

SPECIAL TOWN COUNCIL MEETING

THURSDAY, JANUARY 31, 1991

7:00 P.M.

AGENDA

1. Roll Call and Pledge of Allegiance
2. PUBLIC HEARING to Consider An Ordinance Amending An Ordinance Entitled, "An Ordinance Appropriating \$472,000 For The Planning And Design Phase Of The Town Electric Generation Expansion Project And Authorizing The Issue of \$472,000 Bonds Of The Town To Meet Said Appropriation And Pending The Issue Thereof The Making Of Temporary Borrowings For Such Purpose"-  
7:00 P.M.
3. Consider and Approve Filling the Position of Manager of Planning And Regulatory Affairs - Electric Division
4. Consider and Approve the Quarterly Budget Amendment - Electric Division
5. Consider and Approve the Quarterly Budget Amendment - Water and Sewer Divisions
6. Consider and Approve a Transfer of Funds in the Amount of \$499.00 from Computerized Indexing to Advertising - Town Clerk's Office

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SUMMARY

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SPECIAL TOWN COUNCIL MEETING

JANUARY 31, 1991

7:00 P.M.

A special meeting of the Wallingford Town Council was held on Thursday, January 31, 1991 at 7:00 P.M. in the Robert Earley Auditorium of the Wallingford Town Hall and called to Order at 7:04 P.M. by Chairman Albert E. Killen. Answering present to the Roll called by Town Clerk Kathryn J. Wall were Council members Bradley, Duryea, Gouveia, Killen, Papale, Parisi, Solinsky and Zandri. Holmes arrived at 7:12 P.M. Mayor William W. Dickinson, Jr. arrived at 7:07 P.M., Comptroller Thomas A. Myers was present as well. Town Attorney Janis Small was absent from the meeting.

The Pledge of Allegiance was given to the Flag.

Mr. Gouveia asked that a moment of silence be observed for the Armed Forces of the United States who have been asked to be prepared to pay the supreme sacrifice to defend the interests of the United States and especially for those who have already done so.

A moment of silence was observed.

ITEM #2 Public Hearing to Consider and Ordinance Amending An Ordinance Entitled, "An Ordinance Appropriating \$472,000 For The Planning And Design Phase Of The Town Electric Generation Expansion Project And Authorizing The Issue of \$472,000 Bonds Of The Town To Meet Said Appropriation And Pending The Issue Thereof The Making of Temporary Borrowings For Such Purpose" - 7:00 P.M.

Mr. Bradley read the ordinance in its entirety into the record.

motion was made by Mr. Bradley, seconded by Mr. Parisi.

Mr. Killen opened the hearing to the public.

Mr. Raymond Rys, 96 Pierson Drive asked if the present generators will be kept in place.

Mr. Raymond Smith, Director of P.U.C. responded that the intent is to get the turbine into operation and at that point evaluate the remaining portion of the Pierce Plant. It is a peaking project as opposed to a combined cycle or co-generation project. It is of Mr. Smith's opinion that with that support there are certain components of the plant which could be used at a future date in a combined cycle operation. Once the generation is in place a feasibility study needs to be done. The boilers would not be utilized but removed from the process as well as part of the building perhaps.

Mr. Rys asked if one generator is installed and it fails, can the

Town still produce power from the present generators?

Mr. Smith: We are not anticipating using the existing generators at all. The current plant does not have the ability to start without some outside auxiliary source. Perhaps the misconception that has arisen over the years is that you have what is called "black start capability" out there. If there is no incoming source from Northeast Utilities that plant could have never operated anyway unless you brought in an emergency generator or diesel. A new combustion turbine would have that ability. It could be up to full load within 15 - 20 minutes.

Mr. Rys asked what the present amount of peak power was for the Town?

Mr. Smith: Approximately 102 megawatts.

Mr. Rys: So there is no assumption that we will be able to peak our own power obviously.

Mr. Smith: No. This was never intended to be a baseload unit. In emergencies, perhaps it could serve a significant portion of the load, perhaps all the load.

Mr. Rys: Are we going to be able to recoup a good part of the money that we are putting into this?

Mr. Smith: Absolutely. The decision to go forward is based on an economic justification that says over a 20 year life cycle that it does save the utility the money and obviously the consumer, in turn, money.

Mr. Rys was glad to see the Town moving forward on this issue. He encouraged the Council to continue to move forward and approve this project.

Mr. Frank Wasilewski of 57 North Orchard Street backed the P.U.C. and the Electric Division to go ahead with this construction because it is long overdue. He felt that the current plant was obsolete. He hoped the Council would vote in favor of the project.

Mr. Killen reverted the questioning back to the Council.

The Council agreed to here a presentation by Black & Veetch prior to their questioning.

Mr. Smith stated that Mr. Lyle Thornton and Les Rink, representatives of Black & Veetch, were prepared to give their presentation.

Both representatives gave a detailed, lengthy overview of the process from start to the present day developments.

Mr. Rink explained that the installation is one G.E. frame 6 combustion turbine. Outside of the combustion turbine itself there is not much associated other equipment.

Mr. Smith solicited questions from the Council.

Mr. Bradley asked if the work continued to be 5 months off schedule?

