantic solar flare and it has in the past in Ontario, Canada taken out an entire area for weeks at a time. And another example might be if a terrorist or if someone set off a nuclear explosion near enough to our grid it could create an electromagnetic pulse that could take down an electrical system and to try and simplify this is a solution to build what they call a faraday cage around it, which you can build with stuff from Home Depot. You just build a wire cage around it and put it to ground. That should protect it. That is very simplified but has there been any consideration for this sort of thing."

John Hiscock: "No, there has not been any consideration with respect to that at all. We consider the risk extraordinarily minimal. And it would not be isolated risk specifically related to our substation. It would be a much more wide spread problem and simply if it were practical to protect our substation, it wouldn't have the feeds anyway because all of the rest of the system simply does not have that kind of protection and it's a rather theoretical approach that you are talking about."

Tom Soltes: "I just wanted to go on record for saying that I told you so."

[Laughter]

John Hiscock: "Ok. And if it happens I will call you up and tell you I apologize for not changing the design."

Attorney Zullo: "You wouldn't be able to call. The light/wires will be gone."

Jim Clark: "Send a smoke signal."

John Hiscock: "After the fact."

[Laughter]

John Hiscock: "Tomorrow we will be requesting a site remediation bids for the initial cleanup of the site. And we are currently coordinating design with CL&P. We meet weekly by phone and email. We meet the design team on a monthly basis. At this point it's what needs to be done? The actual environmental cleanup needs to occur. The vegetation removal needs to occur. It is imminent. We need to complete final design. Obviously we need to do the construction of the substation, we need to do the conduit and the conductor installation to link up the substation to the existing system and we need to modify the existing State Street substation and/or modify our distribution system to accept the new conductors and conduits and clearing the commission to put the station in service. Just a quick view of what it is going to look like from the Martin Luther King Drive on the southeast side of the Martin Luther King Drive. Where are we with respect to the financing for the project? We have three approved capital appropriations, 2010, 2012 and 2013. Those appropriations were approved by the Commissioners in our standard budget process and by the electors at the Annual Electors' Budget Meeting. So we appropriated \$2.5 million to date. What have we spent to date? We have spent \$900,000 on land acquisition including environmental studies

and attorney fees. We spent \$75,000 on site work which includes the demolition of the existing structures and some initial site borings that we took to get prepared for the actual environmental remediation. The Siting Council Application and the ISO New England interconnect study, \$470,000 in consulting and legal fees, fairly lengthy, complex, difficult process that took two years. It is very difficult to move an application for a substation, way more difficult than the construction, way more difficult than the design. The process is awful. It is the process and we don't control the process. Substation design, while we only show \$45,000 spent to date, that \$45,000 represents early billings by the designer. It is way more than that in work that has actually been completed and we expect significant additional bills. To date out-of-pocket cash is \$1.34 million. Anticipated additional costs, final design \$450,000; site remediation, cleaning up the site, \$500,000; site rough grading, \$400,000. Unfortunately the portion of the site that we got from the city in 1997 was essentially the spoils pile for Dr. Martin Luther King Drive. All of the excess soil, boulders, clean fill though nothing really dirty was put in there was placed in that site. The site was extraordinarily low, it was a deep gully, there was a building many years ago down along the tracks. We need to take out a very significant amount of it and the borings have shown us that it's a lot of boulders, rocks, stone and it is going to be a difficult excavation. We are hoping for significantly less than \$400,000 but we are trying to make sure that we have everything covered in this cost estimate that could possibly happen. We have the actual substation construction at \$7.65 million. There are two significant factors of safety in that number. There is a 10% construction contingency and a 15% additional cost for design change on top of that. We believe the substation will probably be constructed for less than the \$7.65 million. The duct bank and conduits, \$2.575 million. Duct work runs between \$100 and \$150 a foot for the construction and then the conductors themselves are significant in cost, they are copper. Railroad bridge conduits, there are railroad conduits in the bridge that were assigned to SNEW and were paid for by the State of Connecticut and the Federal Government when the bridge was built. There are significant repairs that need to be made to those conduits; they were put in, in 1970. The difficulty there is working with the railroad. The railroad is quite difficult to work with and quite expensive. To give you an example of why it is expensive the extra insurance premium for us to simply cut trees down on the slope adjacent to the tracks for a \$15,000 tree removal is \$2,600. The charges to the railroad for flag men, review of our project and other ground personnel is \$11,000. We are expecting the railroad bridge work to be extraordinarily expensive. We are talking about track outages, sometimes two tracks, sometimes all four. All four track outages only happen on weekends between 1:30 a.m. and 4:00 a.m. That is a problem. Over half of the cost is dealing with the railroad. We are looking at alternatives to maybe avoid that, but right now it is a strong possibility. And the final issue is the cost of the bond issue itself, the cost of the underwriter, the financial advisor and bond counsel. The bond counsel is quite expensive, significant fees. When you look at the total of additional money to be spent it is \$12.475 million, previously spent \$1.34 million for a total project cost of \$13.815 million. A very significant project, however, it is really only about half the cost of filtration plant that SNEW built in Wilton in 2005. So I know those numbers look frightening but they are not necessarily out of the normal realm of what you do in the utility business. It is a standard number, nothing unusual."

