

SECOND TAXING DISTRICT COMMISSIONERS

Regular Meeting

June 15, 2010

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

Absent: Cesar A. Ramirez

Also Present: John M. Hiscock General Manager
Candace Pampoukidis District Clerk
Kevin Barber Dir. / Admin & Cust Serv
Scott Whittier Dir. / Technical Services
Michael Cassella

Public Present: None

Call To Order

Chairperson Mary E. Burgess called the Regular Meeting of the Second Taxing District Commissioners to order at 7:02 p.m. on Tuesday, June 15, 2010. The meeting was held at South Norwalk Electric and Water, One State Street, South Norwalk, Connecticut.

Acceptance of the Minutes

Commissioner Burgess: "I call the meeting of the District Commissioners, Tuesday, June 15, 2010, at 7:00 p.m., to order, and I need a motion for acceptance of the minutes of the regular meeting, May 18th."

Commissioner Ayme: "So moved."

Commissioner Geake: "So moved."

Commissioner Burgess: "Second?"

Commissioner Borges-Lopez: "Second."

Commissioner Geake: "Second."

Commissioner Burgess: "Okay, any changes, discussion, of the minutes?"

[No remarks]

Commissioner Burgess: "All in favor?"

Commissioners simultaneously: "Aye."

Commissioner Burgess: "Opposed?"

[No opposed]

Commissioner Burgess: "Abstentions?"

[No abstentions]

Commissioner Ayme made a motion to accept the minutes of the regular meeting of May 18, 2010. Commissioner Borges-Lopez seconded and the motion passed unanimously with all six Commissioners present voting in favor and none opposed.

CONSENT AGENDA

Legal Counsel – Annual Retainer Agreement – FY 2010-2011
Customer Appeal – 87 North Main Street

Commissioner Burgess: "Okay, now I need a motion to pass the consent agenda."

Commissioner Mann: "I make a motion."

Commissioner Ayme: "Second."

Commissioner Burgess: "All in favor?"

Commissioners simultaneously: "Aye."

Commissioner Burgess: "Opposed?"

[No opposed]

Commissioner Burgess: "Abstentions?"

[No abstentions]

Commissioner Mann made a motion to approve the consent agenda, Customer Appeal – Legal Counsel – Annual Retainer Agreement – FY 2010-2011 and Customer Appeal – 87 North Main Street. Commissioner Ayme seconded, and the motion passed with all six Commissioners present voting in favor and none opposed.

REGULAR AGENDA

Gallo vs. SNEW

Commissioner Burgess: "Okay, now we go into executive session?"

Mr. Hiscock: "Yes."

Commissioner Burgess: "We have to move to go into executive session."
[Mr. Barber, Mr. Whittier, and Mr. Cassella left the meeting room]

Mr. Hiscock: "Yes, we need to go into executive session to discuss a settlement in a legal case, and that's the purpose of the executive session."

Commissioner Burgess: "Okay."

Commissioner Ayme: "The legal counsel will be here, or...?"

Mr. Hiscock: "Legal counsel is here."

Commissioner Burgess: "Yes, she is here [referring to Ms. Coughlan]

Commissioner Ayme: "Okay."

Ms. Coughlan: "Hi, I'm Barbara Coughlan."

Commissioner Ayme: "Oh, hi."

Mr. Hiscock: "Did you guys vote to go to executive session?"

Commissioners simultaneously: "Yes."

Ms. Pampoukidis: "No."

Mr. Hiscock: "No?"

Commissioner Geake: "No."

Ms. Pampoukidis: "No."

Commissioner Geake: "No, we haven't voted."

Commissioner Ayme: "Alright, I move to go into executive..."

Mr. Hiscock: "You have a motion and a second..."

Commissioner Ayme: "Oh, you need a motion?"

Mr. Hiscock: "You have a motion and a second. You need to call for a vote please."

Commissioner Ayme: "Oh, okay."

Commissioner Burgess: "Yes. Okay, all in favor?"

Commissioners simultaneously: "Aye."

Commissioner Burgess: "Opposed?"

[No opposed]

Commissioner Burgess: "None."

EXECUTIVE SESSION

The District Commissioners moved into executive session at 7:03 p.m. The purpose of the executive session was to discuss a settlement in a legal case.

Present in executive session were Commissioners Burgess, Ayme, Borges-Lopez, Geake, Harris, and Mann; General Manager, John M. Hiscock; District Counsel, Barbara Coughlan; and District Clerk, Candace Pampoukidis.

REGULAR SESSION

The District Commissioners returned to regular session at 7:21 p.m. The following was the result of the executive session:

Commissioner Burgess: "Now we need a motion to..."

Mr. Hiscock: "I can..."

Commissioner Ayme: "I'll make the motion to... in the litigation between Gallo and the South Norwalk Electric Works... I'm sorry, South Norwalk Electric and Water, I move that we authorize the General Manager, right?"

Mr. Hiscock: "And counsel."

Commissioner Ayme: "And counsel, to settle the case for the stipulated amount of \$30,000.00."

Commissioner Geake: "I second it."

Commissioner Burgess: "Any discussion?"

[No remarks]

Commissioner Burgess: "All in favor?"

Commissioners simultaneously: "Aye."

Commissioner Burgess: "Opposed?"

[No opposed]

Commissioner Burgess: "Abstentions?"

[No abstentions]

Commissioner Ayme made a motion authorizing the General Manager and Legal Counsel to settle the case of Gallo vs. SNEW for the amount of \$30,000.00. Commissioner Geake seconded and the motion passed with all six Commissioners present voting in favor and none opposed.

Ms. Coughlan: "It was nice to see you all."

Commissioner Mann: "Thank you."

Commissioner Borges-Lopez: "Thank you."

Commissioner Burgess: "Thank you."

[Ms. Coughlan left the meeting. Mr. Barber, Mr. Whittier, and Mr. Cassella returned to the meeting]

Mr. Hiscock: "Okay, Madam Chairman, could I request that you change the order of the agenda and take the conservation program report next. And the reason for that is Mike Cassella is not local here, and he'd probably like to get home this evening..."

Commissioner Burgess: "Doesn't want to stay all evening."

Mr. Hiscock: "Yes."

Commissioner Burgess: "Well do... we don't need a motion to change it around?"

Mr. Hiscock: "No, as long as you agree, it's fine."

Commissioner Burgess: "The conservation program becomes then item five, right?"

Mr. Hiscock: "Yes."

Commissioner Burgess: "Okay."

Conservation Programs – Report

Mr. Hiscock: "Okay, we're going to do some quick introductions. Michael Cassella is here from CMEEC. He is the individual who is responsible for the Conservation and Load Management Programs at CMEEC, among other things. And Mike, the Commission members from your left, towards the right; Chairman Burgess, Vice Chairman Ayme, Commissioner Mann, Commissioner Borges-Lopez, Commissioner Harris, and Commissioner Geake."

Mr. Cassella: "I'm terrible with names, but I can cheat, so [referring to the name plates on the Commission table]..."

Commissioner Mann: "Yes."

Commissioner Geake: "See, that's why you have the advantage."

Mr. Cassella: "I got here a little early tonight, because my history of coming down here is that you don't know how long it's going to take, so I left at 5:00 this morning, just so you know."

[Laughter]

Mr. Cassella: "So we have some handouts... thank you for the introduction, Mr. Chairman [referring to Mr. Hiscock]. He's the Chairman of CMEEC, who I work for. I'm going to go through a power point presentation. It can be as complicated as you want, or it can be as simple as you want. My role tonight is to just explain why we do conservation, and then I'm going to ask Scott [Mr. Whittier] and Kevin [Mr. Barber] to go into a little detail about what exactly is going on at SNEW. So does that sound alright for starters?"

Commissioner Burgess: "Yes."

Mr. Cassella: "Are there any questions you want to ask me before I start?"