Mr. Smith responded yes, it was a result of the P.U.C.s insistence to do a much more in-depth feasibility analysis than originally anticipated.

Mr. Bradley: What kind of safeguards are now in the schedule since we are getting into some of the key phases of the schedule to prevent overruns and delays within the schedule, accountability type provisions?

Mr. Smith: As far as this portion, this is sort of a watershed time because once you establish which turbine you are going to select and you go forward then the rest of the design can proceed. Our intent was to get ready for the final quarter of 1992 and we are in that range. You can't go too fast and not have your permitting done. We are going to sit on top of this thing, it is important to us and the Town.

Mr. Bradley asked if the meantime for failure, overhaul/repair was taken into consideration and cross compared?

Mr. Rink: Yes.

Mr. Bradley: The G.E. excelled above the other two turbines that were bid?

Mr. Rink: Yes.

Mr. Bradley: Did fuel consumption come into play here?

Mr. Rink: Yes. In general the aero-derivatives machines are more fuel efficient. The machine has to run anywhere from 2,500 to 4,000 hours a year to make that fuel efficiency pay. Fuel efficiency means a whole lot less to you then capital costs and how many dollars per kilowatt you are paying to install it.

Mr. Bradley asked how much of an investment would it be to go with gas as a fuel?

Mr. Thornton: The potential scenarios are so much different. There is a significant investment in gas service coming from the existing Wallingford gate system because of its proximity to the plant. We didn't have the hours to justify so we did not get into the cost. If we get into any kind of a higher operating hours conversion to combine cycle in the future what would happen is that we would look much more seriously with Algonquin and Yankee Gas Co. at the benefits of installing a second gate station or coming directly off of the Algonquin line up 3/4 of a mile up the road. Estimates for that simple approach are in the range of \$400,000 and \$500,000.

Mr. Bradley: How does that cost balance to what you have to do for improvements as far as oil storage and other associated costs?

Mr. Thornton: The best option for gas supply in the peaking mode is not available to us so we would be, in coming from Yankee and the existing gate station, we would be well in excess of \$1 million.

We are talking about a larger differential. We are refurbishing the existing tanks and putting a fuel oil forwarding station in for only a couple of hundred thousand dollars at the outside.

Mr. Bradley: It still sounds like gas is a cheaper, primary fuel not only from the refurbishing standpoint but probably even from pure economics and long range decision as far as oil vs. gas.

Mr. Smith: We can still explore that whether we buy this turbine or not.

Mr. Zandri: If you pay for the total cost of the installation of the gas line I don't see where you would get any objection from the gas company as far as them supplying whatever gas you use during the course of any given year, is that a problem with them?

Mr. Thornton: Commonly in negotiating a service arrangement like this, if your consumption is high enough you can get the gas company to run the service at their expense, not yours. Our gas consumption was low and we could not arrange that kind of scenario.

Mr. Zandri: Then it is just a matter of cross-justifying the installation of the line and I have to agree with Mr. Bradley. I don't see any reason why we have to back-fit or have oil tanks on there is our primary source of fuel is going to be gas.

Mr. Thornton: Yes, but because gas is the largest home heating fuel, you will have a contract that states "in winter conditions we have the right to curtail your services, regardless of what you need to do to run your machine, we are going to turn your gas off because we need it for residential customers".

Mr. Zandri: The same could go for oil.

Mr. Smith: It could happen. We won't back off from gas, we will explore it a little more. We will still need to refurbish the tanks though, we cannot throw out that cost.

Mr. Zandri: Why, if you decide you are going to go with gas.

Mr. Smith: What is your backup source?

Mr. Zandri: What will your backup source be if you decide to go with oil?

Mr. Smith: Nothing.

Mr. Zandri: Then why do you need a backup if you go with gas?

Mr. Smith: It would be prudent. I don't know if we can get a non-interruptable supply from the gas company.

Mr. Zandri: We have to consider the fact that country in general, and its dependence on oil, that factor has to be taking into consideration over and above the cost of initially setting the project up. Especially with the situation that we have in the world today.

Mr. Parisi: There was a time that we set up a coal backup system when the oil situation was bad. I follow Mr. Zandri's thinking. This is our input, it is difficult to vote yes if you have a serious question about one phase of the project and no one gives you the answer.

Mr. Thornton: Fundamentally, you can burn either fuel in the machine.

Mr. Smith: The best case that we could get into is when we put this machine in, we get the capacity credit and it never runs. Sounds strange, but that is the way that it works.

Mr. Gouveia: It costs more to produce a kilowatt of electricity than to buy it from Northeast Utilities?

Mr. Smith: Not off of this machine on an annualized basis.

Mr. Gouveia: Are you also saying that one of the reasons that you may not get a favorable rate for the gas is because you cannot guarantee them that you are going to use gas on an ongoing basis?

Mr. Smith: That is right.

Mr. Gouveia: This is only for peak and in 3 or 4 months you may not use any gas at all right?

Mr. Thornton: That is right.

Mr. Gouveia: The ordinance as amended calls for \$12,523,000, what does that include?

Mr. Smith: It went back to the original ordinance, it included the engineering, construction management. The purpose of this ordinance is to amend it to include the price of the turbine, itself. Not construction. It will go back to the Council at an appropriate date once bids are received for construction phase.

