

SECOND TAXING DISTRICT ELECTORS
SPECIAL MEETING
October 6, 2009

Electors Present: Heather Marie Schroder
Mary E. Burgess
Robert E. Burgess
Al Ayme
Patricia E. Hadden
Cesar A. Ramirez
Travis Simms
Mary A. Geake
Joe B. Newell
Sylvester Maultsby
Mary Mann
Sandy B. Bonet
Maria A. Borges-Lopez
Sharon Stewart
John C. Fox
Karen Elizabeth Fox
James N. DePasquale

Also Present:	John M. Hiscock	General Manager
	Frank N. Zullo	District Counsel
	Arthur E. Miller	District Counsel
	Candace Pampoukidis	District Clerk
	Gwendolyn Gonzalez	Assistant Clerk

Call to Order:

Mary E. Burgess called the special meeting of the Second Taxing District Electors' to order at 8:09 p.m. on Tuesday, October 6, 2009. The meeting was held at SNEW, One State Street, South Norwalk, Connecticut.

Legal Call:

Ms. Burgess: "I am Mimi Burgess, Vice Chairman. Our Chairman is out of town. I will call the meeting to order now, and ask our Clerk to read the legal call because I start coughing.

Ms. Pampoukidis read the following legal notice for the record:

The legal voters of the Second Taxing District of the City of Norwalk are hereby notified and warned that a Special Meeting of the Second Taxing District Electors will be held on Tuesday, October 6, 2009 at 8:00 p.m. The Meeting will be held at the SNEW Offices, One State Street, Norwalk, Connecticut for the following purpose:

1. Call to Order
2. Appropriate Funds for a Substation Project
3. Adjournment

Copies of the meeting packet may be obtained at the office of the Second Taxing District Clerk, 164 Water Street, Norwalk, Connecticut effective September 30, 2009 at 3:00 PM.

Dated this 25th day of September 2009

Attest:

Candace Pampoukidis
District Clerk

Ms. Burgess: "Thank you. May I have a motion to accept the legal call?"

Ms. Borges-Lopez: "So moved."

Mr. Ayme: "Second."

Ms. Burgess: "All in favor?"

Electors simultaneously: "Aye."

Maria Borges-Lopez made a motion to accept the legal call. Al Ayme seconded and the motion to accept the legal call passed unanimously with all 17 electors present voting in favor and none opposed.

Appropriate Funds for a Substation Project

Ms. Burgess: "Okay, now we will have the item, Appropriate Funds for a Substation Project, presentation by General Manager, John Hiscock."

Mr. Hiscock: "Okay, I'm presuming that as you came in this evening you all got an electors packet, and I'm going to be referring to this document in (inaudible)..."

Ms. Hadden: "No, I got a card, but no packet."

Mr. Hiscock: "Okay, I'll get you a packet."

Ms. Hadden: "I've got it. Thanks, dear."

