

SECOND TAXING DISTRICT COMMISSIONERS

Regular Meeting  
December 21, 2010

Present: Mary E. Burgess Chairperson  
Al Ayme Vice Chairperson  
Maria Borges-Lopez  
Mary A. Geake  
Sherelle Harris  
Mary Mann  
Cesar A. Ramirez

Also Present: John M. Hiscock General Manager  
Gwendolyn Gonzalez Assistant Clerk

Public Present: None

Call To Order

Chairperson Mary E. Burgess called the Regular Meeting of the Second Taxing District Commissioners to order at 7:05 p.m. on Tuesday, December 21, 2010. 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 the regular meeting of the Second Taxing District Commissioners to order Tuesday, December 21, 2010 at 7:05 p.m., and I need a motion to accept the minutes."

Commissioner Ayme: "I'll move the minutes."

Commissioner Mann: "I'll second that motion."

Commissioner Burgess: "Okay, any discussion?"

Commissioner Ramirez: "One abstention please."

Commissioner Burgess: "All in favor?"

Commissioners simultaneously: "Aye."

Commissioner Burgess: "Any opposed?"

[No opposed]

Commissioner Burgess: "Abstentions? I have to abstain, and Commissioner Ramirez."

Commissioner Ayme made a motion to accept the minutes of the regular meeting of November 9, 2010. Commissioner Mann seconded and the motion passed with Commissioners Ayme, Borges-Lopez, Geake, Harris and Mann voting in favor and none opposed. Commissioners Burgess and Ramirez abstained.

#### CONSENT AGENDA

2011 DC Monthly Meeting Schedule

2011 SNEW Holiday Schedule

Ryan Park Water Request

Commissioner Burgess: “Okay, now I need a motion to approve the consent agenda.”

Commissioner Geake: “I make a motion to approve.”

Commissioner Ramirez: “I second.”

Commissioner Burgess: “Any... well there’s no discussion on that anyway. All in favor?”

Commissioners simultaneously: “Aye.”

Commissioner Burgess: “Opposed?”

[No opposed]

Commissioner Geake made a motion to approve the consent agenda, 2011 DC Monthly Meeting Schedule, 2011 SNEW Holiday Schedule, and Ryan Park Water Request. Commissioner Ramirez seconded and the motion passed with all seven Commissioners present voting in favor and none opposed.

#### REGULAR AGENDA

Health Care Costs

Commissioner Burgess: “Okay, the regular agenda. Health care costs, Mr. Hiscock.”

Mr. Hiscock: “If you would take one and pass it down [directed to Commissioner Geake]. Okay, the chart I just handed out is a better description of the issue as compared to the second chart in the book. We just re-worked it, and moved it around so it was easier to read, and we’ll talk about that in a minute. Okay, our health plan starts January 1<sup>st</sup> of each year, and even though the insurance companies are supposed to give us 60 days notice with respect to change in premium, they never do. We received our first notice of change in premium in November, just after the Commission meeting for the month of November. We were also given a deadline of December 15<sup>th</sup> to indicate whether or not we were going to accept the change in premium. We, as we usually do, try to solicit bids from various carriers. But we have a problem. And the major problem that we have is that we have retirees on the plan under 65, obviously not Medicare eligible, and a significant number of companies, because of the number of retirees that we have, will not bid our insurance. And I have never really understood exactly why they’ve taken that position, but it’s an historical one. We’ve been having this trouble for the last 15 years or so. Consequently, if you look at the sheet with the yellow line across it you will see, in the board book, you’ll see that we really only get bids from

United Health Care/Oxford and Anthem. United Health Care/Oxford, the current plan is shown in the first column, and this is the new coverage rate for the existing plan without any changes. And then you have an alternate Plan A, and then an alternate Plan B with two separate funding options. When you look at them, they're not very significant with respect to the difference in pricing. Alternate B with the two funding options are a higher deductible plan which would leave our employees either \$850 or \$1,700 out-of-pocket, so that would be actually lowering the plan that is available to the employees, and they would have additional out-of-pocket, and also changing the funding mechanism and the methodology. The original current plan, the left-hand column, we got a quote of 9%. Mike Sutton took this information back to Oxford and essentially convinced them to lower the additional premium slightly, and they lowered it from a 9% increase to a 7% increase. The other plans that we looked at were Anthem, a Plan A and Plan B, with slightly different costs and funding. I mean they're all basically the same program, but slightly different. We would have saved a small amount of money moving to Anthem. Moving to a different carrier creates problems for the employees. If there was a large savings we obviously would have thought very seriously about doing something like that, but when the savings is relatively small, the disruption to the employees with respect to doctors, coverage; they're used to a system, they're used to how it functions, so we viewed all of this, took a look at all of this, and felt it really made the most sense to continue with the existing program and plan. The carriers that declined to quote at the bottom, that we requested quotes from are listed, Aetna, ConnectiCare, Health Net, and Trustmark. To give you a feel for... Commissioner, could we pass one out to Commissioner Harris? Oh, you have one."