Mr. Gouveia: What is the cost of the turbine?

Mr. Smith: About \$11 million.

Mr. Gouveia: The cost of the turbine is approximately 60% of the project therefore making the total close to \$17 million. Does that \$17 million include the construction cost?

Mr. Smith: Yes, that is a completed project cost.

Mr. Gouveia: Are you going to remove the boilers at all?

Mr. Smith: It does not include that cost. It is my recommendation that we should remove the boilers. Once we get through this stage we should do a feasibility study on what the future is for that plant.

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Mr. Thornton: The one element that is in there is to take down the existing chimney.

Mr. Gouveia: What about asbestos removal?

Mr. Smith: Some of that is addressed in next year's budget. That is an ongoing project. We will continue. It has to be addressed. This is just west of the building, from the stack to the west.

Mr. Gouveia: What is the life expectancy of the turbines?

Mr. Thornton: The typical life expectancy is on the order of about 25 years and that can be extended with proper maintenance.

Mr. Gouveia: Are there any projected costs for maintenance/upkeep?

Mr. Rink: The typical cost would be several hundred thousand dollars per year.

Mr. Thornton: About \$200,000 that includes some costs of the maintenance staff, sinking fund for major maintenance on a 5 year basis.

Mr. Gouveia: We have to maintain 24 megawatts, am I correct?

Mr. Smith: There is no minimum.

Mr. Gouveia: If we go up from 24 to 32 megawatts, I believe you stated that the cost or value of rider A goes from \$1.3 to \$1.8 million, is that correct?

Mr. Smith: It goes up to \$1,843,000.

Mr. Gouveia: You will still have another 7 or 8 megawatts, I asked the question before, does it cost more to produce those 7 or 8?

Mr. Smith: No. Once the machine runs you take the average cost and it is the same price per kilowatt for #1 as for #40.

Mr. Gouveia: It is almost a bonus then if you were able to sell the 7 or 8 megawatts.

Mr. Gouveia: How do you propose to fund the balance of the project?

Mr. Smith: The project can be funded in several ways, it can be funded with cash, temporary borrowings, or long term bonds.

Mr. Gouveia: What is the average ratepayer getting out of this investment? Back in April you said "it prevents them from having a rate increase and I don't know what that would be in 1993". Do you still maintain that that is what the ratepayer will get?

Mr. Smith: Yes. They may not get as big a rate increase. The life cycle analysis, a 20 year time span, says if you put this in and have it operational for January of 1993, this is what you should



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reasonably expect to save per year, I believe the numbers were around \$3 million. To the individual ratepayer it is not a monumental amount, maybe \$20, \$30, \$40 per customer per year. Regardless if it is \$.10 or \$1.00 to each ratepayer, should you just ignore the fact that you can save the Electric Division \$3 million/year, no. Does it help the economy in this community, I think so.

Mr. Gouveia: It does not seem very likely that we will go combined cycle, is that correct?

Mr. Smith: It does not make sense.

Mr. Gouveia: You will need approximately 3,000 gallons of water per day to run the turbine, is that correct?

Mr. Smith: About 60 gallons per minute.

Mr. Gouveia: If you do get their permit to use the water from the waste treatment plant, should you then build a pipe big enough to accommodate a larger amount of water if you decide in the future to go for a combined cycle?

Mr. Rink: The amount of the additional water usage for a combined cycle plant is very little above what is required for the simple cycle plant. There is not that much difference. The pipe size would be sized not only for the current condition but also for the future condition.

Mr. Holmes: One of the selling points of this project was that we would be able generate excess electricity, market it and get more revenue into the Electric Division. Since this first came forward and tonight you have reduced your expectations of off-load sales. Going back to your original study you were hoping that the total developed site with the combined cycle, you could generate up to 67 megawatts of baseload power and 50 megawatts of peaking power. Now you have backed away from those assessments. Is that correct?

Mr. Thornton: No. What we were doing was planning for the future and giving you an idea of what the total capacity would be on a fully developed site.

Mr. Holmes: Do you still plan to fully develop that site?

Mr. Thornton: If it is economically justifiable, if the load need is there down the road, you can. Right now with the load growth projections that we see for New England for the rest of the century, that this machine most likely would stay on peaking mode through the end of the century.

Mr. Holmes: That is not that far away once you get this built. How were the bids developed, were specific megawatts called for?

Mr. Smith: A range of megawatts.

Mr. Rink: 38-51 megawatts. There are basically 3 or 4 manufacturers in that size range.

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Mr. Holmes: Now you have identified 2 manufacturers of 40 megawatts, are the only manufacturers?

Mr. Smith: Yes.

Mr. Holmes: A wide range of prices were submitted, why?

Mr. Thornton: In the case of the turbine powered marine machine they were offering a larger more expensive machine.

Mr. Holmes: Now you don't need the larger machine. I don't think that the prices are relevant at this point. How can you compare the costs if your bid specs were 38-51 megawatts and you have targeted 40 megawatts as the machine size you want? The bids now mean nothing.

Mr. Rink: We looked at the installed cost of the machine per kilowatt generated to get an idea of which machine was the most economical, resulting in the lowest cost to the Town. The lowest cost in this case was the G.E. Frame 6. This machine also resulted in the lowest total project cost of any of the vendors and it fits, the 40 megawatt machine, fits the current electric agreement with Northeast Utilities the best of any of the machines.