Mr. Hiscock: "The second page of the packet is a brief explanation of the substation project. South Norwalk Electric, since 1998, has been evaluating a bulk power substation feed from the power grid, the 115kva transmission lines along metro north. Most of you who look at the railroad tracks occasionally will see two sets of very high level power lines that go down each side of the tracks. Those are 115 kilovolt electric transmission lines. They are part of the electric grid, and they are called pooled transmission assets. Right now SNEW receives its power from a CL&P owned substation on Flax Hill Road, in the vicinity of Keeler Avenue, and it's known as the Flax Hill substation, and that's been going on since July; and prior to that we received our power from the 9S substation. That's the substation that you see under construction for the last three, four, five years on New Canaan Avenue, right at the Route 7. CL&P chose to move our connection to the Flax Hill Road substation to accommodate expansion in their distribution system. The reason that we're looking at this project, and decided to move forward, is that in approximately 2000 or 2001 our fees to CL&P, annually, for what we call sub-transmission supply at 27,600 volts, was \$65,000 per year. When CL&P rebuilt the 9S substation and put in all new very, very expensive switch gear, the fee for the sub-transmission services went from \$65,000 to \$750,000 per year. It was only \$65,000 because the equipment was old and you pay CL&P based on the book value of the assets that are used. So they spent quite a few... many, many, many millions of dollars on the new substation. And 4/9th's of the 27.6 portion of the substation is allocated to SNEW and the Third Taxing District, so between the two of us we pay for a significant portion, and we pay because CL&P is a privately owned company; they invest, so we have to pay their cost of capital taxes, their profit. And we also then pay an average system-wide sub-transmission maintenance fee. So it turns out to be about \$750,000 a year. In addition to that, the lines that feed us coming down Flax Hill Road are extremely old; from the 20's and 30's. We call it lead and paper cable. And eventually the system needs to be re-cabled, and new manholes need to be placed in Flax Hill Road. The cost of that is another \$4,000,000.00 or \$5,000,000.00, and the carrying charge on \$4,000,000.00 or \$5,000,000.00 approaches \$1,000,000.00 per year. So going forward, the connection to CL&P is going to become extraordinarily expensive, and when you consider our income for sold power to our customers is in the \$15,000.00 to \$20,000.00 range, these costs put an extreme burden on the utility. In the 90's we looked at placing this substation on a parcel of land that we call St. Anne's. It's a small parcel of land that we acquired from the City when this railroad station was built, and we traded some assets and some facilities. We bought this condo unit here that we're in, we provided some easements, and we transferred the land back and forth, and we started

looking at a substation at that location. The substation was going to be pretty expensive because the site was really constrained. It's about 4/10th's of an acre. It's kind of tight. The requirement is that we have to get to two of the large towers that you see that hold up these wires. And in the late 90's, as I said, we were only spending \$65,000 a year for sub-transmission services to CL&P, so it didn't make economic sense, and the site was pretty constrained. Once the 9S substation got rebuilt and it became evident that our costs were going to escalate rapidly going forward, and had escalated, and it's going to get worse, we decided that it would be appropriate to revisit the substation project. And looking at the land available to us, we determined that we needed to acquire some additional land to cut down on the construction costs, and to make the substation easier to construct, and probably easier to site with the Siting Council. This is the parcel that we own now [pointing to a map on display]; and there is a map in your packet; 4/10th's of an acre. It's just south of the Metro North railroad tracks on Martin Luther King Drive, and it's before the UPS building. That's a familiar landmark that most everybody knows. Between our property and the UPS building there's a residence and a garage approximately 4/10th's of an acre in size, and we determined that it would be easier to build a substation more cost effective if we acquired the parcel in question. We, through counsel and real estate professionals, approached the owner in a somewhat, I think, at least in the beginning, an anonymous fashion. We used an outside agent, and struck a deal for the purchase of the property. We agreed on a price, which you'll hear in a few minutes, is actually \$875,000.00. The property is in a restricted industrial zone; and combining this parcel with the parcel that we already own, we would have 8/10th's of an acre, and that would make the substation construction, as I said, significantly easier, and probably much more cost effective. Doing our due diligence, working with counsel, we evaluated the property in several different ways once had a tentative contract. We inspected the facilities with standard housing building type inspector. We surveyed the property to make sure, because the surveys were old, to make sure in fact it was the size parcel that we had contracted for, and then we started environmental due diligence. We did a Phase I report, which is a summary of the probability of contaminants on the site. Under the Connecticut Transfer Act we determined as part of the Phase I that this was an establishment, and therefore required a Phase II study. We had a Phase II study completed to determine the extent of contamination at that site. Based on the contamination at the site... and we really looked only at the western portion where there was a significant amount of fill. Based on that information we determined that the parcel was clean enough to be utilized for our purpose, and while it would take some environmental cleanup, it was not significant in relationship to the overall cost of the project. And when I talk about the overall cost, the long-term cost completed substation is in the \$10,000,000.00 range. This is not an inexpensive project by any means. We met with the Commission and discussed what we found. Based on discussions in executive sessions with Counsel, Commission, and Staff, we determined that we wanted to do some additional environmental work. We had environmental work done on most of the eastern half the second go around so that we could establish the potential cost of cleanup. Once we determined that the cleanup was not going to be expensive in relationship to the project, we met again, discussed the parcel, and the Commission voted this evening, a final vote this evening, to acquire the parcel in question. You will see in your packet the request for funds that you're going to do this evening is shown on a page that... unfortunately we didn't number them; a fairly brief little summary page here, about halfway through your packet. We're asking for an appropriation... approval by the electors for \$1.5 million; and these are summary numbers that we're including in here. Property for \$825,000; I had indicated \$875,000. There's a credit due the seller for environmental concern, making the net purchase \$825,000; Legal, Environmental Studies, Surveys, Closing Fees of about \$75,000. Environmental cleanup; I had mentioned environmental cleanup. We are estimating environmental cleanup to be about \$200,000. We cannot do the environmental cleanup until we know the extent of substation construction, but that is an estimate of what it will be based on the information that we found, or that was found during the Phase II work. And then we have some immediate work; Site Control, Demolition, Fencing. We need to demolish the house that's on site. We need to get it under control. We need to do some grading and modification to the site; and then finally the Engineering and Siting Council approval. In order to build a substation today you have to get State of Connecticut Siting Council approval. That's the overall Siting body in the State of Connecticut that controls where power plants, transmission lines, items of major environmental impact, how they're sited, and what the procedure is. So the cost of doing preliminary engineering, designing the site to about 30% of final design, and Siting Council, including hearings, legal fees, the report and all of that, for about \$300,000; so a total appropriation of \$1.5 million. Once that work is completed, then we will have a go or no go decision with respect to the \$10 million project. The impact on the District finances is shown on