Commissioner Borges-Lopez: "She has one already."

Mr. Hiscock: "Oh, you have one?"

Commissioner Burgess: "Yes, I passed them."

Commissioner Harris: "Yes I do, thank you."

Mr. Hiscock: "Okay, this table is a little bit easier to read, and it gives you an idea of the total cost of health care coverage per year for the active employees, the retirees under 65, and the retirees over 65, including prescription. Basically the way the plans are set up is that based on the Employee Manual and the promises we've made to the employees over the years, those employees who retire, and virtually everybody who retires now; and later it won't be that way, is eligible for health coverage; very, very few contributed. Now, this is everybody that we insure for health coverage. This doesn't include dental. This doesn't include eye glasses. This doesn't include the over \$500 prescription for those who exceed the HSA deductible. But over the 7 years you can see there's a significant, significant difference. We started out year 2005 at \$818,000. In 2006 we moved to an HSA which has a high deductible. We then funded the deductible so that the employees would be in the same position, and if you look sort of in the middle of the page at year 2006 you'll see the deductible funding of \$212,000. That is the deductible funding. You also can see that we essentially gave the employees at that point better coverage for the same amount of money, and that's because we funded the HSA deductible. The next couple of years, the next 2 years, it wasn't too bad. 2007 it went up to \$838,000. 2008 it went to \$872,000. 2009 it started to creep up, \$955,000. 2010 was a bad year for us. It got up to \$1.1 [million]. And this year is just slightly higher for 2011 as it approaches. So on balance the program isn't going to cost us a lot more in actual dollars than we paid in 2010. And that sounds good, but it's really not all that good. We have not been filling positions. We have a large number of vacancies in the Department. Because of cash flow and other considerations we haven't been doing that. So while the numbers are the

same, when a retiree moves to full coverage and is under 65, the amount that we pay for that retiree is the same. And then we pick up an additional employee that we have to put on the plan. So that's another problem that's created. So these numbers would be worse. Once we get back to a situation where we fill vacancies in the Department, if the economy turns around and we're able to do that, this number is going to go up. So even though 2011 looks good, it's not the greatest. It's not a good situation. On the other hand this coverage is pretty similar to what government forms have been paying historically. We've all read that that's becoming a problem for everybody, and as we go forward you begin to see government forms putting pressure on their employees and their unions with respect to their coverage; contract negotiations and changes that occur over time. If Norwalk and the other municipalities in our region start to change things because of that pressure, it's pretty clear that we are going to have a fairly rich plan as others decrease, but... and we're going to need probably to do something like that going forward. Until that starts to happen more frequently I think we probably should stay where we are. We have some choices obviously. We could ask the employees to pick the difference up, we could change our funding of the HSA and fund less, or we can stay where we are. As you can see it's a significant number of dollars. This is not an inexpensive program. So at this point I'm going to stop and allow you to ask questions, or speak about it, or go forward."

Commissioner Ayme: "Well I have... I have a question."

Mr. Hiscock: "Now the only other thing I didn't mention is we have committed to this plan, the plan with Oxford, going forward. Yes [acknowledging Commissioner Ayme]."

Commissioner Ayme: "These are very high deductible plans."

Mr. Hiscock: "Yes."

Commissioner Ayme: "Okay. And so what we are doing is we are fully funding..."

Mr. Hiscock: "We are fully funding the deductible."

Commissioner Ayme: "...the deductible. And the other question I have is what would be the difference between one plan and the other? You said it's minimal, or it's not substantial, but..."

Mr. Hiscock: "Well if you look at the current plan; and to give you a perfect example, if you look at the alternative Plan A you'll see that there is no co-insurance with this plan. If we went to a 90/10 co-insurance then every time the employee visits the doctor they would end up paying 10% of the approved Oxford Health net fee to that doctor. Example, the doctor may bill you \$200 for a visit..."

Commissioner Ayme: "Right."

Mr. Hiscock: "Oxford has its approved doctors. They decide that \$120 is what they pay the doctor. We would then be in a position where the employee would be paying \$12 for that visit. It's not a lot of money, but over the year it would add up, so what you would really be doing is essentially not fully funding the deductible. That's really what it amounts to. And that's why when you look at those two columns you'll see there's a very, very little difference."