Mike Mushak: "I have a question, Mike Mushak."

John Hiscock: "Yes?"

Mike Mushak: "Construction management, is that done in-house or do you hire a professional construction manager and related to that, how is the water treatment plant handled, is that in-house construction management or outside?"

John Hiscock: "It was an outside consultant."

Mike Mushak: "Are those figures worked into this budget?"

John Hiscock: "Yes that is included in the final design fees, it is part of that."

Mike Mushak: "Ok, thank you."

John Hiscock: "Funding sources, this evening we are here to request the electors to approve a \$10 million general obligation bond of the District. We are planning on using as necessary, depending on the cost of the substation when completed, \$2.5 million from what is called a competitive municipal trust, its SNEW money held by the Connecticut Municipal Electric Energy Cooperative, which we are a member. The general purpose of the trust is rate stabilization. We are eligible to use it, simply by making a request to use it. It is money that has accumulated since 2001 to current. It was about \$5.6 or \$5.7 million quite a few months ago. We used approximately, well a good portion of it, \$2.2 million in a CMEEC refinancing in trade for lowering our wholesale energy cost by about 7% going forward and that was just an economic decision we made and we already expended \$1.315 million in cash. Those of you who have been coming to the annual budget meetings you don't realize that the cash in the electric fund is in the \$8 or \$9 million range so we will not, at the end of this process, be short cash. We will have significant liquidity; we will be in a comfortable position. What is the real affect on our customers and our customer base and our rates? That is something that is really important to everybody. The next chart shows the annual charges to Northeast Utilities for the facilities of Northeast Utilities that we are currently using, the transformer at Flax Hill Road and the two feed lines. In 1997 we were paying \$58,000 a year. It gradually escalated as improvements were made until we got into the 2005 range, as you can see in the middle of the chart where it jumped to \$319,000 and the following year to \$567,000. That coincides with the construction of the 9S substation at New Canaan Avenue and Route 7 in which we had to pay a significant share of those facilities and they are brand new facilities so they weren't depreciated and it was a large capital investment, now we pay a small share but a significant share and as you can see the charges then stayed stable from 2007 up through 2009 and in 2010 there was a large number that was related to a dispute between SNEW and its partner CMEEC and CL&P and we were withholding funds from CL&P. We ended up with a negotiated settlement and that represents the balance paid. As you can see in 2011, 2012 and 2013, it is back into the \$660,000, \$650,000 and going up to \$696,000 in the current year. All of those fees when the substation is completed will end. Our contract with CL&P or at least the current contract with CL&P expires in December 1, 2013. It has renewal clauses in it but the charges in the contract are based on the megawatt hours we draw from their system as we put the substation in place we drive our megawatt hours from their facilities to zero while they come up to our standard load in our facilities. That is going

to take about six months to phase in. This station should be completed right around mid-December, commissioned in early January. Once it is commissioned in early January we will then do all of the final conversion into our system.”

Jim DelGreco: “Question.”

John Hiscock: “Yes?”