[No remarks]

Mr. Cassella: "Okay, good. We're off to a good start. So as I said, the evening agenda is we're going to look at the 4-year results, because these programs have been going on since 2006. And I think you all know how they came about, but if you don't, in 1997 I think it was, the legislature passed the deregulation bill in Connecticut which made the regulated utilities get rid of their generating assets, and get out of the generating business, and become just transmission and distribution companies. And part of that whole negotiation was to start a major league push on conservation in Connecticut, but that was for CL&P and UI, and that was in 1997. One of the other pushes that came out of that was a whole renewable portfolio standard. But CMEEC was not included in that, in 1997, and so CMEEC was not... CMEEC members were not collecting money from their rates to pay for conservation like CL&P and UI are doing. And they collect about 3 mills on every kilowatt hour right now, so that whole fund for them is about \$85 million per year. So that is what is coming out of ratepayers' pockets right now for CL&P and UI. But somewhere along the line, around 2004/2005, the legislature kind of said 'Well, what about the municipal utilities? Why aren't they doing this too?' So in '05 or '07... or it was in the '05 energy bill, the municipals were ordered to start collecting money to fund conservation programs. It started out at 1 mill, and it's going to go up to 2.2 mills I think next year, and that's where it bottoms out. And that represents about \$10 million for all the CMEEC customers, so you compare the \$10 million with the \$8.5 million that the, you know, CL&P and UI are collecting. So that's how we got into this business, and I think I'll let Scott [Mr. Whittier] tell you a little bit about what we've done in the last four years before we go into why this is something that we should be doing; why conservation makes sense; so Scott [Mr. Whittier] if you would just take a couple of minutes please."

Mr. Whittier: "Sure. Yes, I'll just keep this brief since it is on dealing with the past, but as Mike [Mr. Cassella] was kind of mentioning, we've been doing the conservation program for about four years or so, and we started off... and we started doing a lot of the... it was more of a... I'm trying to think... excuse me. I wrote a couple of little notes of what we've done in the past, so back in 2006 we did a direct install pilot program. We went around to Monterey Village, San Vincenzo Place, Town House Gardens, Columbus Court, in that particular area, and we had hired an outfit, CRI, which went around, and we ended up putting light bulbs into the sockets of each of those locations. We also (inaudible) some rebates for appliances for our customers. You've probably seen some of these coming into the front door there, of some rebates for \$60.00 for a washer,

dishwasher, refrigerator, and a couple of other things. In 2007 we continued with the rebate program. We had a magazine we also had available, which we sent out to all of our customers, and they're able to order different fixtures through this magazine. 2008 we actually sent out a flyer to all of our customers letting them know that they could get a free starter pack of CFLs, so they could try them out and see if they liked these CFLs and were interested in purchasing them. 2009 we did some lighting projects with the City of Norwalk in their garages. We rebated some of the lights that go into more energy efficient type of lighting; and 2010, I'm probably going to let Kevin [Mr. Barber] talk a little bit more about what we're going to be doing, and I'm kind of handing the gauntlet over to Kevin to..."

Mr. Cassella: "Well, we'll get to that a little farther down the road. Okay, so really what we've done is the thing that makes the most sense; get as many of these things out as possible [referring to CFLs (light bulbs)], because this is the biggest bang for the buck. And we also took care of the low income housing, because I think those were... those were City subsidized, right, Town subsidized?"

Mr. Whittier: "Yes."

Mr. Cassella: "So to the extent you can do projects in municipal buildings, you're helping everybody out, including tax payers, because you're lowering the bills on those buildings. So what we've done in the past is the stuff that's what typically known as the low hanging fruit, and it's the stuff that makes, you know, the most sense economically. I'm going to go into some... oh, quickly, where the savings came from; you pretty much have an even breakdown between commercial and industrial, and residential programs, and... there should be a small sliver [referring to a slide]... yeah, this is just... this little sliver right here represents the rebates, and there's a form, there's a rebate form in there [referring to handouts], which I'll go over as we go through... as we go into a little more detail, but that's a kind of normal mix. Typically you see more commercial and industrial, like 60%, and 40% residential, but 50/50 isn't bad. So that's how things work out. These were driven by the big commercial projects like the lighting projects that were done for the garages. And these are just, you know, distributing efficient lighting like Scott [Mr. Whittier] said, and then this we'll talk a little bit about as we go forward, because this is the major home energy savings program that we are pursuing right now. That's just..."

Commissioner Geake: "May I ask a question?"

Mr. Cassella: "Yes, sure [responding to Commissioner Geake]."

Commissioner Geake: "We don't have the same graphic that you have in this paperwork, so is this an updated version versus this?"

Mr. Cassella: "What are we looking at?"

Commissioner Geake: "This is what I have, and everybody else has."

Mr. Cassella: "Alright."

Mr. Hiscock: "Yes, we did... we handed out the rough draft because we needed to get it out first."

Commissioner Geake: "Okay."

Mr. Cassella: "Yes, these were... yeah, they were updated. Okay, my apologies."

Commissioner Geake: "That's okay."

Mr. Cassella: "If you want this presentation later, I can email it to you. We found a... this morning I found a little glitch in terms of the program budget versus what was spent, so we had to redo the spreadsheets and that's what changes these graphs. Okay, now, this is why you do what you do, and this is not an eye chart, but basically what this says is that for every \$1.00 that you invest, you save \$4.50, and I'm going to show you where those savings come from, okay? But for every dollar you spend on conservation and load management, you're avoiding \$4.50 worth of cost. Any questions?"

[No remarks]

Mr. Cassella: "And this... I'm not sure you really need to get into, but... well, we should get into it, because what it does is it says when you look at what makes your costs what they are, it's a lot of different things. Alright, so as a utility you want to maintain reliability, you want to manage costs, we have to function in the environmental... within the environmental requirements. We're always looking at energy security. And then these are all the things that are driving your costs right now; natural gas supply... okay, so you've heard about the new gas discoveries in Pennsylvania, maybe, which are driving gas prices down right now. So gas prices are on their way down. The cover story in the Hartford Courant today is CL&P's rates are going to go down about \$10.00 per month. It's because fuel prices are coming down, alright, and I'll talk a little bit about fuel prices if you want. Renewable policies, although you're not covered by renewables standards they are making costs go up. Carbon Policy, does that ring a bell; Waxman-Markey, the regional greenhouse gas initiative? When you start charging generators for the carbon that they're producing, the rates go up, okay? NOx Emissions, this is another environmental requirement that's coming down the road that's going to have an impact on rates; and I'm not going to worry about those two, so that brings you over here. So what can you do to meet these objectives? You can do DSM, which is the most cost effective. You could do... these are all your resource options. You can do renewables, which is your most expensive..."

Mr. Hiscock: "Mike [Mr. Cassella], you may want to give a..."

Commissioner Mann: "What's DSM?"

Mr. Hiscock: "DSM."

Mr. Cassella: "I'm sorry. This is what we do right now, Demand Side Management. I'll tell you all the initials from now on. You can do renewables, which are the most expensive, which I'll show you; and you can do combine heat and power, where you generate electricity and you capture the waste heat, and then you try to use that to heat, you know, buildings or processes. And then there are ways to get power in terms of transmission. One of the things that's really driving your rates up right now is this one. So you live in Norwalk, you know, South Norwalk, but you always hear about transmission projects. The two transmission projects that have been the biggest have been the Bethel to Norwalk, right, the CL&P? And then the Middletown to Norwalk, right? Those are huge projects. They are like 2 billion dollars. And even though they're CL&P projects, they get put into the regional cost pool and they get allocated to all utilities, including SNEW. You know, CMEEC is watching its transmission costs go up pretty much on a regular basis. So I'm just trying to tell

you right now what's impacting your rates, and why rates are going up, and why Demand Side Management makes sense. Because for every kilowatt hour you don't use, you're avoiding all of these things, okay? Questions?"

[No remarks]

Mr. Cassella: "Okay, good. Do you want me to go faster, or do you want to hear more about this stuff?"

Mr. Hiscock: "We're doing good."