Commissioner Ramirez: "So... may I? So right now..."

Commissioner Burgess: “Yes, go ahead [acknowledging Commissioner Ramirez].”

Commissioner Ayme: “What... excuse me, what columns are those?”

Mr. Hiscock: “The most left-hand column heading “Current Plan”, and then “Alternative Plan A”.”

Commissioner Ayme: “Oh, okay.”

Commissioner Borges-Lopez: “Basically there’s only a deductible on the first plan, the current plan, the \$2000/\$4000. On the alternate A the employees or the agency would be incurring an additional \$1000 for individual and \$2000 for family or anymore than one employee. So you have co-insurance and deductible plan within the HSA.”

Mr. Hiscock: “If you look at the alternate A the deductible is the same, it’s just the co-insurance portion that’s different, so the out-of-pocket.”

Commissioner Borges-Lopez: “Correct, which is \$1000 and \$2000.”

Mr. Hiscock: “Correct.”

Commissioner Borges-Lopez: “Right.”

Mr. Hiscock: “Yes. Okay, so the out-of-pocket...”

Commissioner Burgess: “Commissioner Ramirez...”

Mr. Hiscock: “...the 10% out-of-pocket is limited to...”

Commissioner Borges-Lopez: “\$10,000.”

Mr. Hiscock: “\$1000 and \$2000.”

Commissioner Borges-Lopez: “Well \$10,000... 10% of \$10,000, right?”

Mr. Hiscock: “Yes.”

Commissioner Borges-Lopez: “Okay.”

Commissioner Burgess: “Okay, Commissioner Ramirez, you had a question.”

Commissioner Ramirez: “Right, the question is right now, if I understood correctly, if anyone goes to see a doctor they don’t pay anything because we subsidize the co-pay, is that correct?”

Mr. Hiscock: “That’s correct.”

Commissioner Ayme: “Alright, if some insurance plans, what they do, and this is only a comment that I have; some insurance plans, what they do, is they partially fund the deductible instead of fully funding the deductible, and they create a... actually it’s a checking account with an ATM card...”

Mr. Hiscock: "Yes."

Commissioner Ayme: "...where we would deposit a certain portion of the deductible amount to help the employee, and they would have to pay the rest. Or what they can do is that they can make deposits into that account to make it... you know what I'm talking about, but I'll give you a better explanation for the... if we decide to say we are going to provide the employees with an assistance in terms of the deductible of say, just to use any figure, say \$2,000 a year. We'll deposit say \$2,000 a year into that account, and then the employee would deposit in weekly installments, or bi-weekly installments as they get paid, an amount which would be prorated to come up to the full deductible but it will be prorated by paycheck. Do you see that as a... do you see that as a feasible or possible thing to do?"

Mr. Hiscock: "Yes, it's possible. If you do something like that... yes, anything is..."

Commissioner Ayme: "Many companies are doing that."

Mr. Hiscock: "Sure, anything is possible."

Commissioner Ayme: "Many companies are doing that."

Mr. Hiscock: "Okay, you can do all of these combinations."

Commissioner Ayme: "Okay."

Commissioner Borges-Lopez: "I just have to say one thing, the HSA belongs to the employee, so really the agency cannot mandate for an employee to put any... to deposit any amount of money into that HSA account."

Mr. Hiscock: "Right."

Commissioner Borges-Lopez: "It's all optional. It's up to them."

Commissioner Ramirez: "That's correct."

Commissioner Borges-Lopez: "The Company cannot tell them that they have to deposit, that's what I wanted..."

Commissioner Ayme: "Oh, no, the Company won't tell them that they have to deposit. The company will make a deposit on their behalf up to a point of the deductible to cover the deductible."

Commissioner Borges-Lopez: "Yes."

Commissioner Ayme: "It would be up to the employee if they want to make an additional deposit."

Commissioner Borges-Lopez: "Correct, that's (inaudible)."

Commissioner Ayme: "And that's my point."

Commissioner Borges-Lopez: "Yes. Yes."

Commissioner Ayme: "It's always up to the employee if they want to make an additional deposit on a bi-weekly basis or whatever, but we have the... we would have the choice, if we go that way, or something, you know, to take into consideration, we have that choice of saying well we're not going to be fully funding the deductible, but we'll fund the deductible up to a point."

Commissioner Borges-Lopez: "I'm also... I have a question with regards to funding. I thought the insurance carriers were not allowing that anymore?"