Mr. Smith: The base criteria around our contract was 32 megawatts as a minimum. No one produces a 32 megawatt machine. We tried to expand the market to increase the number of bidders to the project. We did not want to narrow it down to a 40 megawatt machine to find that there may be only 1 bidder then you will pay whatever they want to charge. We wanted to open up the bidding to someone who may produce a 45 megawatt machine for instance. We wanted to give as many suppliers as possible an opportunity.

Mr. Holmes: The power needs should have been identified prior to bidding on the machines.

Mr. Rink: In the evaluation criteria we gave a credit for higher capacity vs. lower, we gave a credit for more fuel efficient machines vs. lesser. The power market was stronger in New England when the original feasibility work was done and the specifications were being prepared. Our evaluation factors were designed to cover the different megawatt ranges to bring them in on a level playing field. We had also had to take into consideration that if we are going to recommend buying a bigger machine, we have to have a level of comfort that we can find sales for the megawatts that that machine can produce. The market has changed over the past year and we don't find a strong response that says that you can find off system sales for the additional megawatts.

Mr. Holmes: I don't think that the field was level. Do all the vendors offer adaptations that fit a 40 megawatt unit?

Mr. Smith: They all have their own size.

Mr. Holmes: There were two companies that offered lease options, was that included in the base price of the bid?

Mr. Rink: In the case of turbo power marine, the lease engine cost was included as part of their bid price. In the case of Stuart and Stevenson they did not include that provision so we contacted lease engine services to put that cost against their bid price.

Mr. Holmes: What does the bid come in at if you subtract the lease option cost off the turbo power marine?

Mr. Rink: That is part of their base and we don't have a separate break out.

Mr. Holmes: But you don't need that do you?

Mr. Rink: Oh yes. We strongly recommend the lease engine for the aero-derivative.

Mr. Holmes: Have you made a calculation over any kind of matrix as to what it will be over the life of the engine, you are going to put money in the budget every year for spare parts, how do those compare to each other?

Mr. Rink: The spare parts quoted for 3 years of operation was on the order of about \$250,000. It varied some between manufacturers. The amount of spares that you need beyond those first 3 years depends upon how much the machine is operated. Maintenance operating and maintenance cost was included in figuring our life cycle cost analysis. They did not include a break out price for the individual spare parts. They gave a list of recommended spare parts and a lump sum price for that listing.

Mr. Smith: I have copies in my office.

Mr. Holmes: Please forward one to me. How about supporting costs where engineering costs associated with start up and support costs other than spare parts, technical expertise, etc.

Mr. Rink: All of the proposals included an allowance for construction supervision during the erection of the machine as well as start up assistance and shake out of the machines.

Mr. Holmes: Is that above the base price of the bids?

Mr. Rink: It is included.

Mr. Holmes: In referencing your letter of January 14th it states, "in summary nothing has happened as a project permitting a procurement have developed a change of basic assumptions/recommendations to the feasibility study". Things have changed and it is now recommended that we buy a smaller frame machine, the economy is different, there are many more variables today and I'm asking

you how you stand by your assessment that nothing has changed? How do you justify that?

Mr. Thornton: What I was speaking to was the basic viability of the project, what you can expect to recover from revenue, what the pricing of equipment available is, there is no fundamental change in the viability of the project. Certainly there is a fundamental change in the level of off-system sales that will be available.

Mr. Holmes: We were led to believe that we could be a more viable division by marketing our sales of electrical energy and I think that sold a lot of people than just being specifically a peaking generator.

Mr. Smith: I hope that I didn't pass that representation. We always talked that any off-system sales was a bonus. Just as the blackstar capability is a bonus. They were much more realistic and optimistic two years ago. We have a real interested party even at this point. That is outside of the equation of the justification.

Mr. Holmes: What has changed from last year to this year to change your forecast of a shortage of electricity in the New England area to now what seems to be a surplus or enough energy to supply the area for the next 15 or 20 years?

Mr. Smith: Each year, more often than that, you revise your forecast. It is a very dynamic industry. Seabrook has now come and has operated successfully and we have now picked up 1,000 megawatts in New England that was not guaranteed to exist two years ago. It is a business cycle and certain things have happened. Will the economy rebound to the state that it was in 1986 and 1987, I would hope so, the optimism is not there from many of the forecasters. Everyone is now scrambling to market excess capacity. We are going to be marketing even these 8 megawatts in a very competitive environment than we foresaw in 1988. We will impact the competition also. I am gathering from this conversation that you feel it was short-sighted of us to go with a 40 megawatt instead of a 51 megawatt machine. Perhaps. But I can't show you figures and give you the confidence that we can justify it. Is it short-sighted in that regard? Perhaps. Maybe we should take a risk. This is my best recommendation at this time.

Mr. Solinsky: I share the same concerns as Mr. Holmes does about the size of the generator. We have a year of a softened market and now we have changed our outlook. We are building a 25 year project. The 32 megawatt, that is what the current contract calls for?

Mr. Smith: Yes, that is until 1997.

Mr. Solinsky: So that is for 5 years if the plant is on line in 1992.

Mr. Smith: As a minimum.