Mr. Cassella: "Okay. You're not covered by a renewable portfolio standard. You know CL&P and UI are. They're required by 2020 to have 20% of their power come from renewables. We never know when somebody in the legislature is going to say the same thing they said about Demand Side Management. 'Well, CMEEC, you guys ought to be covered by renewables too. You ought to be doing, contributing at the same level that CL&P is'. Well let me show you what happens. This is a comparison chart between all the different renewables, and these are... this is a northeast wind scenario, and this is the cost per kilowatt hour, okay? So right now Cape Wind is coming in with their prices, and there was another project in Rhode Island where they are, you know, trying to sell their power, and they're starting at \$0.20 per kilowatt hour, where you're paying about \$0.15 right now. And this \$0.20 per kilowatt hour escalates at 3.5% over the life of the contract, which is 20 years, so it levelizes at somewhere around \$0.30/\$0.35. So that gives you some idea of how much wind costs. And this is wind from up north, this is wind from New York and Canada, and this is offshore wind, so this is really more where Cape Wind... yeah, see, that's right about where Cape Wind is coming in right now. And I just want to show you this for comparison purposes, because you compare it to things like landfill gas, hydro, fuel cells; and then everybody's really, really high on solar photovoltaic, okay? Solar PV is the most expensive renewable out there right now. But the reason I show this is because these are conventional costs. To build a gas plant, okay, that's what it's costing right now, at different gas prices. Right now we're about \$7.00, so we'd be in here. I think we might, might be even lower than that, but anyway. But the real truth, you know, the proof of the pudding here is compare it to this. So this is what it costs you for a kilowatt hour saved by DSM, Demand Side Management. So it's just for comparison purposes, but clearly the cheapest resource is to not use it, okay?"

Commissioner Ayme: "Can you repeat that?"

Mr. Cassella: "The cheapest resource, the lowest cost resource...?"

Commissioner Ayme: "Yes?"

Mr. Cassella: "...is to do conservation. It's the cheapest kilowatt hour that you can buy, is the one you never use."

Commissioner Ayme: "The one we never use."

Mr. Cassella: "Right, so you're going to spend money to save that, but it's a whole lot less expensive than to buy this generation. So instead of generating, you're paying to reduce."

Commissioner Ayme: "If I may [directed to Commissioner Burgess], let me go back a little."

Mr. Cassella: "Okay [responding to Commissioner Ayme]."

Commissioner Ayme: "Let's go back a little. When you said that for every \$1.00 that we invest..."

Mr. Cassella: "Right."

Commissioner Ayme: "...we save \$4.00, invest in what source of energy?"

Mr. Cassella: "In what kind of program?"

Commissioner Ayme: "Yes."

Mr. Cassella: "In the kind of programs you're doing right now. So you invest in buying these things [referring to the light bulbs], you invest in doing lighting projects..."

Commissioner Ayme: "We are buying those to give it away?"

Mr. Cassella: "You're buying to either give it away, or you can discount them, right. So it's cheaper for you to give this away than it is to go out and buy it. You buy this, but you don't buy that [pointing to the slide]."

Commissioner Ayme: "We buy this..."

Mr. Cassella: "Yes."

Commissioner Ayme: "...but we don't buy..."

Mr. Cassella: "You don't buy that."

Commissioner Ayme: "...the renewable...?"

Mr. Cassella: "Well, not even the renewables. You're in... when we compare right now, we're comparing this to this."

Commissioner Ayme: "Yes, okay."

Mr. Cassella: "Okay?"

Commissioner Ayme: "Alright."

Mr. Cassella: "It's counter-intuitive, because you're in the business of selling electricity, but yet in the long run you're going to pay me now or you're going to pay me later."

Commissioner Ayme: "To what extent are we buying those [referring to the light bulbs]?"

Mr. Cassella: "I don't know. How many have you bought so far Scott [Mr. Whittier]?"

Mr. Barber: "Actually, we just purchased for distribution... we just purchased I believe 1,000 light bulbs that we will use when we go and do audits at homes, or hand them out here."

Commissioner Ayme: "You hand them out to the users?"

Mr. Cassella: "Right."

Mr. Barber: "To the customers, that's correct."

Commissioner Ayme: "To the customers? Not only in public housing, but to all customers?"

Mr. Cassella: "Yes."

Commissioner Ayme: "So any customer can come in here and say I need 20 for my house?"

Mr. Cassella: "I think you have a limit, right?"

Mr. Barber: "Yes..."

Commissioner Ayme: "What's the limit?"

Mr. Barber: "We wouldn't hand out 20. What we'd normally do is we would go to the home. Steve Carter, our Manager of Metering and Load Management, will go to a house and do an energy audit. He may bring a light bulb or two to show them the compact fluorescent and explain to them the energy saved by switching to those."

Commissioner Ayme: "Alright, let me ask... I don't know that you're going to be able to answer this question, but why do they have different intensities?"

Mr. Cassella: "Well, okay..."

Commissioner Ayme: "I'm not talking about the... I'm not talking about the power output. What I'm talking about... the output... I'm talking about the intensities. You go to Home Depot and they have daylight, bright light, and it's confusing."

Mr. Cassella: "Okay, it's not if you understand color temperature, okay?"

Commissioner Ayme: "Okay."

Mr. Cassella: "The color temperature on this is 2,700 degrees Kelvin, right, which is pretty much similar to an incandescent bulb, which is why we give these out. If you go to 3,000 degrees Kelvin... you know... did you ever go into a building and see the cool white lights in the fluorescent bulbs?"

Commissioner Ayme: "Which is kind of bluish."

Mr. Cassella: "Yes, which makes your meat look blue..."

Commissioner Ayme: "Blue, which I hate."

Mr. Cassella: "...which is why you want to go with this, because it doesn't make your meat look like it just fell off the back of the truck."

[Laughter]

Mr. Cassella: “The farther up you go on that color temperature scale, the bright... the more it moves towards daylight, so when you get up to around 4,000/4,500, that’s the equivalent of daylight. But when you’re starting in the 3,000/3,500 range, you’re into cool light colors, and that was give you the effect that you’re talking about. It’s not intensity. It’s the temperature of the bulb. And that’s why these are so much different than they were 15 years ago. They figured out how to get the right color temperature. So I’m going to move on, okay, and we can talk later if you want to talk.”

Commissioner Ayme: “Alright.”

Mr. Cassella: “Gas prices. You know, back in 2000... well, you don’t even see the spike on here, but at one point in 2008, because... you don’t see the spike on here because this is the average for the year, alright? In 2008 there was a spike that went up to \$14.00, you know, so gas prices in 2008 went crazy, so electric prices followed, because most of the electricity is generated by gas fired units. But what this chart is showing you is that for most... you know, for most projections, gas prices look like they’re going to stay stable for the next 10 years or so. So is that news? It was kind of news to me. One of the reasons they’re staying stable is because of all the new gas that’s been found. There were reserves three years ago of 40 trillion cubic feet; a big number. The reserves now are 240 trillion cubic feet. And the reason is they found this stuff called shale gas. And there’s a lot of shale gas in Pennsylvania. And the good thing about the Pennsylvania shale gas is it’s close to Connecticut. They’re building the pipes to get it here. The bad thing about shale gas is it tends to explode. So last week, you might have heard about a contractor who drilled a well in Pennsylvania, and it blew up. The reason this stuff is unpredictable, and that’s why, you know, this is best estimates based on all the stuff they found, but nobody knows what’s going to happen in terms of the process of getting this stuff out. And they use a process called fracturing, where they send water down into the rock, and they break the rock under high pressure. That forces the gas out. Fracturing has the potential to pollute water if it’s not done the right way, so you have to be careful about this. So this is best estimates. There’s a lot of it there, but it’s not a slam dunk, alright, so that’s the sort of gas situation. But if gas prices go up, your electric prices are going to go up, because most of the generation in the New England area is gas. Okay, let’s talk a little bit about Carbon Policy. This... I bet you didn’t think you were going to talk about carbon policy when you came to talk about conservation, right? How many of you heard of Waxman-Markey? No, okay. Waxman-Markey are now carriers on this band wagon with Lieberman, but this is an exploded REGGI, Regional Greenhouse Gas Initiative. This would a national carbon program where generators would get charged for the amount of carbon that they produce. And if you’re a coal producer right now, these increased carbon costs are going to add \$0.10 to the cost of generation. So right now we’re at REGGI carbon rates, which are about \$2.30. If Waxman-Markey kicks in, you’re at about \$30.00 a ton, as opposed to \$2.30. The difference is going to be about a penny and half a kilowatt hour in your electric rate. So when people are talking about all these new policies, you have to look at what they’re going to cost, and Waxman-Markey has the potential to increase your rates by 10%, okay? But all this is getting back to, is that, you know, if you’re not using it, you’re not going to get whacked for it. So that’s why conservation makes sense. Okay, the last driver is the transmission rates. I mentioned Bethel to Norwalk. I mentioned Middletown to Norwalk. There’s another big NU project called NEWS, which stands for Northeast West Interconnectors... I can’t remember exactly what it is, but that’s four more pieces of transmission. There’s transmission going in up north, and all of this is a result of 50 years worth of, you know, ignoring the transmission system. So the transmission system needs to be built up. The problem is,