Jim DelGreco: “Jim DelGreco, 41 Elmwood Avenue. Is this number replaced by a number that you are drawing from the new power source or is it literally zero now and nothing other than the bond issue to build the new power source?”

John Hiscock: “Right, this is solely leasing the facilities from CL&P that supply us from Flax Hill to our system. The charge goes directly to zero and the cost going forward are the carrying charges on the bond. We will sever our ties with CL&P because we will no longer use their facilities because we actually buy our power from ISO New England through CMEEC. That will not change. The cost to that will be identical.”

Jim DelGreco: “So this \$700,000 will then be used to pay back the bond?”

John Hiscock: “Correct and that is the intention and if you move to the next four pages we have a very simplistic version of the loan amortization schedule. The first is at a four year interest rate which is probably the very low end of the possibility and it s a twenty year loan scheduled annual payments, principal and interest \$736,000 a year. The next page is the same loan over twenty-five years, drops the payment to \$640,000 a year although adds five years to the term. We move to the high-end of the bond issued interest rate at twenty years it is \$802,000 a year and if we go to twenty-five years it is \$709,000. You can see those numbers essentially bracket the last several years in the anticipated current 2013 cost to CL&P. It is really almost a wash in the dollars except that if we go back to the CL&P chart, four slides back and the charges in 2011, 2012 and 2013 were negotiated on a per megawatt charge, holding for the three years. We asked CL&P not to put additional facilities in place that we would be responsible for. We took, at SNEW, the risk for outage. It has actually been acceptable because the outages that have occurred couldn't have been resolved by changing the facilities at CL&P in the short run. However, the old lead underground cable failed in the 2000 to 2005 range quite a few times. Replacing that old cable today is a phenomenally large amount of money and if we were to increase reliability by asking CL&P to improve the facilities, that number would go up very significantly. As an example, they have underground vaults with no surface entrance, they are called coffins and you can understand why, they are very small splice vaults. Every time a cable failure occurs and there are no vaults there are coffins, they replace each vault. The vaults are like \$750,000 a piece. They are about six or seven left on the line that need to be replaced. The numbers are huge. Yes sir?”

Jim Clark: “Jim Clark, are you saying they replace the coffins with the vaults?”

John Hiscock: “Yes.”

Jim Clark: “Is that what you mean?”

John Hiscock: "Yes. Today they don't install coffins; everything is a vault where you can get access to it. If we were to continue to rely on CL&P, they have some responsibilities with respect to prudent utility practice. They would start to replace additional facilities and drive our costs up and we would have little control. As long as they were considered by the regulators at FERC, the Federal Energy Regulatory Commission, we would be obligated to pay. Those numbers would increase dramatically over time and once we decide on a term for the bond and the interest rate results from the sale, we have a fixed cost for either the twenty or the twenty-five year period for the facilities that will supply us from the transmission lines. So, this is an economic decision from my perspective that is very easy to make. I think that in any way moving forward and relying on CL&P is extraordinarily detrimental to the District and would be a serious, serious mistake."

Jim Clark: "So since we are talking now in the neighborhood of twenty to twenty-five years, do you have any data that tells us for the new substation in that period (twenty to twenty-five years) typically what kinds of repairs, improvements or possible issues that crop up that we might have to issue new bonds or do significant repair work in that nature?"

John Hiscock: "What is essentially going to happen based on our most recent engineering meetings is we are going to run the distribution system out of the new substation. All of the breakers, controls, relays and equipment will be all brand new and reside at the new substation. What we will end up doing as soon as the, and it is part of the phase-in process, station is completely connected to this distribution system, we will abandon the four transformers that exist in the current State Street station, we will abandon all of the 40 and 50 year old switch gear that feeds the overhead circuits, the 4160 which resides in the old substation building. We will take out of service and eliminate the 13.8 breakers that in what we call 'dog houses' in the substation yard. All of the cost and the expense of maintaining that yard will also go away. And because of the age of the equipment that is there and the fact that there are four transformers instead of two, we probably would drive our substation maintenance costs downward and we will trade the maintenance of an old substation and switch yard for a brand new facility which obviously takes a lot less maintenance. So, it is also a win from that perspective. Can we predict the savings? It is several hundred thousand a year in today's dollars."