the preceding three pages. If you go backwards through your packet you'll see a sheet entitled 'Capital Budget 2009-2010 – Proposed Revision'. If you look at the bottom of the grouping of projects, all of the projects, 1 through 17, were previously approved at the annual budget meeting; and then project number 18 is the project we're talking about now, \$1.5 million, which would be an addition to our capital program for the year. So the total capital projects for the Electric utility would be \$3.9 million approximately. If you go back another page, to a page that says 13; this is an excerpt from our budget, you can see that we listed capital appropriations of \$3.9 million in bold on this sheet, and as you go down that page you'll see a 'Closing Balance Electric Financial/Reserve Fund of \$6 million'. So if the electors approve the \$1.5 million appropriation this evening, we will still have \$6.5 million in the Electric Reserve Fund. So the Electric Reserve Fund is certainly in strong financial condition, and this project is not a project that will strain the finances of the Electric Fund. And the prior page, page 12, is just the revenue and expense portion of the budget. As I said, this is merely an excerpt from the budget that was previously approved. Two things occurred at the Commission meeting this evening, and I'm going to read a resolution to you. There are two resolutions in your packet that were approved by the District Commission. One, at the suggestion of Counsel, was modified from what's in your packet, and I'm going to read it to you. It's the one that says 'Resolution, Property Acquisition'. 'Be it resolved that the Commissioners of the Second Taxing District hereby approve the purchase of the property located at 180-184 Martin Luther King Drive for the price of \$875,000'; and the reason we put \$875,000 in is because the \$50,000 credit is due at closing, so that technical selling price is \$875,000, 'plus customary related expenses, for the purpose of developing a 115kv bulk power substation, and to authorize John M. Hiscock, as General Manager, to act on behalf of the District and to execute any and all documents on behalf of the District to effectuate the purchase.' Okay, procedurally, under the Charter, purchases of property do not require electors' approval. They only require Commission approval. However, because electors have the final say on the budget, we could not purchase this property without the electors approving the \$1.5 million appropriation as we've laid it out. So consequently there is a second resolution, and the resolution is 'Recommendation to Electors, Appropriation of Funds for a 115kv Bulk Power Substation, 180-184 Martin Luther King Drive'. 'Be it resolved that the Commissioners of the Second Taxing District hereby recommend to the Electors of the Second Taxing District the approval of \$1,500,000.00 from the Electric Reserve to fund the initial phase, including the purchase of land, completion of environmental studies, legal fees, surveying, mapping, building demolition, engineering study, and other related costs for the purpose of constructing a 115kv bulk power substation at 180-184 Martin Luther King Drive.' So that's what occurred at the meeting this evening. The final issue would be if the electors are so inclined, and the Commission has made that recommendation that you do approve the appropriation, there'll be a motion by somebody to appropriate the \$1.5 million, a second, then there will be discussion and a vote. But prior to that I'm going to answer any questions that anybody may have with respect to the project, the costs, how we went through this process. And also here this evening is Arthur Miller, Counsel; and Frank Zullo, Counsel. So we have legal counsel here to answer any legal questions that you may or may not have with respect to the project. At this point in time, does anybody have any questions; want to know anything? Yes sir [acknowledging Mr. DePasquale]?"