if you go back to 2005, it was costing roughly a half a cent per kilowatt hour for all the wires in New England. As you look at 2015, it goes up to two and half cents. So your electric rate just went up two cents because of transmission. If you're not using it, you're not paying for it. So this is where the \$4.00 comes in. You see what I'm saying? If you're not using it, you're not paying for it. Okay, this is just the same chart with nuclear put in for grins. You know, I like to..."

Commissioner Ayme: "But, if I may, the savings come in when... you are saying that because of these light bulbs..."

Mr. Cassella: "Right."

Commissioner Ayme: "...that we're giving away..."

Mr. Cassella: "For \$1.50."

Commissioner Ayme: "For \$1.50?"

Mr. Cassella: "Right."

Commissioner Ayme: "That's how much we pay, \$1.50?"

Mr. Cassella: "Yes."

Commissioner Ayme: "Well they run about \$3.00 for the retail, right?"

Mr. Cassella: "Yes."

Commissioner Ayme: "Okay. Alright, we give that away, and you're saying that because we're giving this away, the energy consumption will be less?"

Mr. Cassella: "Right."

Commissioner Ayme: "So therefore, we have to buy less..."

Mr. Cassella: "You have to buy less..."

Commissioner Ayme: "...and that's where the savings come in?"

Mr. Cassella: "That's part of the savings..."

Commissioner Ayme: "Okay."

Mr. Cassella: "...because you just saved the energy, right?"

Commissioner Ayme: "Right."

Mr. Cassella: "I just showed you a chart that had a cost for transmission."

Commissioner Ayme: "Right."

Mr. Cassella: "You're going to save the transmission cost."

Commissioner Ayme: "Right."

Mr. Cassella: "You're going to save the capacity cost, I won't get into that one, but you're also going to save the carbon cost. So all those costs that I showed you, you don't pay for because you put this in [referring to a light bulb]. So it's cheaper to put this in, than to not put it in. Because if you don't put it in, you're going to pay for the carbon cost, you're going to pay for the transmission cost, you're going to pay for the energy cost, and it's costing you more than this is."

Commissioner Ayme: "So are you saying... Mr. Hiscock, is he saying that because of the savings that we're going to have through these light bulbs, it would not pay for SNEW, for example, to regenerate?"

Mr. Hiscock: "No, that's a totally different..."

Commissioner Ayme: "That's a totally different thing?"

Mr. Hiscock: "...totally separate issue."

Commissioner Ayme: "Okay."

Mr. Hiscock: "That's on the supply side. That's totally different."

Commissioner Ayme: "Okay."

Mr. Hiscock: "This is on the customer demand side; our demand, how much power we use system-wide for us. So that's a totally unrelated issue."

Commissioner Ayme: "Okay."

Mr. Cassella: "Now let me just give you one more tidbit here, okay? Everybody is talking about doing this. The New England governor said let's build 4,000 megawatts of wind power, bring it in from Maine. The cost to do that is going to be roughly \$24 billion. The cost to Connecticut for that is going to be roughly \$6 billion. Over here on the right you have this little bar that basically says okay, you can build a nuclear plant for less than you can do the renewables. The whole issue here is, you know, what... is really practicality. If everybody thinks that this is going to create green jobs, which it will up in Maine, and it will be in the hundreds as opposed to the thousands, why aren't we thinking about building a nuclear plant in Waterford, which will create several thousand green jobs for 10 years, and have the power in the State, which is, you know, from an energy security point of view has pluses and minuses, but avoids that whole \$24 billion of transmission costs and everything else. Now I'm not a nuclear nut, but if you're looking for a carbon solution, you've got to start thinking nuclear again, you know? And it's got a lot of hairs on it. You know, there's a law in Connecticut that says you can't even think about it until there's a waste disposal solution. But you know, as policy makers, you should start to think about how you're going to influence this discussion. And, you know, as a parent, you've got to start thinking about what's best for the next generation. So you can all, you know, take shots at nuclear; you've got to remember that we've got two plants left in Connecticut. Their safety record is pretty flawless right now, and they employ about 1,000 people. I do have a carbon slide, maybe if you're interested I'll show

you later, because it's very amusing. The legislature passed a law two years ago that says by 2050 we have to reduce carbon by 80%. I don't know how you'd do that. I mean, I think one way you'd do it, you can do it through renewables partially, but you can't even get there all the way, but another way you can do it is through renewable. The third way you can do it is have everybody move out of the State, which is going to happen if we don't start getting the prices under control. So..."

Commissioner Ayme: "That's some choice."

Mr. Cassella: "Yes, right."

[Laughter]

Mr. Cassella: "It's not... I'm saying that, you know, totally seriously."

[Laughter]

Mr. Cassella: "Okay, so I'm going to let Kevin [Mr. Barber] tell you a little bit about what we're going to do, what you're going to do, going forward. Just so you know, throughout CMEEC, which has a 60,000/65,000 customers, 600,000 of these [referring to light bulbs] have been distributed since 2006, so if it's just 60,000 residential customers, every residential customer in CMEEC has an average of 10 of these now, which is more than CL&P and UI. We did a program of direct installs for TTD, and we have one customer who took 129, and you know, I don't know how cost effective that was, but at the time we were just putting them in in every socket. This is still the most cost effective thing you can do. So Kevin [Mr. Barber], if you want to just talk a little bit about direct install and home energy solutions."

Mr. Barber: "Well what I wanted to do quickly was just talk about what we're going to be doing going forward with our conservation and load management plan. As Scott [Mr. Whittier] mentioned earlier, we've done appliance rebates for all the refrigerators, dryers, and all of that Energy Star stuff. We're going to continue with that program, which I believe we're paying about \$60.00 per each Energy Star appliance. That is still available. We also have what's called a 'Cool Choice', which is an air conditioner heat pump program; for rebates on that. And those amounts vary depending on the size efficiency. We also have, as we mentioned, the CFLs (light bulbs) lighting, which are available. We also have what... the packet that I handed to you all, which is the Home Energy Savings Program. Now this is probably the one that we are making a major push on, and the idea of the program is to do a full... probably the best way to describe is a full energy audit of your house. CRI, which is the Competitive Resources, Inc., which is the vendor of choice by CMEEC and the other municipalities, will go through your home and do a full energy audit, including door... what is it, door...?"

Mr. Cassella: "Door sweeps; lower door test."

Mr. Barber: "Lower door test, check for air leaks, they'll do lighting checks, plumbing, holes; they'll do a whole energy audit for you. And I think they provide upward of \$750.00 of energy services to the customer; free of charge to our customers, and it's all being paid for by the conservation program. I mean you could... I encourage all of you to look through the packet and see what it's all about. I mean, it's a very nice program. I believe we have operators standing by for phone calls tomorrow."