Commissioner Ayme: "Yes they are. Yes, they are."

Mr. Hiscock: "Yes."

Commissioner Ramirez: "(Inaudible) money."

Commissioner Borges-Lopez: "Some are not..."

Mr. Hiscock: "Yes."

Commissioner Borges-Lopez: "Because what it does is the HSA... the whole meaning of an HSA is to contain costs, and then if the companies are funding 100% they feel that the employees will not be containing costs because they won't use it because it's not costing them any money. So I thought some carriers... I guess with us it's okay, but I just wanted to..."

Commissioner Ayme: "Alright my point, if I may, through the Chair...?"

Mr. Hiscock: "With ours it's... we don't have a problem with it at this point..."

Commissioner Borges-Lopez: "Okay."

Mr. Hiscock: "However that may have a lot to do with what the premium is."

Commissioner Ramirez: "Absolutely."

Commissioner Ayme: "My point, if I may, through the Chair?"

Commissioner Burgess: "Yes [acknowledging Commissioner Ayme]."

Commissioner Ayme: "My point is that according to the information that we have right now from Mr. Hiscock, we'll be facing increases. You tell me if I'm wrong Mr. Hiscock, based upon the information that you have provided, we'll be facing increases. At this point we don't even know how much the increases..."

Commissioner Borges-Lopez: "Seven percent, right?"

Commissioner Ayme: "No, no, no. I'm talking about the... we are not hiring employees, but we'll have employees retiring from the Company..."

Commissioner Ramirez: "And hire new employees. And obviously..."

Commissioner Ayme: "And obviously new employees will have to be re-hired."

Mr. Hiscock: "Yes. For 2011 our costs will be very similar to 2010..."

Commissioner Ayme: "Right."

Mr. Hiscock: "...if we do not hire new employees to fill vacancies."

Commissioner Ayme: "Okay."

Mr. Hiscock: "Now it is... unless someone retires in the upcoming year in a critical job it is unlikely that we are going to be hiring; maybe one..."

Commissioner Ramirez: "So it's not imminent that we must hire?"

Mr. Hiscock: "It's not imminent, but going forward it's going to get worse..."

Commissioner Ayme: "It's going to get worse."

Mr. Hiscock: "...the minute we get back into a hiring mode. We have about seven vacancies right now on the org chart."

Commissioner Ramirez: "And that doesn't increase the burden on the employees that are working right now? I mean obviously everybody's carrying a little heavy... or extra duties, and...?"

Mr. Hiscock: "Well, yes and no. We've changed a lot of things that go on in the Department."

Commissioner Ramirez: "Okay."

Mr. Hiscock: "We've consolidated jobs. We've consolidated positions. We have gotten significantly more automated and computer controlled."

Commissioner Ramirez: "Okay."

Mr. Hiscock: "The next topic that we're going to talk about shortly is going to be talking about that issue. While we are still doing the job, we have altered the job in a way that the manpower needs are less, and maybe the technology needs are greater."

Commissioner Ramirez: "Okay, I (inaudible). Well the other question I have - is this plan current to the other... the other districts that we have in the City? Are we having something similar, or we have the best, or kind of in between, or what?"

Mr. Hiscock: "We're very similar to the Third Taxing District I believe. The... unless the First Taxing District has changed they have an HRA, which is a little different than this. In the HSA the unspent money is the employees'. In the HRA, and I don't really remember the exact rule, I believe in an HRA the money is spent by the District to cover those expenses, but it's not the employees money and whatever the District saves during the year it gets to keep that money. So in other words the deductible funded column assumes that... well, in an HRA this would be the maximum amount

that would be paid by the HRA owner, the company, and presuming that not everybody went to the doctor, you would pay less. Okay? Our employees are pretty happy with the HSA.”

Commissioner Ayme: “They should be.”

Mr. Hiscock: “I want to tell you that, because a significant number of them have the money in the bank.”

Commissioner Ayme: “They should be, and to answer your question is that this plan that we have here is far, far superior to the plans that the City of Norwalk has.”

Commissioner Ramirez: “Absolutely. There’s no doubt about that.”

Commissioner Ayme: “Okay?”

Commissioner Ramirez: “Right.”

Commissioner Ayme: “So, and that will answer your question. We are going far beyond what most government agencies are doing.”

Commissioner Ramirez: “Yes it is. When we sign this contract it’s for a year, couple years, or what?”

Mr. Hiscock: “One year.”

Commissioner Ramirez: “So you already accepted, because you had until the December the 15?”

Mr. Hiscock: “Right, we accepted the plan.”