Jim Clark: "One last thing, Jim Clark again. So, we talked about the redundancy with the lines, which is great, what kind of redundancies are actually built in to the new substation itself?"

John Hiscock: "Several things, the incoming line along the tracks comes into the station, 115kV comes into the station and drops down into a breaker with appropriate relays and controls, which means we are fed from either direction. So if there is a failure in either direction the breaker opens and isolates our station on either one side or the other. If there is a failure in the line, they open the breaker in our substation automatically our circuit switcher on the transformer on that side opens up. Our circuit breaker between the two transformers closes and both transformers are then fed from one direction or the other from CL&P. So we have redundancy right in the 115 line. It comes into the

substation, the normal operation is the 115 breaker is closed and we have the two feeds. One coming into each transformer, they are isolated from each other and the breaker between them is open. Out of each of the two transformers come feed lines to the control house where the switch gear is. The switch gear is going to be probably eight different breakers. Those eight breakers are fed in the same scheme. There is a breaker between the four on one side and the four on the other. That breaker remains in the open position unless there is a problem. At that point, each of the breakers has a feeder that leaves the substation. Four go down one path; four go down the other path. Those feeders go out into our system and tie into the existing circuitry, so we will end up with one spare out of those eight and seven active circuits and all of those circuits are tied together in the distribution system. So we end up with a system that is isolated all the way out into the individual circuits in the system but they all have breakers to tie them together. So it is an extraordinarily reliable system. It is part of the cost, that's the reason why this substation is so expensive but all of the outages that we have been having will disappear. Now, obviously we can't promise that but..."

Jim Clark: "You just said it."

[Laughter]

John Hiscock: "We can't promise anything. We don't control everything but because of the scheme and the way it is going to be done, the likelihood of an outage is small and the outages that do occur will lead to a single circuit and each single circuit is tied with open breakers and switches to other circuits and normally what we do when we have an outage on the circuit, the circuit goes down, we go in and isolate the problem, open switches and leave the outage to a smaller area. Unfortunately sometimes that smaller area is two or three blocks, sometimes it is the whole business district. And unfortunately when our CL&P feed goes down, it is our entire system but this is a very robust, very redundant, very reliable system that we are going to put in place."

Gordon Sweeny: "Question. Gordon Sweeny. The Flax Hill substation, what would it take for CL&P to reconfigure it so it is no longer a manual switchover, it happens automatically?"

John Hiscock: "What we would do instead is we would have a second transformer installed and they would install the same type of scheme that I was just speaking to with the redundancies and the switching. We wouldn't hook into the backup system because it is a much greater distance. So the better way to handle it would be a second transformer and the related switchgear that would be necessary."

Gordon Sweeny: "Ok."

John Hiscock: "Transformers of that size, to give you an example, are close to a million dollars. They are not a small number."

Gordon Sweeny: "Ok and then the old substation is going to be taken down, you are going to take out all of the old equipment, all the old switches?"

John Hiscock: "Yes"

Gordon Sweeny: "What is its future?"

John Hiscock: "It's an integral part of our site; it will remain part of our site. That is going to take several years to decommission. It has to be taken apart piece by piece. It will be taken apart and scrapped. The steel will be scrapped, the copper will be scrapped; there will be some environmental cleanup."

Gordon Sweeny: "Right."

John Hiscock: "There is no specific disposition at this point for the site."

Gordon Sweeny: "That answers my question."

John Hiscock: "Yes?"

Jim DelGreco: "Jim DelGreco. What is the...4% is like free money, not that we would want to pay it off early but is there a clause when you borrow \$10 million if you wanted to pay off the \$10 million early you could or is it a fixed?"

John Hiscock: "We will talk very carefully with the financial advisor about that issue because if you can recall a bond issue, you pay the premium upfront and you have to look at the interest rate at the time, what the premiums are going for callable and it really has a lot to do with the yield curve going out. If you have low interest rates, presumably the yield curve is going to do this. You are going to pay a significant premium for the right to call. But that is going to be made by the financial advisor along with the Commission and our staff. We will look at that. It is sometimes worth it; sometimes not. Now these are G.O. Bonds these are not Revenue Bonds. Generally G.O. Bonds are a little bit better on the interest rate."