[Laughter]

Mr. Cassella: "Yes, actually, there's an 800 number in there for CRI, and there's a 203 number, and they're waiting for you to call tomorrow, so..."

Mr. Barber: "We provided them your names so that they'll..."

Mr. Cassella: "They actually went on the website and found your names."

Mr. Barber: "But those are basically our residential programs that we have running right now, but we also have a number of commercial programs, including lighting retrofit projects, which we... Scott mentioned we've done for numerous... the parking garages in the City. We also have a few going out possibly for others. Another program called Cool Choice, which is air conditioning and heating; just like the residential program, but it's more for the commercial/industrial side. Another program called Motor Up, which is a... as you're getting into larger industrial complexes, they have a lot of large three-phase motors, electric motors, that can be very inefficient, so it's a program designed to help incentive the replacement of these inefficient motors with more efficient ones. We've also have... are doing a variable frequency drive, which I could probably tell you I'm not going to be the best to describe exactly. It actually is a system that will help control... operate the motors at variable speeds to save energy. We're actually in the process of reviewing a program right now on that. And then one going down the road is more of a demand response program, which will actually get tied into the AMI system that we talked about at last month's Commission meeting, where with a lot of our new technologies, we'll be able to use our new system to help customers save money by shedding loads, whether it be customers asking, or allowing us to control maybe their air conditioning units, to shut them off during peak times, or other devices of that nature. That's just a very quick overview of some of the programs we have running. We are in the process of upgrading, updating, our web site, and we will be having all of our conservation programs listed on there for people to go up, and review, and get applications and information from. So at some point we'll encourage you to go visit that."

Mr. Cassella: "It's one of the good things that you have going forward you, among other things, is this chart right here, and I see somebody looking at it. You know, you made the decision to go along with the smart grid. That's the future of this business. And you take the conservation and load management programs, and redesign them to work with smart grid, then you're really going to be able to help your customer, you know, become much more efficient. This to me is the same thing as the telephone industry 50 years ago. If you think back 50 years, all you could get from the phone company was a dial tone, but if you look at what's happened in telecommunications industry in the last 50 years, that's kind of the brink that we're on right now with this kind of technology. So you'll be able to have appliances that turn themselves off and on at night. A big part of this is going to be electric vehicles. You know, they're coming. Nissan is ready to bring them to Connecticut in 2011. The Volt from Chevy may be here before that. The good thing about electric vehicles for you, you know, as a utility, is when do they get charged? They're going to probably get charged at night. We want to make sure they get charged at night. You want the technology here that makes it very easy for you to go home, plug your car in and let the smart grid charge that car at night, because that's when power is the cheapest. And you know, those are great kilowatt hours for you to sell. You're going to make money at that. The other good thing about this, from an environmental perspective, is what's generating at night in New England? Where is the power coming from at night? It's a quiz. Okay, it's either coming from gas or nuclear; no oil, no coal. Nuclear doesn't have any carbon. Gas is pretty clean, you know, you've got some carbon. So what you're doing is

you're trading off a dirty fuel, gasoline, for a clean fuel, gas, natural gas, or nuclear. So it's got an environmental benefit as well. And then there are going to be products here that we haven't even thought about, just like there were in telecom. So I'm going to close with, you know, one quick chart for you. Basically, where the money is right now at SNEW, if you look down at the bottom it says you have about \$563,000 to invest in conservation and load management. The number is probably more like \$560,000, because some of that was spent in 2009. Alright, \$500,000, so there's about a half a million dollars to spend on conservation and load management between the various programs. We did get some money on the top line from the Federal Government. You heard about the American Recovery Act, what is it, ARRA? I can't remember what the other R is for, but CMEEC got a grant for \$1 million through the State for that, and your piece of that is about \$51,000/\$55,000. We've also made some money, a little further down, on the forward capacity market because every kilowatt hour we reduce we get paid for by ISO New England, and that payment comes back to CMEEC and gets distributed to the utilities, to you. And the same thing with REGGI; that last line down there is the Regional Greenhouse Gas Initiative, and we've been able to collect about \$1.3 million from that. So the kind of different income streams coming in now, above and beyond the C&LM dollars that you're collecting, and the intent is to try to use those as cost effectively as possible. Anything over a one is cost effective. Right now our cost effectiveness ratios are up around four. They'll go down as we start to do more programs like this, because this program saves not just electricity, it saves gas and oil as well. I'll tell you I've had this done twice. You need to do this. Because each time they did it, they reduced my infiltration by about 1,000 cubic feet. I started out at 5,800, and I'm down to about 3,700, and I shouldn't go any lower. You know, so... and they'll put in as many CLFs as are practical. They won't put them in closets or, you know, the attic, but they will put them in anyplace, and door sweeps, caulking, weather stripping. It's worth every penny that you don't have to pay. So that's it."

Commissioner Ayme: "Let me ask... may I?"

Mr. Cassella: "Yes."

Commissioner Ayme: "If I may, how do you calculate the distribution of the \$1 million, and you said \$51,000 to SNEW?"

Mr. Cassella: "It's your... it's based on your load. So SNEW is 5.53% of the total CMEEC load..."

Commissioner Ayme: "Okay."

Mr. Cassella: "So you take \$1.3 million..."

Commissioner Ayme: "Right."

Mr. Cassella: "...and you take 5.53..."

Commissioner Ayme: "So that's the ratio?"

Mr. Cassella: "Yes, it's a load ratio."

Commissioner Ayme: "It's a load ratio."

Mr. Cassella: "Yes."

Commissioner Ayme: "That's how you calculate it. That money stays at CMEEC, or do we get it here?"

Mr. Cassella: "It's yours. It's at CMEEC but, you know, you spend..."

Commissioner Ayme: "Alright, that's in the account, right, at CMEEC [directed to Mr. Hiscock]?"

Mr. Hiscock: "It's in CMEEC's account, and we draw down on it."

Commissioner Ayme: "Right."

Mr. Hiscock: "If you look down at the bottom of the page you've got Conservation and Load Management (C&LM) 2009 Budget/2010. We collect that from our customers, we send it up to CMEEC, it sits in the account, and as we do the program, CMEEC writes a check to us, and then we reimburse the customer. It's sort of convoluted, but it really works that way."

Commissioner Mann: "It works."

Mr. Hiscock: "It's fine. But these are the only things that the funds can be used for."

Commissioner Ayme: "Let me ask you something, if I may?"

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

Commissioner Ayme: "Can you give us a vision of what the future is going to be in terms, not only in terms of the light bulbs that we're talking about here, but... by the way, have you... are you... are you fully... do you have full knowledge of this technology here?"

Mr. Cassella: "Of what?"

Commissioner Ayme: "Of the light bulbs?"

Mr. Cassella: "Oh yes. Yes. This technology..."

Commissioner Ayme: "Well let me ask you something. The..."

Mr. Cassella: "...this has been around 30 years."

Commissioner Ayme: "30 years?"

Mr. Cassella: "Oh, yes."

Commissioner Ayme: "Okay. The..."

Mr. Cassella: "And by the way, I don't mean to interrupt you, you won't be able to buy a... you won't be able to by an incandescent bulb after 2012."

Commissioner Ayme: “Yes, well I realize that, because I seem them... the old fashioned type, I see them less and less in the marketplace.”

Mr. Cassella: “Yes, they... I shouldn’t just make that... those old fashioned types have to be 35% more efficient or you can’t buy them. So you’ll still be able to buy them, but they’re going to end up costing more. You’ll probably be better off to buy this.”

Commissioner Ayme: “Have you seen the version of that technology in the light bulbs... not the spiral that you have here, but the ones that look like a regular light bulb?”

Mr. Cassella: “Yes. Yes, that’s called an A-line, and it looks a lot, just like an Edison bulb.”

Commissioner Ayme: “That A-line, I tried in my house.”