Mr. DePasquale: "On the purchase price of \$825,000, do we have any recourse to go back for the environmental contamination to the previous owners, or the owner now?"

Mr. Hiscock: "No. We do not. And the \$50,000 credit was negotiated as consideration with respect to the environmental problems that we found on the site. So if we have a \$200,000 cleanup, we're getting a \$50,000 credit from the seller. However, we don't have to do the cleanup to get the credit. The credit comes at closing."

Ms. Hadden: "John [Mr. Hiscock], we have a lot of other projects in this budget. Will any of those be absorbed by this new substation?"

Mr. Hiscock: "No. SNEW, right now, is spending a considerable amount of money modernizing the existing substation on State Street. The substation on State Street is a 27.6kv to our distribution voltage, which is 13.8 and 41.60. And we're putting all modern electronic relays and controls in, and a lot of additional computerized equipment so we have more control. We're refurbishing the station. The station is basically a pretty good station. This station that we're planning will actually feed that station..."

Ms. Hadden: "Okay."

Mr. Hiscock: "...so we'll drop the voltage from 115 to 27.6, it will then come under ground into the existing State Street and drop from 27.6 to distribution. So it will not eliminate the need for that station..."

Ms. Hadden: "So it will be an addition to?"

Mr. Hiscock: "Yes. It will be a new project, in addition to."

Ms. Hadden: "Okay."

Mr. Hiscock: "Okay, timeframe, it takes a year or more to get Siting Council approval, design... if this proceeds the way we're thinking construction would start 24 to 30 months from now."

Ms. Hadden: "Okay."

Mr. Hiscock: "Other questions?"

Ms. Hadden: "How long will that construction take, you know, a general idea?"

Mr. Hiscock: "Construction is very quick. Six to eight months maximum. Construction is relatively quick; its foundations, switchgear and transformers. It's a fairly easy construction project."

Mr. DePasquale: "Who pays for the other \$8.5 million in the project?"

Mr. Hiscock: "We do."

Mr. DePasquale: "How's that funded?"

Mr. Hiscock: "We do. And the reason we didn't go in for a full appropriation this evening is one, the Electric Reserve Fund doesn't have the money to fund the entire project, so we couldn't do that. Obviously we'd end up with a negative balance, and that's inappropriate; and two, until we know whether we're going to get Siting Council approval, local approval, and all of the other requirements, the project is still not necessarily a go. It is highly likely, but within about two years we will come back to the electors with a more formal pricing arrangement, more information with respect to the substation, and then we will ask for additional funds. And they will be either done through... well part of it will definitely be bonded. We will need to issue bonds to cover part of the cost. And to answer your question about that, the Water Department's \$4.6 million New Canaan Reservoir acquisition bond will be fully paid off in 2012. So we're sort of dovetailing these."