Mike Mushak: "Question, now let's make this a really long Q & A session. Mike Mushak. So my question is, a few years ago I remember an article in the newspaper that Bouton Street was flooding periodically and a drain was found underneath the railroad tracks that Metro North was responsible for. They cleaned it out but what they found was that it hadn't been cleaned out in about fifty years. I realize this site is high and you probably don't have any problems with flooding but we know there are extreme storm events although not that frequently, is there any possibility that due to some failure of something you are not responsible for offsite, for instance Metro North's drainage system, which from all the evidence is not being maintained at all, is there any chance of water backing up into this area and causing any problems with the infrastructure?"

John Hiscock: "The base elevation of this station is about five feet higher than the tracks. The tracks do slope away from the site. There is a Metro North drainage ditch between our site and the tracks and it runs generally south and west to the wetland area and lower Bouton and drains out at the bottom end of Martin Luther King in the wet area at Wilson Cove. That is the general drainage path. On the upstream side, the only contributory area other than the site we own is a small section of Martin Luther King."

However, you know if you come off the bridge it drops down towards the UPS site. So the likelihood of contributory drainage is pretty minimal and there is no drainage that leaves Martin Luther King Boulevard through our site. It all goes southerly, past the UPS and down Martin Luther King Drive right through that valley.”

Mike Mushak: “Thank you.”

John Hiscock: “Yes, Mr. Burgess?”

Robert Burgess: “Bob Burgess. The 4% carrying charges, how certain are you on that price? Have you gotten any estimates from a financial institution on the 4% carrying charges?”

Attorney Zullo: “Are we certain we can get 4%? Are there any indications that we might get that?”

Robert Burgess: “How set are you on that?”

John Hiscock: “We use 4% as the low end of the estimate and 5% as the high end. As part of this process we need to go back to the rating agencies and do a presentation. We will get a rating and that rating will have a significant determination of the interest rate. Presuming that we get a good rating, it will not exceed 5%.”

Attorney Zullo: “We have a good rating now and hopefully we will maintain that.”

John Hiscock: “Our rating right now, but it relates to a 1997 bond issue was AA1 because we are a credit that underlines and is part of the City of Norwalk, we cannot do better than the City of Norwalk and you can't do better than the City of Norwalk anyway because they are AAA and that has been recently reaffirmed. I believe the rating agencies certainly believe in Norwalk and presumably we will also get a good rating. We will not get AAA because Moody's has told us in the past that we will never be as rated as high as the City. That is just the rating process they use. For an entity our size a AA1 is quite an impressive rating. I will be quite happy if it remains there. Yes?”

Michael Geake: “Michael Geake. Has any consideration been given to using the City's permit?”

John Hiscock: “Yes and we are rejecting it on a staff level. We have specifically spoken about it for several reasons. One is we have just gone through a three year process in negotiation with CMEEC so that SNEW and any of the other members have the ability now to withdraw from CMEEC if they determine its not in its financial interest to stay with CMEEC. If we withdraw from CMEEC, CMEEC is our market participant. CMEEC guarantees to ISO New England, based on its credit rating and its liquidity, the payments for electric purchased. If we were to desire to withdraw from CMEEC to become a market participant we would need our own credit rating or we would have to post a phenomenally large amount of cash. So while it would be possible, I assume to piggyback onto the City and go through that process, we have rejected it primarily for that reason. The potential of being a market participant is there and we want to

maintain a credit rating that we have, we are already there, we are a known entity to Moody's and we would like to continue that simply for defensive purposes. I haven't looked at the detail with respect to the arrangement with the First Taxing District and I am not quite sure what is happening with respect to the Third, but hooking up with the City is not a freebie. There are dollars involved that the City gets from the transaction."

Michael Geake: "If I could follow up. What do you feel are the differences between the interest rates of a AA1 and a AAA? In other words, what is the spread?"