Mr. Cassella: “Yes.”

Commissioner Ayme: “It took 30... a full 30 seconds to come to a full brightness.”

Mr. Cassella: “Yes, well there is a standard...”

Commissioner Ayme: “Why is that?”

Mr. Cassella: “There is a standard that Energy Star has now, and they have to come to full brightness within a minute. That’s the Federal regulation. These are... these...”

Commissioner Ayme: “So in the meantime, what... I was standing at the top of stairs waiting for the light to come on so I could go down...”

Mr. Cassella: “Yes.”

Commissioner Ayme: “...in the middle of the night...”

Mr. Cassella: “Yes.”

Commissioner Ayme: “It took 30 seconds.”

Mr. Cassella: “Yes, some of them are not as fast responding as others.”

Commissioner Ayme: “Why is that? What does that have...?”

Mr. Cassella: “That has to do with the phosphors in the bulb. These are just like fluorescent bulbs in a tube, and the phosphors get excited by an electrical charge, and it takes some time to come to full excitement.”

Commissioner Ayme: “So it’s not as rapid as the old type?”

Mr. Cassella: “They’re a lot more rapid than they used to be. I remember doing this in the 80’s with a light meter, and I said to somebody ‘these things don’t...’

Commissioner Ayme: "When you compare what I'm talking about to..."

Mr. Cassella: "No, that's not..."

Commissioner Ayme: "...to the old ones, that's a deficiency at (inaudible), isn't it?"

Mr. Cassella: "It's a deficiency that I don't even notice on these, okay, certain..."

Commissioner Ayme: "No, not on that..."

Mr. Cassella: "...on some specialty bulbs it's a deficiency."

Commissioner Ayme: "The other ones."

Mr. Cassella: "Right. Yes."

Commissioner Ayme: "The other ones I'm talking about."

Mr. Cassella: "Yes. Yes. Some specialty bulbs take longer to come up to full light. But they can't take more than a minute."

Commissioner Ayme: "Even a... a minute is a long time."

Mr. Hiscock: "And eventually they'll probably be replaced with LEDs."

Mr. Cassella: "Right."

Commissioner Ayme: "Oh yeah?"

Mr. Cassella: "Yes."

Mr. Hiscock: "Which are even more efficient, but right now quite a bit more expensive."

Commissioner Ayme: "Alright..."

Mr. Cassella: "And LEDs come to full light..."

Mr. Hiscock: "Instantly."

Mr. Cassella: "Instantly, and they last 100,000 hours."

Commissioner Ayme: "Alright, listen, in the global scheme of things, right; can you give us a vision as to where are we headed here in terms of the nuclear or... you didn't mention solar, you didn't mention wind?"

Mr. Cassella: "Yes, I mean you want my opinion..."

Commissioner Ayme: "Yes."

Mr. Cassella: "I'm not, you know, I'm not one of those people that looks to the future trends, but I also do something else on the side. I work for the State of Connecticut at the Connecticut Energy Advisory Board, okay?"

Commissioner Ayme: "Right. Right."

Mr. Cassella: "Our last job was to come up with a plan for the State. And some of things we recommended are revisit the renewable policy, because we can't afford 20% by 2020. We're not saying scrap the renewable policy, but is 20% affordable? Is it realistic? Should we wait five years until the technology catches up, so that that bar for photovoltaics isn't up where it is; it's come down and it makes more sense to do it there. So I would revisit the renewable policy. One of the other things we recommended is to do a nuclear study, okay? We're not saying go out and build a nuclear plant. Do a nuclear study. Look at where the technology is today. What are the safety issues? What are the environmental issues? What are the disposal issues? And as a State, make a decision that 15 years from now this is what we want our generation mix to look like, because it's the most cost effective, it's the cleanest, it's the most viable, and it's the most secure. Those are those four drivers that you had at the beginning. In terms of the future technology of Smart Grid, you know, I think the sky's the limit. I mean I don't what these products and services over here are going to look like. You know, you're going to have... you'll have active lighting control, you're going to have programmable HVAC controls; not just for commercial and industrial, but utilities will be able to control residential loads as well if you want it to. Okay? You're going to be able to have demand response, so if SNEW was in a condition in the middle of the summer where it's going to get whacked for a lot of demand charges because the demand on the grid is high, then there will be controls out there to say okay, I'm going to lower temperatures, I'm going to raise temperatures two degrees, you know, on air conditioning, and that's going to be able to lower the demand. And you're also going to be able to get to time-of-use rates, and I don't want to get into John's [Mr. Hiscock's] area too much there, but time-of-use rates are going to be great when you've got electric vehicles, okay? So you're going to be able to have an off peak rate where people can charge their cars, and you know... I can't remember what the rate ratios are, but if it costs about a third of what it does to run a car on electricity as it does on gasoline..."

Commissioner Ayme: "And the plug would have to be outside the house?"

Mr. Cassella: "Well, it could be inside, and the chances are it's going to have to be a 240 volt plug though, or 220. It just depends on... the voltage determines the charging time, and at 220 you can get away with four hours. If you just went home and plugged it into your wall it would take about eight hours."

Mr. Hiscock: "And that's for what, about 100 miles of driving distance?"

Mr. Cassella: "Yes, it depends on the vehicle. If you wanted to shell out \$100,000 and buy a Tesla, you can go 235 miles, but the [Nissan] Leaf will have a range of about 100 miles. And you have to remember 75% of the people in the country drive less than 40 miles per day, you know, so it really depends on your driving habits. And if you have a hybrid, you know, there will be plug in hybrids as well, not just all electrics. You can charge electric batteries at night, and if you run out of battery during the day you'll have a backup engine. So that's it. I mean that's a little bit more than I think you bargained for in terms of conservation and load management, but there are lots of reasons why you should do this stuff."

Commissioner Ayme: "Right."

Mr. Cassella: "And I hope..."

Commissioner Ayme: "I have one last question for you. You mentioned something about \$0.15 per kilowatt hour."

Mr. Cassella: "Right."

Commissioner Ayme: "As I understand it, kilowatt... buying it... when we buy... not SNEW, but for example CMEEC... well, CMEEC doesn't make a profit, does it?"

Mr. Cassella: "No."

Commissioner Ayme: "Okay, alright, CMEEC doesn't make a profit. I... as I understand it we... our cost should be no more than \$0.07 per kilowatt hour."

Mr. Cassella: "No, it's... they're over \$0.12 right now."

Commissioner Ayme: "Well... well..."

Mr. Cassella: "Well you're just talking about the energy peaks..."

Commissioner Ayme: "That's right."

Mr. Cassella: "...but you have to add in the trans..."

Commissioner Ayme: "That's right."

Mr. Cassella: "...you have to add in the transmission. There are lots of other... sometime John [Mr. Hiscock], you ought to go..."

Commissioner Ayme: "No, I'm talking about the... just... we were talking about it, you and I, the other day, and it shouldn't be more than \$0.07. I mean the wholesale. I mean from that, without adding the transmission, the lines, this, and that, and the other thing."

Mr. Cassella: "Yes."

Commissioner Ayme: "It should be no more than \$0.07, right?"

Mr. Hiscock: "Well, I mean \$0.07 is our base rate, but that doesn't include..."

Commissioner Ayme: "Our base rate?"

Mr. Hiscock: "...and then we've got the power... purchase power adjustment on top of that. We, at some point, not to get off topic here, but one of the portions of the Smart Grid program that we're getting involved in, and part of our budget, we're doing a rate study. And as part of the rate study we're going to be totally unbundling our rates. We're going to be looking at time-of-use rates, we'll be looking at critical peak. And all of this ties into Smart Grid, and all of it ties into all of the

demand side management. And that's going to happen in... later on this year that we're going to start on that. So our customers will see the actual cost of power, very similar to [what] you see when you get a CL&P bill. Of course it confuses most customers, and we have to do some education, but the energy portion of it will be in that range."