Commissioner Ramirez: “Okay.”

Mr. Hiscock: “The issue with respect to the employees and... in other words, we’ve accepted the current plan with \$2000/\$4000 deductible. The issue of whether you fully fund that deductible is something that the Commission can change without really speaking to the insurance company, although we probably should have told them up front if we were planning that...”

Commissioner Ayme: “Right.”

Mr. Hiscock: “That might have made a difference.”

Commissioner Ayme: “Right.”

Commissioner Ramirez: “I think if it’s a year, that’s my opinion right now. This is a very sensitive issue.”

Commissioner Ayme: “Right.”

Commissioner Ramirez: “Probably going to spend at least a couple of hours, if not more, getting such a program and how we can, in the future, do something different. I mean I would probably

leave it now. That's my own opinion. Leave it as it is right now, and then maybe we can have a special meeting in the future and find out how we can adjust [in] the future."

Commissioner Ayme: "Right, well we're only making comments. I knew beforehand that the plan has already been accepted."

Commissioner Ramirez: "Do you understand?"

Commissioner Borges-Lopez: "I'm sorry [responding to Commissioner Ramirez]?"

Commissioner Ramirez: "I mean, does that make any sense to you folks, or...?"

Commissioner Ayme: "We are making comments..."

Commissioner Borges-Lopez: "I don't think there's an action needed tonight for the insurance..."

Commissioner Ayme: "Oh no, no, there's no action..."

Mr. Hiscock: "This is..."

Commissioner Borges-Lopez: "This is discussion only."

Mr. Hiscock: "Right."

Commissioner Ayme: "No, the plan is already in place."

Commissioner Ramirez: "This is just a discussion?"

Commissioner Borges-Lopez: "Yes."

Commissioner Ayme: "The plan is already in place."

Commissioner Ramirez: "(Inaudible)."

Commissioner Ayme: "It has already been accepted. Am I correct? It has already been extended, renewed?"

Mr. Hiscock: "Yes."

Commissioner Ayme: "Okay, so what we are doing here is we are anticipating something by way of our comments, and by way of the statements made by Mr. Hiscock. And the way I understand it is that if some, an employee... there will be a need to replace an employee if he or she is a key employee in a critical position, and that would be the only instance that... where we have to replace. Am I correct?"

Mr. Hiscock: "I'm saying right now we are pretty much at bare bones."

Commissioner Ayme: "Yeah?"

Mr. Hiscock: "We're having some field difficulties with certain departments that are about half of their former size, and between vacations, sick time, and water main breaks or power outages, things are tight. The employees are really being stretched, but its working so far."

Commissioner Ayme: "And I think you're going to be talking about that at the next item, right?"

Mr. Hiscock: "Yes and no."

Commissioner Ayme: "Okay."

Mr. Hiscock: "We'll talk a different way about it."

Commissioner Ayme: "Alright."

Mr. Hiscock: "What I was really looking for tonight is really to just, since the information just came in, explain to you what the problem is, and going forward we're going to have to do something."

Commissioner Ayme: "Right."

Mr. Hiscock: "Because this can't continue."

Commissioner Ayme: "Right."

Mr. Hiscock: "From an employee relations perspective I'd much prefer not to be the leader in doing something as opposed to following along as everybody else does it, for a couple of reasons. One, we have a pretty good work force, and we haven't had too many problems, and we'd like to continue that situation. We have very few labor problems, and things are going quite well. I don't want to get into an adversarial situation, but on the other hand we can't continue to spend more than anybody else. I mean that just can't happen."

Commissioner Ayme: "Okay. I have one last question, if I may, through the Chair?"

Commissioner Burgess: "Yes [acknowledging Commissioner Ayme]."

Commissioner Ayme: "CMEEC and all the other utilities... because what we have here is a very minor group..."

Mr. Hiscock: "Yes?"

Commissioner Ayme: "Is there something that could be done through CMEEC and the other utilities to expand, to join and expand the group, and therefore perhaps bring the cost down?"

Mr. Hiscock: "It's probably not practical because of a couple of issues. The electric utility in Wallingford is part of city government, so it would be very difficult to deal with a city with almost the same number of employee as Norwalk, maybe not quite that many, and have them change or do anything. Groton is a city and a town, as is Norwich. It would be very difficult to negotiate with city councils in those various communities. CMEEC is very small."

Commissioner Ayme: "Right."

Mr. Hiscock: "It only has about between 25 and 30 employees, depending on how we classify them. The only ones that are similar to us are Jewett City, which is a borough; and Third Taxing District, which is a special district, organized exactly the way we are. They have a labor contract. And that's that. I mean there's no way to get involved in their labor contract, and believe me you do not want to get involved..."