Mr. Solinsky: If the current Pierce Plant cannot operate when it is called upon to operate, what happens?

Mr. Smith: We will lose our capacity credit.

Mr. Solinsky: Is there a time period?

Mr. Smith: Yes. You start getting penalties immediately if it is forced outage. That is in energy charges. Capacity credit I think shows up 11 months down the line.

Mr. Solinsky: How long does it take to install the aero-derivative lease machines that are available within 24 hours?

Mr. Smith: 1 or 2 days. If your concern is that we cannot run this unit and the aero-derivative...we can react better, that is not a real critical point in this calculation. There are no demand penalties immediately.

Mr. Solinsky: That is what I am thinking, we don't need a lease engine. Is that correct?

Mr. Smith: Yes.

Mr. Solinsky: So we can go with another unit without a lease engine. If the thing failed to operate we would not be penalized immediately.

Mr. Smith: Not immediately. Hopefully any failure we would have certainly we can respond to/react to within a reasonable amount of time.

Mr. Solinsky: If we didn't need that leased engine on the higher priced machine, that would bring the price down, would it not?

Mr. Smith: I don't know that it would, they did not bid it any differently. I think that was a throw-in to try to convince us to go that way. The question was never asked if they would reduce their price if we did not take that option.

Mr. Rink: There is another side to the leased engine concept. The lease engine is another way for the manufacturers to provide a machine that will operate. The frame machines have demonstrated reliability in the field. With 200 installations like this, the Stuart and Stevenson machine and the turbo power marine machines have none. There is a certain risk for buying this new technology and installing it. Without the lease engine you are going out on a limb that might it may not start, there may be some problem with it when it runs, it could self-destruct and without having that insurance policy of the lease engine, when Northeast Utilities calls on the machine to operate, it might not operate.

Mr. Solinsky: But you were not using that in your calculations, you were just going by the revenue to support the G.E. model?

Mr. Rink: No, we included the lease engine costs.

Mr. Solinsky: No, but you were not using the fact that it is not proven.

Mr. Smith: No. My personal favorite was the LM 6000, but we never went with it. It did not show up that way. Beside having the leased engine, there is a cost associated with that. Let's not disregard that. They will supply an engine but there is a rental. If you keep that engine for a certain period of time there is a charge associated with that too, it does not come totally free.

Mr. Rink: There is a membership fee up front that gets you in the pool for the engine. If you then call upon an engine to be delivered it is like a rental car. You pay a rental fee for the amount of time that it is on site plus you pay a usage fee. It is very expensive.

Mr. Solinsky: If the G.E. unit went down, how long will it take to get back on again at the worst case?

Mr. Rink: Usually the problems with the frame machine are not associated with the engine or the generator, they are the minor support equipment which can be replaced pretty quickly based on some surveys of the large number of installations where it is usually the balance of the plant liner equipment which causes the machine to not operate.

Mr. Solinsky: In 1997 when you have to come up with another contract, can you go for any megawatt peaking?

Mr. Smith: We could ask, it doesn't mean you're going to get it. If you don't have off-system sales maybe we can take it back or maybe at that point it is better to use all 40 megawatts if it makes economic sense. Or do we even sell off more? If the market conditions are right we only keep 20 and sell 20. If that is the best deal for the Town and the Electric Division, that is the way it should be done.

Mr. Solinsky: How is the noise on one of these units?

Mr. Rink: There are two criteria that are used in the evaluation of noise; generally at 3' away from the machine and 400' distance from the machine. At 3' there are approximately 85 decibels and we have had special acoustical provisions included on this machine such that at 400' it is about 57 decibels. At 400' it is probably equivalent to a room air conditioner in your home.

Mr. Thornton: We made it a requirement of the specifications that the bidder would guarantee a noise level that was compatible with our noise survey study and the requirements of the State.

Mr. Holmes: We got sidetracked, I was still looking for the costs associated with the lease program for the two companies, do you have that information available?

Mr. Rink: The turbo power marine offering included the lease engine as part of their base proposal cost, so we have no information as to what their lease engine cost is. However, for the Stuart and Stevenson proposal, the lease engine cost for the membership fee is \$100,000/year. There is a catch there. In order to become a member you have to buy a 6 year membership contract at \$100,000 per year. When that contract expires, basically whatever price is in effect at that time, you have to sign up for another contract for 6 years.

Mr. Thornton: If you have to call on that program you still pay for the lease engine. You pay the lease charges.

Mr. Holmes: You would recommend that we go with the lease engine program?

Mr. Thornton: Yes. Remember that these are essentially new designs that are extrapolations scale-ups of existing designs. That is why we decided to proceed to evaluate the bids. We originally had in our specification requirements a requirement of proven design. We extrapolated that a bit to accept these bids based on proven design being smaller equipment of the same general design. The LM 6000 was not being marketed at all when the feasibility work was done. It was only introduced in June of this year. It is a brand new engine.

Mr. Holmes: The technology has been around for 30 years.

Mr. Parisi: Turbines have been around for several years. When you say the technology is new, what part of it would be so different from what has existed?