Commissioner Ayme: "Alright, and that's based on volume, and how much we buy, and all of that?"

Mr. Hiscock: "Right."

Commissioner Ayme: "Is there a possibility that some utility companies would pay as low as \$0.02?"

Mr. Cassella: "Yes, if you're out in the northwest and you're buying hydro power from Bonneville..."

Commissioner Ayme: "Right. Right."

Mr. Cassella: "...you can probably buy it for \$0.02."

Commissioner Ayme: "But we are not... we're not... we could never go that low because of the volume that we...?"

Mr. Hiscock: "No, you would never, ever, ever get that low."

Commissioner Ayme: "And we couldn't go that low. Never."

Mr. Hiscock: "Northeast you've got..."

Commissioner Ayme: "Right."

Mr. Hiscock: "...no cheap source of supply."

Mr. Cassella: "Right."

Commissioner Ayme: "Right."

Mr. Hiscock: "The cheapest in the northeast is nuclear, and it doesn't approach \$0.02. It's pretty inexpensive, but it's nowhere near \$0.02."

Mr. Cassella: "The problem with the northeast is that we're at the end of everything. We have no resources..."

Commissioner Ayme: "Right. Right."

Mr. Cassella: "...and everything comes in from somewhere else. So you have to get it, and then you have to move it."

Commissioner Ayme: "Right."

Mr. Cassella: "So we're the highest cost region in the country, and we're the highest cost state in the union. You're not the highest... you're not part of that, because you're part of CMEEC, but if you were CL&P and UI, next to Hawaii they have the highest rates. And they want to know why, and part of the reason is things like the renewable portfolio standard and the taxes that they add into the, you know, the rates, and..."

Commissioner Ayme: "You know it boggles my mind that in order for us to save money we are in the business of making a distribution of light bulbs."

Mr. Cassella: "It boggles John's [Mr. Hiscock's] mind too. Believe me, I've been trying to convince him for the last..."

[Laughter]

Mr. Cassella: "...four years. That's why I took the long road tonight. I'm still trying to convince him."

[Laughter]

Commissioner Ayme: "It really boggles my mind. I mean I couldn't tell you how [laughing]... I mean... alright, I won't go there."

[Laughter]

Commissioner Burgess: "Okay, please."

Mr. Cassella: "I'll give you my card. You know, you want to call me..."

Mr. Hiscock: "There was one other question that came from Commissioner Geake, and Kevin [Mr. Barber] maybe you can answer this, or Mike [Mr. Cassella], or whatever. In our home energy program, we're not charging any minimum?"

Mr. Barber: "No, there is no charge."

Mr. Hiscock: "We've waived the fee..."

Mr. Cassella: "Right."

Mr. Hiscock: "So it's absolutely free. There is no charge."

Mr. Cassella: "There's no co-pay, right."

Mr. Hiscock: "No co-pay."

Mr. Whittier: "That's for oil customers, gas customers, and electric customers."

Mr. Hiscock: "Right."

Commissioner Geake: "Thank you, because that just makes it more affordable for us."

Commissioner Ayme: "Thank you."

Mr. Barber: "Yes, and just so you know..."

Mr. Cassella: "This is an offer you really shouldn't refuse. Yes, it really is."

Mr. Barber: "And I think after about a week and a half of the... basically, customers being notified, we've actually received upward of 15 to 20 customers who have already made appointments with CRI. So it is moving, and I do believe we may have one of our complexes, apartment complexes, have reached out to CRI to schedule appointments also."

Mr. Hiscock: "CRI is our vendor."

Mr. Barber: "So it's moving along, and we've set aside a good sum of money for this program."

Mr. Hiscock: "And when you looked at your electric bill this month you probably should have seen the little insert in the electric bill that explained the program."

Commissioner Mann: "Yes, I did."

Mr. Hiscock: "Okay. And we'll continue sending those out until we get oversubscribed, and then we'll back off."

Mr. Cassella: "Okay, thank you."

Mr. Hiscock: "Okay, thank you Mike [Mr. Cassella]."

Commissioner Ayme: "Thank you."

Commissioner Borges-Lopez: "Thank you."

Commissioner Mann: "Hey John [Mr. Hiscock], nice picture [referring to a handout]."

Mr. Cassella: "Oh, that's why I gave you that."

[Laughter]

Mr. Cassella: "The reason we gave you the annual report is because the Chairman's picture is on the cover."

[Laughter]

Commissioner Ayme: "I saw that. Yes."

Mr. Hiscock: "Yes, and Mike [Mr. Cassella] wanted me to get a better picture, and I just got a little stubborn about it."

Commissioner Ayme: "This is very good."

Commissioner Borges-Lopez: "I'm going to put this (inaudible)."

Mr. Hiscock: "Oh, great."

[Laughter]

Mr. Cassella: "Kevin [Mr. Barber] wanted me to remind you that you're still on the record."

[Mr. Cassella left the meeting]

Water Rate Adjustment – Action Item

Mr. Hiscock: "Okay, behind item five in your board book, behind item five tab, you'll see the... what has now become the annual review of water rates and proposed increase. We've continued to try to shorten up the discussion and the narrative just to get right to the point. It's only four pages long, and then we list all of the exhibits in the back. It's probably easier to deal with it. The recommendation this year is to increase the rates by 3%, which is consistent with what we budgeted. And you do recall that in the budget meeting I talked about this and said while we weren't committed, and while we presumed that that wouldn't be the rate increase, we came up with an inflation of I think 2.2 to 2.7, depending on which index you use, and then came back and explained that we couldn't go that low and continue to maintain a reasonable cash flow, so the recommendation was 3%. If you look on the third page, I believe it is, or one of the pages, it talks about that we've been slightly over the inflation for the last three or four years, not by a lot, but we have been. The charts will show you where we are with respect to the other utilities. If you look at the exhibit that's on the slide projection, which is C in your book; the only reason it's up there is so you can see exactly which one we're looking at, you will see that our rates are still reasonable in relationship to the other utilities. If you look at C you'll see that South Norwalk Electric and Water, for 18,000 gallons, plus the per quarter, plus the service minimum charge is at \$66.00, and you can see that it's sort of in the one-third group, the one-third percentile going up. Danbury is still phenomenally low, we really don't know why; New London is quite low; and then Waterbury; the First Taxing District; the northern division of Aquarion, which is very, very small division; and then NBC, and then South Norwalk. You can see there's a fairly large grouping in the \$64.00 to \$68.00 range, there's four of us there. There's a grouping in the \$59.00/\$60.00 range, and then it continues to move upward. The reason we want to show you this is obviously that while we don't like raising rates, you can see that we are still quite reasonable compared to most, and while we're not the lowest, and something I don't think we should ever try to be the lowest, because that means you're not running a good program with respect to replacing facilities and making capital investments that are necessary. If you go to exhibit D you can see the proposed rates, I think. Yes, and you can see the proposed rates, and you see where not talking about a very, very large increase, I mean a 3% increase is not a very large increase. One of the reasons in the past that we were reluctant to raise our rates significantly over the last four years is our relationship to the pricing of the First Taxing District, and I think in previous years I mentioned to you that the First Taxing District was extraordinarily low. They were in the Danbury range, and they were very, very inexpensive. I think on your table tonight you saw this [referring to a handout]. The First Taxing District raised their rates by a very large effective percentage very recently. They are still very well priced. They are still lower than us; but a lot closer, a lot closer. For years the First Taxing District had a very, very small capital program. As you can see from the write up, they are now getting into a normal capital program, and you'll see that their rates will be similar to our rates going forward. Strategically they've always been lower than us. It's a little strategic policy they've always had,