Commissioner Ayme: "No, absolutely not."

Mr. Hiscock: "...with TTD's labor contract."

Commissioner Ayme: "Right."

Mr. Hiscock: "That's a very difficult one. There's no upside there. The compensation at the Third Taxing District is significantly better than here for various reasons, and we don't need to get into that. Some of them are political, some of them aren't."

Commissioner Borges-Lopez: "I also believe that if we, you know, tried to join, venture with any other agency, you'll lose the control. The Commission will lose the control as far as providing their medical insurance to the employees. I think the Second Taxing District knows what's best for its employees, and it has a certain relationship with its employees, and to venture out with somebody else and lose that control of providing..."

Commissioner Ayme: "It depends on what's available."

Commissioner Borges-Lopez: "...great benefit care."

Commissioner Ayme: "Yes."

Commissioner Borges-Lopez: "Because the only way that we really can look in the future to save any costs is really by cost sharing. That's what most companies are doing."

Mr. Hiscock: "That's right."

Commissioner Borges-Lopez: "And cost sharing is you pass a portion of it to the employees and you pay for a portion of it."

Commissioner Ramirez: "Right. Right."

Commissioner Borges-Lopez: "For example in our company we went from \$2000 and \$4000 to \$2,850 and \$5,700, and then basically the \$850 and \$1,700 went to the employees to pay. So that's basically the only thing that we can do is either you lower your premium by giving less coverage to the employees, or you do cost sharing and keep them with a very high plan. The other issue also with the health care reform, there are certain changes that if they were to be made now you'd lose your grandfather position right now, and then later on there's not much you can do. You have to abide strictly by..."

Commissioner Ramirez: "Then we're really going to be faced with something different."

Commissioner Borges-Lopez: "...what nationally is being provided by its employees, so there are a lot of things involved right now. But I'm sure..."

Commissioner Ramirez: "And I believe our group of people, they're very hard working people though, and I've seen, I can testify for that at any time, at any hour, and any day, and it doesn't matter how the weather is; those folks, when they call to take care of what needs to be taken care of, they're there, and from the office all the way down to the people in the field. And they deserve the best. But then again, in the future, there's no doubt about it that we might have to do something, but keep in mind to provide the best (inaudible)."

Commissioner Ayme: "I think we're going to have to."

Mr. Hiscock: "It's an issue that's going to have to be dealt with going forward, there's no doubt about it. Just like when we eliminated retiree health coverage for cost control reasons. The only reason our liability for other than pension benefits is only \$9.2 million is because we stopped almost 20 years ago in the water utility, and 10 years ago in the electric utility. That would probably be \$18 or \$20 million liability for continued health coverage. So we have taken some actions, and a portion of our employees will have no retiree health coverage; a significant portion at this point. So that problem is disappearing. And going forward, I obviously, we, won't all be here to see that, but eventually it will get there. So we have taken steps, but we have to take some more going forward. And it really has to do with pay, and benefits, and everything else, and it really should be done as part of an overall review and not just individually here. And really that was my purpose tonight, to just say what the problem is, and say that we're going to have to come up with solutions."

Commissioner Ayme: "Okay."

Commissioner Borges-Lopez: "Okay."

Commissioner Ayme: "We have a year."

Commissioner Burgess: "Any other questions?"

[No remarks]

Commissioner Burgess: "Okay. And there's no action, so item five Mr. Hiscock."

#### AMI Metering Update

Mr. Hiscock: "Brief update. Our AMI metering program is moving along from my perspective and from the staffs' perspective way better than anticipated. We have in the last 3 or 4 weeks installed some 4,500 residential electric meters out of our 6,000. The individuals that some of you may have seen them, I'm not sure, there are white vans running around the District that say SCOPE and SNEW, and there are 3 of them, and they're the... there are six members of the installation team from Scope Services provided to us by the SENSUS Metering System. We had anticipated running into difficulties with bad meter sockets, and bad wiring, and a lot of problems along that line. We're pleasantly surprised. We've probably only spent a couple thousand dollars on repairing bad meter sockets and wiring, and we're three-quarters of the way through the residential program. So that's going well. The software is being put into place now. I've had some demos of it myself, because we've had some customer problems where the new metering system has helped out. We've