Ms. Hadden: "It will be a (inaudible) over. Is there any...? Go ahead [acknowledging Ms. Schroder]?"

Ms. Schroder: "\$1.5 million later, what if it doesn't go through? What are your plans?"

Mr. Hiscock: "We have several choices. One, we could utilize the property for other District purposes. We, right now, have been... well, for the last five or six years, consolidating the Water and Electric utility. We're looking to consolidate them in one specific location. Right now the former Water utility is on Water Street, and located in Wilton. We had to move our operation center to Wilton, at our filtration plant, because we didn't have enough room to house them locally on property we own. It's unlikely that we would attempt to sell this parcel. This parcel fits into our plans long term; either as a substation, or as a site for another facility. It could be a combined Water and Electric facility for our construction line, operations crews, or it could become a very, very large storage yard for all of our equipment, possibly moving some facilities from Wilton and from Water Street over to that location. So it's not \$1.5 million that will not be utilized for some District purpose."

Ms. Hadden: "Is there any funding from the federal government to support this in any way?"

Mr. Hiscock: "Utility projects are generally not funded by the federal government now. There's a large amount of money that's being moved around through the stimulus..."

Ms. Hadden: "Stimulus package [responding to Mr. Hiscock]."

Mr. Hiscock: "This project will be way too late for that. This is obviously not shovel ready this year, next year, or the year after. I don't know where any of that funding is going. The current administration obviously is putting a huge amount of money in electric infrastructure. I don't know if there will be programs available at that point in time. But other than stimulus funds, there are generally no federal funds for this type of a project."

Ms. Hadden: "Is there any way to lock in any of those funds?"

Mr. Hiscock: "No. No. They're all meant to be spent immediately."

Ms. Hadden: "Yes, that's pretty obvious."

Mr. Hiscock: "Yes."

Mr. DePasquale: "Is this station solely for Norwalk distribution, or would you be selling it down the line?"

Mr. Hiscock: "It would be solely utilized for Norwalk. There would be no... based on my knowledge of CL&P's distribution system, it is unlikely that they would take power out of this. They're converting most of their 27.6 actually, to 13.8, and using it for local distribution. They have a substation down on Wilson Avenue that they're planning on the next year or two to phase out. So it would certainly not go to CL&P. As we go through the process of designing and Siting Council reviews, we might look at sizing the station larger than our own needs possibly to deal with the Third Taxing District on an issue. As you all know, they also run an electric utility just like the Second, and they also buy from CL&P. That's a natural match, maybe. It's difficult to say. But certainly it will not go to CL&P. It will be for either our use, possibly the Third Taxing District, and maybe some supply with respect to the City for larger facilities, but not through CL&P."

Mr. DePasquale: "Okay. Good."

Mr. Hiscock: "Yes [acknowledging Ms. Hadden]?"

Ms. Hadden: "That's going to make us completely independent of CL&P altogether?"

Mr. Hiscock: "Yes. What it will do is we will no longer have a relationship and contract with CL&P. We will terminate our relationship with CL&P, and we will no longer pay them any charges. What it will make us is an owner of PTF, Pooled Transmission Facilities. We would be hooked directly into the grid. We would be a reporting and participant in ISO New England. We probably would not manage that relationship ourselves. It would probably be managed by our coop partner, the Connecticut Municipal Electric Energy Cooperative, which is the six muni's [municipals] in Connecticut; or it could be managed by ourselves, if we chose to do so, but we would be independent of CL&P. The lines that we hook into would be CL&P owned lines, but under the complete control of ISO New England. So we in essence would be a member of the power pool."

Ms. Hadden: "Okay, so then what we're paying out in charges all the time would go to pay off the note?"

Mr. Hiscock: "Yes, and that's the economic justification. If we're... you know, if we're spending now \$750,000 a year, covering an \$8.5, \$9, \$10 million bond issue with that kind of cash flow is a very good economic decision."