and I'm going back a very long time, since I've been here a very long time. So you can see, long story short, is our rates are still reasonably economical. If you look in the right-hand column next to our rates on exhibit D, the proposed rates, you will see that our out-of-District rates are significantly higher. They're actually a 50% markup for those who are not the legal residents of the Taxing District, and you can see that we are not the only entity that does that. First Taxing District is also 50% higher. We're generally the highest in the state for the markup, but everybody does mark up who serves a significant number of customers outside their service territory. Exhibit E are the current rates, you can compare to the chart; and then exhibit F are the proposed rates, just a... certainly just another way of showing the information. And at the pullout chart, G is obviously very busy and a lot of information, but that really spells everybody's rate out per thousand gallons, in thousand gallon increments plus the service charge, and all of the information. That's really just the backup information that we use to create the charts and the graphs. It's certainly not something I would expect you to read. And then exhibit H is a comparison of Connecticut water rates, and you'll see there's a series of exhibits; H, I, J. In each case if you read the legend on the right-hand side you'll see that we're in that about one-third range from top to bottom, about the 30 percentile range, in each case, and that just gives you the range from zero to 35,000 gallons. Exhibit L is just the calculation of the CPI information. CPI-U is 2.1%. CPI-W is 2.7%. We have a five-year budget projection, and the only notable thing that I want to talk about is on the second page, and it's not good, but it's going to get better. The bottom of exhibit N is the ending balance in the Water Fund. You can see it's not good. It's not good. We talked about this during budget time. We've made a few internal changes. We're trying to cut costs where we can. We sort of restricted our technical training budget down to necessary training. We've eliminated some travel expenses. As of earlier today we signed with ConEd (ConEdison) Solutions, and alternate supplier of energy, because all of our energy supplied by CL&P at our pumping stations and our filtration plant... we signed up at about 0.084 cents per kilowatt hour, all in fixed for two years. That's going to cut down on our energy prices in the water utility. We're moving towards, by attrition only; by attrition only; and I want to say it again; by attrition only, workforce reduction. We recently had, as you heard earlier, a retirement from the Department. We are going to avoid replacing that individual. So that's going to help. Everywhere we can we're starting to try to do a little bit better so that we can beat the bottom line here. So we're making some improvements. But on two fronts we're going to be a little bit better. One is cost savings and cost cutting, and while that's not going to do a lot, but on the labor side it does. And on the other side, next year, when we see how we do, we'll talk about rates, and now that our neighbors in Norwalk have put what I will call, and not to be critical of the other utility, but a more reasonable rate structure, a more logical rate structure, in place, we will once again be able to look at our rates..."

Commissioner Ayme: "We'll be able to what?"

Mr. Hiscock: "...more on a cost basis. Look at our rates more on a cost basis."

Commissioner Ayme: "Alright."

Mr. Hiscock: "As opposed to a comparative basis, I'll call it; what we were doing the last four years. I can answer any questions."

Commissioner Burgess: "No. I just have a comment."

Mr. Hiscock: "Yes [acknowledging Commissioner Burgess]?"

Commissioner Burgess: "I think the newer Commissioners aren't privy to how angry customers got when we did it every five years and it jumped 20%. I think that's something we have to look at. Well Maria [Commissioner Borges-Lopez] you were here, and you and Mike Geake got it so that it was a year as I recall."

Mr. Hiscock: "Yes, it was, I believe 2007 we did that..."

Commissioner Burgess: "Yes."

Mr. Hiscock: "Do it on an annual basis, and there's a couple of reasons for that. One..."

Commissioner Burgess: "Well, but I think it's important that everybody know that the customers did not like that five year business at all."

Mr. Hiscock: "Yes, and it's technology based. It used to be a real hassle to change rates. You had programming issues, you had calculation issues. It was not an easy thing to do. Today the computer program is very sophisticated compared to what it used to be, and Kevin [Mr. Barber] will go in, if this is approved, and he's going to enter a couple of small pieces of information, and it actually prorates the rates based on date, so that it knows, you know, that as of July 1 this is where we're at, and it will calculate it. Because we used to have the issue of quarterly rates, and we had to phase the rates in each quarter, because you had one month of the old rate, and two months of the new rate; or two months of the old rate, and one month of the new rate. All of that was very difficult. That's why we used to raise rates less frequently, because it was costly to do. Now it's just absolutely plain, simple, and easy; just totally automated."

Commissioner Ayme: "Alright, I have something to comment."

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

Commissioner Ayme: "I have one comment I want to suggest."

Mr. Hiscock: "Yes."

Commissioner Ayme: "Unfortunately, when people compare rates in Norwalk they don't compare rates as opposed to the rest of the State. What they do, they compare rates as opposed to the other half of Town."

Mr. Hiscock: "Yes they do."

Commissioner Ayme: "And that's an unfortunate situation, in that sense. My suggestion, I was going to say, is to include something with the monthly mail out of the bills explaining, you know, maybe a couple of times, or even three times, or once a month for a few months, about the filtration plant and all the money that we have invested into the filtration plant, and how clean the water is. Maybe that will help alleviate the anger, because we do... there is a... there is a definite discrepancy between our district and the other district."

Mr. Hiscock: "Yes."

Commissioner Ayme: “And, you know... and since we provide water to approximately 50% of the population in Norwalk, that’s exactly what the people here will compare as opposed to the other half.”

Mr. Hiscock: “That’s a situation that I think you need to be very, very careful about how you explain it.”

Commissioner Ayme: “Okay.”

Mr. Hiscock: “Because you really do not want to get into this one to the other, one to the other...”

Commissioner Ayme: “Oh, no, no, no, no.”

Mr. Hiscock: “...back and forth...”

Commissioner Ayme: “Oh, I see what you’re saying. Okay, right.”

Mr. Hiscock: “And it leads to this situation where people might want to compete with each other with respect to not having appropriate rates, and I think [if] it’s...”

Commissioner Ayme: “No, but I’m not...”

Mr. Hiscock: “...carefully, carefully explained; a press release that would talk about our costs in relationship to the new filtration plant, and the loan, and the bonding; sort of similar to the document that First District put out; not comparing us to them...”

Commissioner Ayme: “But as it relates to the filtration plant.”

Mr. Hiscock: “Right, as it relates to our facilities.”

Commissioner Ayme: “To our facilities, okay.”

Commissioner Burgess: “Right, ours. Yes.”

Commissioner Ayme: “Emphasizing how clean the water is that we’re providing, or you know, the cleanliness of the water, or the purification system, filtration system, and...”

Commissioner Burgess: “Okay.”

Commissioner Ayme: “I’m not suggesting that we make a comparison, or that we... absolutely not.”

Mr. Hiscock: “Yes, that becomes a difficult situation.”

Commissioner Burgess: “Does anyone else have any questions or comments?”

Commissioner Ayme: “But is that something that is feasible?”

Mr. Hiscock: "Oh yes, that's feasible. Certainly a press release and a document similar to that placed in the water bills. The problem with the water bills is they only go out quarterly."

Commissioner Ayme: "Oh quarterly, yes. Right."

Mr. Hiscock: "So a press release and also putting it on the web site..."

Commissioner Ayme: "Right."

Mr. Hiscock: "...would work out better."

Commissioner Ayme: "Yes. Alright. Okay."

Commissioner Borges-Lopez: "So I make a motion that we accept the recommendation of a 3% increase on the water rate."

Commissioner Geake: "I second it."

Commissioner Burgess: "Okay, any discussion?"

[No remarks]

Commissioner Burgess: "All in favor?"

Commissioners simultaneously: "Aye."

Commissioner Burgess: "Opposed?"

[No opposed]

Commissioner Burgess: "Abstentions?"

[No abstentions]

Commissioner Burgess: "Okay."

Commissioner Borges-Lopez made a motion to approve a water rate increase of 3.0% as recommended. Commissioner Geake seconded and the motion passed unanimously with all six Commissioners present voting in favor and none opposed.

Public Participation

Commissioner Ayme: "Move to adjourn."

Commissioner Burgess: "Public participation. Do you want to pretend to be public [directed to Mr. Barber and Mr. Whittier]? Do you got anybody hidden behind you guys?"

[Laughter]

Adjournment

The meeting adjourned at 8:33 p.m.

Attest:

Candace Pampoukidis
District Clerk