John Hiscock: "It might be 20 basis points, 2/10th of a percent maybe. It is not a big number. It doesn't get big until that second A disappears from your rating and then that is a little bit more different. AA3, it might be 30 basis points. I have recently been through this whole process. CMEEC just refinanced its entire organization. I am the Chairman of the Board. I was involved in the rating agency presentations dealing with the financial aspects of it. We went through all of this with the financial advisor trying to predict what our rates would be and those were the kinds of spreads we were talking about for ratings. So there is undoubtedly an advantage in being AAA. It is not a huge advantage. Anything else?"

Michael Geake: "Thank you."

Mary Burgess: "Are there any other questions or comments. Can I have a motion to approve the resolution? This is a motion to approve it."

John Hiscock: "And to put it on the floor."

Mary Burgess: "Yes to put it on the floor. Someone has to move to put it on the floor."

Michael Geake: "So moved."

Joe Newell: "Second."

Mary Burgess: "Moved and seconded."

Attorney Zullo: "Ok who made the motion to move?"

Mary Burgess: "Mike Geake."

Attorney Zullo: "Ok and second was?"

Mary Burgess: "Joe Newell."

Attorney Zullo: "You have that for the record?"

Lisa Roland: "Yes."

Attorney Zullo: "Yes, ok, the motion is now on the floor."

Mary Burgess: "Now is there anymore discussion on the motion?"

John Hiscock: "I have two things I have to explain madam chairman."

Attorney Zullo: "He has to explain two things madam chairman."

Mary Burgess: "Ok fine."

John Hiscock: "One we are not going to read the entire resolution into the record, I am sure you will be happy about that. It is fairly lengthy and complex. It was handed out so that you could look at it. It was also available to you, it is important to mention for the record, it was available to you based on public notice in the Clerk's office. This is the resolution that was passed by the District Commissioners two weeks ago, it is identical. Procedurally what we are going to ask someone to do, the individual who made the motion, needs to read the title of the resolution into the record so that we can identify it correctly for the purposes of both bond counsel and general counsel."

Attorney Zullo: "We didn't want to tell you that in advance for fear that you wouldn't make the motion you see?"

[Laughter]

Michael Geake: "Ok, this top part here?"

John Hiscock: "Right."

Michael Geake: "Resolution Appropriating \$10,000,000 For The Planning, Design, Acquisition and Construction By The Second Taxing District Of The City Of Norwalk, South Norwalk Electric And Water Of An Electric Substation Facility And Authorizing The Issuance Of \$10,000,000 Bonds Of The District To Meet Said Appropriation And Pending The Issuance Thereof The Making Of Temporary Borrowings For Such Purpose".

John Hiscock: "And I believe Mr. Newell, you were the second on that, are you still, based on the reading?"

Joe Newell: "Do I have to read it too?"

Attorney Zullo: "Mr. Newell do you second that resolution that he just read?"

Joe Newell: "Yes, that is an affirmative."

Attorney Zullo: "Thank you."

Mary Burgess: "Any discussion? All in favor of the motion?"

Attorney Zullo: "Well you will have to show your cards."

John Hiscock: "We need an accurate and official count."

Mary Burgess: "Kevin will count."

[Kevin Barber, appointed Teller is counting]

Kevin Barber: "Nineteen."

John Hiscock: "Ok, there are nineteen present electors."

Attorney Zullo: "The motion carries. We can ask if there are any, actually that is unanimous if there are 21 am I correct?"

John Hiscock: "There are nineteen electors present, nineteen voted affirmatively. Are there any nays?"

Attorney Zullo: "Are there any nays?"

[No Nays]

John Hiscock: "Any abstentions?"

[No abstentions]

Attorney Zullo: "Ok, just for the record that is all. Well a motion to adjourn now madam chairman would be next."

Mary Burgess: "Yes."

Ian Soltes: "I will."

Gordon Sweeny: "So moved."

Attorney Zullo: "Did someone make a motion to adjourn?"

Ian Soltes: "I will."

Attorney Zullo: "Name?"

Ian Soltes: "Ian Soltes."

Attorney Zullo: "Yes, nd the second please?"

Gordon Sweeny: "Gordon Sweeny."

Attorney Zullo: "Ok, thank you. You have that madam Clerk?"

Lisa Roland: "Yes."

The meeting adjourned at 9:46 p.m.

Attest:

Lisa Roland
District Clerk