Mr. Rink: The LM 6000 is a new generation combustion turbine. It is basically an adaptation of the aircraft engine that is used on the new Boeings 757s or 767s. The engine itself has probably hundreds of thousands of hours in flight time. The problem arises when you put it on a land-based application and you hook up a power turbine and a generator to it. Even though the technology itself for the aircraft engine is known, when you hook all these components to it on a land-based application, invariably you run into other sets of problems that you did not see when it was on the wing of an airplane.

Mr. Parisi: Is this the right engine for this application?

Mr. Thornton: The machine that was designed originally from scratch for peaking service application is an industrial frame engine like that Frame 6.

Mr. Parisi: Has the design been effective?

Mr. Thornton: Yes. It has been very effective.

Mr. Parisi: Isn't that what we are getting?

Everyone in General: Yes.

Mr. Parisi: What were the prices without the adjustments on the quotes?

Mr. Rink: The straight bid prices for the G.E. machine was \$10,390,000., the turbo power marine offering was \$14,600,000. and the Stuart and Stevenson offering was \$11,898,000.

Mr. Parisi: I have asked this question for many years, why can't we look toward generating our own power, is it prohibitive, and aren't you able to sell power if you are able to generate more than you use?

Mr. Smith: Not as a utility you don't come under that umbrella. That was intended for private development. It doesn't make economic sense. That site, even though it is expandable, and maybe 5,6,7,8 years from now we may add another turbine out there, cooling water is a significant problem. Baseload units use a lot of water, that is why they are located next to rivers, lakes and oceans. Can the area tolerate another fossil fuel unit there, not really, not as a continual burning process. The site just is not amiable to a baseload unit. We peak shave with it and that is the prudent way to go.

Mr. Parisi: I don't understand, we have a river there, we have the waste plant, those things don't help?

Mr. Smith: That river is insignificant as far as cooling water needs would be for a major production facility. We have to go through a process that may take 6-8 months just to use our own waste water before it goes down the river because they have now examined that and a necessary contributor to the river is the waste water that comes out of our sewer plant.

Mr. Killen: Two or three bidders, including Westinghouse, did not bid, any plausible explanation?

Mr. Thornton: Westinghouse has had somewhat of a problem with competitiveness and meeting peaking-type availability for 10 minute start-up as what is recommended by NEPOLD. That effected their willingness to bid. Some of the other companies took a look at the market, the potential competition, the success they have had in other recent bids and decided that this was not a good application for a competitive bid from them.

Mr. Killen: Up until a year ago, they were forecasting that there was going to be a shortage of electricity in the area. This was mentioned in the first writings from you. Since that time it has gone the other way. Had this project been delayed another 9 months, and the market reversed again, what would you then predi-



cate your decision on?

Mr. Smith: These bids came in extremely competitive and perhaps nine months from now there may have been a change in decision, let's say to the LM 60000, I assure you that is not going to be a major margin. We are talking about \$100,000 vs. millions. All I can say is that you are getting the most up-to-date information we have available now based on a lot of people's opinions, far beyond ours in the industry.

Mr. Killen: What is being done is we are taking a very conservative approach and I can't fault the gentlemen involved in this because if they tell us what we are getting before us goes through and it becomes an increase demand, we can't fault them. They couldn't foresee it because all the experts were saying there wasn't going to be any one way or another. The other side of the coin though, for what reason are we putting this plant into operation? I understand it is for peaking purposes?

Mr. Thornton: Peaking purposes and taking the maximum advantage of the credits available to you in your contract.

Mr. Killen: That is under our present contract. Is there something in that contract that says that Northeast Utilities has to give us the same terms or even do business with us at the end of '92?

Mr. Smith: Yes. They are obliged to serve us until 1997. By giving them 2 year's notice we have the right to get out by 1995.

Mr. Killen: My interest is in whether or not they will be interested in us providing them with peak power. We are putting money in for a specific purpose and if they were not obligated to buy that then we may be wasting our money in putting in the peaking power.

Mr. Smith: In 1987 when we negotiated this contract, they wanted right of first refusal. In 1987 they would have gobbled it up had we put the turbine in at that time they would have signed the contract because they were looking for power. At this time we have offered that to them, they said no, we don't need it, we don't think that we will need anything before the year 2000.

Mr. Gouveia: Are we wasting our money by providing peak power? It has been represented here before that the average ratepayer using 600 kilowatt hours of electricity per month saves on an average of \$84/yr. If they were on the other side of Meriden and paying directly to Northeast Utilities they would be paying about \$84 more per year for the same amount of electricity.

Mr. Smith: I will assume that the figures are correct, I won't try to challenge them. The people in Meriden pay approximately 15% more and the towns south of us pay about 30% more.

Mr. Gouveia: What is the value of rider A which is \$1.3 million to the individual ratepayer per month?

Mr. Smith: Take the \$1.8 million and divide it by 500,000+ kilowatt hours and that per unit cost multiplied back up by their usage.

Mr. Gouveia: Would you say about a couple of dollars per month?

Mr. Smith: I would have to do the calculations.

Mr. Gouveia: \$1.3 million is the present value of rider A, if we were not producing any electricity at all, if we didn't have the capacity to produce it, we will lose that \$1.3 million?

Mr. Smith: Right.

Mr. Gouveia: But we still have the franchise, the distribution center which has value. The true value of the Pierce Plant is \$1.3 million per year.

Mr. Smith: In its existing condition. The is its optimum value under the present rate structure.