had some customer complaints, and we'll go grab a computer and we'll look at somebody's readings 15 minutes apart for a week, and charts, and graphs, and all sorts of things that get very interesting discussing it with customers. In the end the customers probably won't like it because we'll have so much data that we'll be able to debunk some of the mythology. We'll put it as mythology, that comes back when you deal with a customer; maybe exaggeration, distortion, those might be better words. But it also shows customers that we know what we're doing, and it's just not 'those guys at the utility that are doing something wrong to me all of the time'. So it's going quite well. The three-phase commercial meters will not be delivered until about the second week in January. By then the residential program will be done. We will have the rest of the meters in. The crew is going to work a half day tomorrow, and they're not from around here, so they're all going to go home for the weekend and the holiday. Some of them come from a little further south than Washington D.C., and you can tell by their accent. They'll be back late Monday, and then they'll come in most of next week, and then the crew size will cut down. They will finish up, and then when the commercial meters come in, which are a little slower to work with; they're bigger, they're heavier, and you've got to do it more careful because of the electricity involved. It's quite a bit different. But I'm hoping by the end of January to have this program completed, have the software in place..."

Commissioner Ramirez: "Counting that the weather will permit so."

Mr. Hiscock: "Well you know it's pretty cold and those guys are still producing. Six guys are producing 300 meters a day."

Commissioner Ramirez: "Yes, they're not fooling around, I'll tell you that."

Mr. Hiscock: "No. No."

Commissioner Ramirez: "You should have seen those guys working."

Commissioner Ayme: "Yes."

Mr. Hiscock: "They're an installation team that goes from one place to the next. That's what they do for a living; simply an installation team, and they're good at what they do. And they've worked in many other locations, and unfortunately they're working in the northeast in the winter. That's the way it goes. The other portions of the program are moving along. The Meter Data Management System, which is the big computer server that's going to store all of this data and provide what's called web presentment, that's being worked on now. We'll have a decision on the Meter Data Management System sometime around the first week of January, and then as we go through the spring, that will be installed, and then we will start to think about allowing customers internet access to their accounts. That should start at least in a pilot scale I believe sometime towards summer."

Commissioner Ayme: "This summer?"

Mr. Hiscock: "Yes."

Commissioner Ayme: "Oh, that's good."

Mr. Hiscock: "That's going to be quite interesting. That's going to be interesting to manage. So the program is moving along. It's just wonderful the way it's going at this point. Better than anticipated. So I just wanted to report that, and let you know. We will come back in the spring with a computer screen and a demo and if some of you would like to volunteer your accounts we can sit right here and take a look at your usage and drill into your house, and if somebody really wants to think about it we can shut your power off from here."

Commissioner Geake: "That would be cool."

Commissioner Ramirez: "Technology, huh?"

Commissioner Ayme: "I have one question."

Mr. Hiscock: "Technology is amazing."

Commissioner Ramirez: "Yes it is."

Commissioner Ayme: "Just one question. Does that mean that by the summer people will be able to pay online, or...?"

Mr. Hiscock: "No."

Commissioner Ayme: "No? Only view the account?"

Mr. Hiscock: "That's only to view the account. Paying online is extraordinarily problematic for somebody our size, and that's about the last thing we want to attempt. But we want to do it, and we need to move forward and do it, but there are a whole host of..."

Commissioner Ayme: "Well right now..."

Mr. Hiscock: "...legal and payment questions that will come to the Commission to deal with before we get to that level. Right now we're not changing our business practices at all."

Commissioner Ayme: "I understand. Right now would entail a third party, and we would have to pay something to somebody for collections and all of that. And I..."

Mr. Hiscock: "Probably, yes."

Commissioner Ayme: "I understand. I understand that."

Mr. Hiscock: "Any other questions about AMI?"

Commissioner Ramirez: "No, I think the percentage of discount, if you pay before the 10<sup>th</sup> is still, will remain in place for..."

Mr. Hiscock: "Yes."

Commissioner Ramirez: "...as long as possible."

Mr. Hiscock: "And it's very high. It's amazing how many people do it, but it's a lot of money. It's a lot of money."

Commissioner Ramirez: "You save a few dollars, you know?"

Commissioner Burgess: "Any more questions on item five?"

[No remarks]

Commissioner Burgess: "We'll go to item six then."