Ms. Hadden: "Oh, absolutely."

Mr. Hiscock: "Our cost of capital is between four and five percent so, you know, we're dealing with very low interest rates."

Ms. Hadden: "Right."

Mr. Hiscock: "Okay. So from... I didn't go over that this evening because it's a relatively obvious economic consideration, especially in light of the fact that our costs to CL&P are going to go up if they... if and when, and when is fairly soon, re-cable the existing facilities serving us."

Ms. Schroder: "Is our contract up with CL&P, or are we going to incur termination charges and fees?"

Mr. Hiscock: "That's a really complex question. Our contract with CL&P is not between SNEW and CL&P. It's between the Connecticut Municipal Electric Energy Cooperative [CMEEC] and CL&P, and we have a contract with CL&P through CMEEC from the mid-80's. It's been renewed several times. It's called the... it's called a CTA, Connecticut Transmission Agreement. It was constructed prior to deregulation, and prior to ISO New England taking over the grid. And CL&P has recently notified us through CMEEC, or CMEEC, that they are terminating under the provisions of termination, and we're negotiating a substitute contract. And it's actually two substitute contracts. One for what they're now calling distribution services charge, which will involve Jewett City, the Third Taxing District, and the Second Taxing District; and that's replacing what we used to call local facilities. And the rest of the transmission services for the six muni's will be dealt with in a separate contract. And it may actually never be a contract. It may be just through the FERC rules and ISO rules that the coop (inaudible) service. The contract we're negotiating has a three-year time frame from July just past..."

Ms. Schroder: "Okay."

Mr. Hiscock: "...so we have the ability with one year's notice to end the contract July 1 of 2012, which dovetails with our construction."

Ms. Schroder: "Okay."

Mr. Hiscock: "Anything else?"

[No remarks]

Mr. Hiscock: "Okay."

Ms. Burgess: "No?"

Mr. Hiscock: "Alright..."

Mr. Zullo: "A motion would now be in order for the budget of the project."

Ms. Burgess: "Right. Yes. I would like a motion to approve an appropriation of \$1.5 million for a substation project."

Mr. Newell: "So moved."

Ms. Hadden: "Second."

Mr. Maultsby: "Second."

Ms. Burgess: "Okay."

Mr. Hiscock: "Candace [Ms. Pampoukidis], do you have the motion and second?"

Ms. Pampoukidis: "I do."

Mr. Hiscock: "Okay, so any discussion at this point [directed to Ms. Burgess]."

Ms. Burgess: "You got them [confirming with Ms. Pampoukidis]? Now, is there any discussion on it?"

[No remarks]

Ms. Burgess: "You ready to vote?"

[No remarks]

Ms. Burgess: "Okay, all in favor please raise your cards."

Mr. Hiscock: "Okay, you can ask for no's, but there are none."

Ms. Burgess: "Pardon me [responding to Mr. Hiscock]?"

Mr. Hiscock: "You can ask for no's, but there are none."

Ms. Burgess: "Yes, well, there are none. Any one opposed?"

[No opposed]

Mr. Zullo: "No."

Ms. Burgess: "No? Okay, any abstentions?"

[No abstentions]

Ms. Burgess: "No?"

Mr. Hiscock: "Okay, motion carried."

Ms. Burgess: "Okay, motion's carried."

Mr. Newell made a motion to approve an appropriation of \$1,500,000.00 for a substation project. Ms. Hadden seconded, and the motion passed with all 17 electors present voting in favor and none opposed.

Ms. Burgess: "Now we're down to a motion to adjourn."

Mr. Maultsby: "So moved."

Ms. Burgess: "Second?"

Mr. Ramirez: "I second."

Ms. Burgess: "Okay, all in favor?"

Electors simultaneously: "Aye."

Ms. Burgess: "Opposed? I don't think so."

Adjournment

The meeting adjourned at 8:44 p.m.

Attest:

Candace Pampoukidis
District Clerk