Mr. Gouveia: And now you are saying that you are going to spend \$17 million plus all the others things we will have to do in the future and we would be gaining from \$1.3 to \$1.8 million per year. That would be the value of rider A.

Mr. Smith: You missed that. The life cycle analysis shows about a \$3 million per year projection. You assume that the rates never change, yes, that is all you would save. If the rates never went up, that value would remain constant at \$1.8 million per year. I can't foresee that happening. We already have indications that their allowed to raise the rates up to 25%. At that point the number goes from \$1.8 to \$2.3 million that year.

Mr. Gouveia: Do you think that they can get away with raising the rates 25%?

Mr. Smith: If they can justify it, they have the right to do that. That is a cap on our rate.

Mr. Gouveia: Last time they tried, they ended up giving money back.

Mr. Smith: Yes but they still got a net rate increase of about 14-15%.

Mr. Gouveia: The point I am trying to make is, even if we didn't have the Pierce Plant right now, the most that we would be paying is \$1.3 million divided by all of our customers and remember, in order to get that \$1.3 million, we have to spend money. It is not net gain. We will still have to spend several hundred thousand dollars per year to maintain the plant and put some money into a sinking fund for some project later on for major repairs.

Mr. Smith: That is the situation we are in today. What is our projection of what is going to happen in 1993, 1995, do you want

flexibility or do you want to become totally captive of whatever the suppliers are?

Mr. Gouveia: You would not be totally captive, you would still have a distribution center. You said a minute ago that Northeast Utilities is not even interested in our peak power. What they really are interested in is the fact that we are good customers and we have a base power that we purchase from them all the time. And we distribute all that for them for us. That is really where we get our benefit to the Town. It is not really the peak power, nor the rider A, it is the distribution center. That is the true benefit to the Town.

Mr. Smith: I won't disagree with you.

Mr. Gouveia: I feel that this is being sold as maintaining the rider A value plus a bargaining chip for the future. The franchise is a real asset to the Town. Rider A is not such a great asset. Is rider A so important that it is worth spending \$17 million plus on it and then continue to spend the money to maintain it?

Mr. Smith: Right now the only substantial asset the Electric Division has is this distribution system. If you put in a piece of generation, we will have a major asset there. Rider A is not an asset. It is a method for purchasing power. It is beneficial to us, it gives us a better rate than we would otherwise have to pay. We are trying to lay out a power supply plan that will encourage us to get the best price down the road.

Mr. Gouveia: The true net gain this year is not that great.

Mr. Smith: That is the bottom line, return on investment. I think that the feasibility bore that out and it has been supported again. The \$500,000 number is a very loose number. That includes people sitting at the plant waiting for you to call that your lights are out. So let's exclude them.

Mr. Gouveia: If you did not have to produce 1 kilowatt...

Mr. Smith: We will still have that man sitting around the clock waiting for you to call for emergencies. Or do you want us to shut that down?

Mr. Gouveia: But you wouldn't have to staff the entire plant.

Mr. Smith: Sure we would. How many people do you figure are at the plant at night? One.

Mr. Gouveia: If all you were doing is distributing the electricity and you have the different distribution centers that you have throughout, I'm sure that you would still have to have someone on call?

Mr. Smith: No, who is going to answer that first phone call when all the lights go out?

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Mr. Gouveia: That is what I am saying. You still would have to staff it.

Mr. Smith: That is showing up as part of Pierce's cost right now. I would have to factor that out. To say that it is \$500,000 is not a fair number.

Mr. Gouveia: The reason that I mentioned that is because I wanted to show that it is not a true \$1.3 or \$1.8 million, there are expenses associated with gaining that.

Mr. Smith: I never attempted to conceal that. It cross justifies even in a conservative planning mode.

Mr. Gouveia: I am glad that we are doing something, because something has to be done. I am not sure that this is what should be done, that is all. I am not totally convinced that the rate-payer is getting a fair rate of return on their investment. That is my only concern.

Mr. Smith: Are you talking about this particular investment or the entire system?

Mr. Gouveia: This particular investment.

Mr. Smith: We tried to provide all the numbers, there was a detailed feasibility study, we thought that you agreed, but then again, that is your right to dissent and disagree, if you don't we try to give you the information and hopefully, you will concur with us in the end, and if you don't I except that.

Mr. Gouveia: I don't think that we looked at enough options. There was that private/public partnership that once was proposed and we never really looked into it.

Mr. Smith: I spent almost a year dealing with a private power developer before we decided to go ahead with this thing.

Mr. Bradley: Regarding noise levels, what you are putting there in that location is going to be noisier than what is there now...

Mr. Thornton: It is going to be quieter.

Mr. Smith: The significant noise generator when Pierce runs is the cooling towers. Also the fact that this will be physically located behind the building keeps the noise from coming out toward East Street and will travel back towards the industrial area. Not that we are not concerned about them.

Mr. Bradley: A good example is the trash plant with that squeaky conveyor and even though it met State standards it was still noisy. How do we address the issue of natural gas?

Mr. Smith: I assure you that we will pursue that.