### CMEEC CEO Update

Mr. Hiscock: "We haven't talked about this, and it's sort of something that has crept up on us during the year. Earlier this year Moe Scully, who has been the CEO of CMEEC since about 1980 has decided to retire next year in February of 2012. He is staying on as a special advisor to the Board, and the next thing I'm going to hand out will be speaking about something he's working on, and we have gone through for the last four or five months a search for a new CEO at CMEEC. It's going to be interesting because CMEEC has a lot of, like us, very long term employees that have never known anybody else other than Moe Scully as their CEO. We've hired a gentleman from, who's worked the last six years at Colorado Springs Utilities, which is a very large multi-unit utility. It's water, sewer, electric, gas, drainage, and I guess that's it; water, sewer, electric, gas, drainage, okay, coming from a very large organization with significant experience. Prior to that, he was in the Midwest working mostly in power plants for a very large investor-owned utility. Over the next month or two, he starts on the 1<sup>st</sup>, 3<sup>rd</sup> of January actually, and the transition team which is myself, John Bilda the manager of Norwich Utilities, and Ed DiMuzio a Board member from Groton are trying to move this transition through and make it successful, and part of the transition he will be visiting each of the member systems, so January or February, maybe as late as March, we will have a presentation from Mr. Renkin, you will get to meet him, and we'll see where all of that goes. But I just wanted to make you aware. Moe Scully is going to be working on, and this is a two-page release, if you will take two pages and hand the package down. He's going to be working for us on the TRANSCO transmission project. He's going to be working on the financing for this project. He is really going to be working directly for the Board, under the direction of the Board. So for Chairman Burgess, who has known Moe Scully for a very long time, he no longer will be the man at CMEEC. We don't know if there will be major changes or not. We're not really sure. It's important that this transition goes well. We're starting to run into a minor problem that for the first time in quite a few years our wholesale cost for power, the amount we pay for power, is higher than the current market rate, and that's starting to give us trouble. Next month we're going to be talking about the Purchased Power Adjustment clause, we're going to be talking about the Rate Stabilization Fund, like we've talked about in January of prior years. We're getting pressed, and in a tough position. You saw a little bit about it, about my comments during the last audit when we had negative earnings in the electric utility. We also had negative earnings in the water utility, but we had negative earnings. That's going to need to be turned around. One of the ways of turning that around is through lowering our wholesale costs at CMEEC. That is going to be the new CEO's biggest mission, to see if there's any way we can lower our costs going forward. It's not going to be easy. So things are changing at CMEEC, and we'll just see how it all plays out."

Commissioner Ayme: "Are you anticipating any changes or any problems?"

Mr. Hiscock: "No."

Commissioner Ayme: "Okay."

Mr. Hiscock: "We're not. Certainly it's going to take Mr. Renkin a good solid six months to understand what's going on. He's got a good, good professional staff reporting to him, presuming there aren't major changes inside of CMEEC staffing. He comes from an area that does not have markets like we have. They don't have an ISO. He comes from a utility that basically generates its own power, mostly from coal plants. His former experience in the Midwest was before there was a Midwest ISO, so he has really never been involved in markets. He's got a tremendous amount of experience. The interviews went extremely well. We were... it was a unanimous decision by the Board to hire this individual. And we're not anticipating problems. That doesn't mean we can guarantee it won't happen, but certainly we'll all be spending a little bit more time at CMEEC than we'd like to. It's a 90 mile drive to the other end of the State, and I'm averaging somewhere between two and two and a half days a week, and it's getting a little boring. It's a little annoying. We're getting there though. Hopefully, once this transition is over we'll go back to once a week. It would be nice. So that's really all I have to report about... I can answer any questions, but it's just really a report about what's going on at CMEEC."

Commissioner Burgess: "Any questions on that report?"

[No remarks]

Commissioner Burgess: "Alright."

Mr. Hiscock: "And if you get a chance, read this release. It's quite interesting. It speaks about a cooperation between CL&P and CMEEC where we are going to invest in and purchase a significant amount of transmission from CL&P, and that is a long-term cost savings to us."

Commissioner Ramirez: "(Inaudible) to build our own little (inaudible)."

Mr. Hiscock: "That project is moving. We have been meeting with the ISO. We have a formal presentation before the Planning Committee on the 19<sup>th</sup> of January, and that's when we really start the process with ISO in detail and formally. At that point they will approve the scope study for the interconnection, and then we'll do the interconnection. So we are moving."

Commissioner Burgess: "Any questions on that part of the report?"

[No remarks]

### Public Participation

Commissioner Burgess: "No? Okay. We can go on to item seven, and there's no public here so I guess we can skip that item."

Commissioner Ayme: "Move to adjourn."

[Simultaneous laughter]

Commissioner Burgess: “All in favor?”

Commissioners simultaneously: “Aye.”

Commissioner Burgess: “I’m sure no one is opposed.”

Adjournment

The meeting adjourned at 8:00 p.m.

Attest:

Candace Fox  
District Clerk