Mr. Holmes: I am still in favor of upgrading the Pierce Plant. My opinion at this point is that I would like to digest some of this information for another week or two and vote on it at that time. Some of the scenarios have changed and perhaps I should have contacted you previous to this evening to get some of that information, I will take the hit for that but the generating expectation has been lowered and I would like another week or two to digest this information. I will wait until the debate is over and make a motion at that time.

Ms. Papale: I don't have a problem with waiting another 2 weeks if it would make everyone feel more comfortable. I don't understand what has changed since we voted the last time. I realize there are a few different things but we were directed from the feasibility study to go ahead with this. We voted to put money into a sinking fund to look into the feasibility study which we did. Then we voted for you to go out and get bids. Is the problem that you are not happy with the bids? I don't understand the problem here.

Mr. Holmes: I was hoping that we could go with a larger operation, a combined cycle, be a little more independent in our power producing, have a little more flexibility and perhaps generate some more revenue for the Division. Based on the conversations this evening, those expectations have been reduced. I am in favor of upgrading the plant, it is the right thing to do for the ratepayers, I don't want to jeopardize the rider A contract, I think it is a great value to the Town.

Ms. Papale: I thought that the idea to building up the Pierce Plant was really for the future so that we would be in more of a borrowing power position.

Mr. Smith: This has always been referred to as a phase project.

Ms. Papale: Maybe what the gentlemen on the Council are saying is that you are bringing up things tonight that have not been brought up before. Maybe we would have to extend the public hearing to another two weeks to handle it in proper procedure.

Mr. Smith: It has been discussed before, it is not new information.

Ms. Papale: Maybe everyone should come up with their questions over the next few days and contact you for answers. I know that you and your staff have given this much time and consideration. I know that you feel this is in the best interest of the Town.

Mr. Smith: The humorous side of this is that all we are telling you is that we took low bidder.

Mr. Edward Musso interrupted the meeting without the Chairman's acknowledgement complaining about the fact that this is a public hearing and this discussion has gone on over 3 hours and he has not been afforded the opportunity to speak on the issue.

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Mr. Killen pointed out that the meeting commenced at 7:00 P.M. and at that time the public was invited to speak their minds on the subject. It must be noted that Mr. Musso arrived more than 15 minutes late to the meeting and therefore missed the opportunity to speak.

Mr. Musso apologized for his misunderstanding.

Mr. Bradley: Back at the April 1990 meeting you presented a three stage development. Funding and implementation was for stage I and stage I only. That is the direction that we were proceeding in. And yes, I agree with you. I don't know what is to be gained by deferring this. It has been out since February 1990. The information has been available. I don't see anything here that has changed that drastically.

Mr. Solinsky: What would it take to convert the existing turbines to generation, monetarily speaking.

Mr. Smith: That is a cost figure that we don't have. We have preliminary estimates but that assumes that the machines are in certain condition that don't require major overhauls.

Mr. Solinsky: How would they be powered?

Mr. Smith: It would be steam. We would put in a heat recovery boiler that captures the exhaust of the turbine and convert it to steam, run steam back in through the main header of the plant.

Mr. Solinsky: There are three turbines down there now?

Mr. Smith: You could not run all three, the best you could get is two off of the frame 6 machine or one off of the other machines.

Mr. Solinsky: The frame 6 is less efficient and therefore you could run 2?

Mr. Smith: You could recapture more steam. The aero-derivative in its design has a better heat rate, it uses more of the heat. The frame 6 does not use as much.

Mr. Robert Beaumont reiterated that the P.U.C. is behind this. I think, very honestly of the evaluation that I have seen, that I really believe that the way that we should be going now is with the smaller unit. I would like to cost-justify the larger one because in the long run it might possibly work out. From what I am hearing though, I think that we are better off with the smaller machine for now and in the future.

Mr. Killen asked if it was the intent of the P.U.C. to use some of the Retained Earnings that they have towards finishing this project?

Mr. Smith stated that it was his recommendation that that money be used for that purpose.

Mr. Killen: That being the case I will not vote this evening in favor of this. If the entire thing were to be bonded it would receive my vote but if it is going to be paid, any part of it at all, out of Retained Earnings...

Mr. Smith: I didn't say it was going to be paid, this is an appropriation ordinance. That decision is to be made later. I am telling you my recommendation.

Mr. Killen: You know how I feel about that.

Mr. Smith: I don't think that you should vote against the project because you don't like where the funds are coming from.

Mr. Killen: Absolutely I should.

Mr. Smith: I don't think that that decision has been made Mr. Chairman.

Mr. Killen: I am not going to have \$12 million spent if my vote happens to be the deciding vote and then further on down the road say, hey I've changed my mind because you are funding it in a way I didn't agree with, it is too late then.

Mr. Parisi: I am going to side along with Mr. Holmes in the sense that perhaps maybe a week would be a good time period for us to obtain answers to our questions.

Mr. Bradley: If we reflect back on the minutes of the last meeting, that tells the story.

Mr. Parisi: Not for all of us.

Mr. Holmes: I would like to make a motion to table this item tonight and to continue it at the February 13, 1991 Town Council Meeting at 8:00 P.M., seconded by Mr. Solinsky.

VOTE: Bradley, Gouveia, Zandri and Killen, no; all others, aye; motion duly carried.

Mr. Smith asked if the purpose of deferring the hearing to the next meeting was to try to persuade Mr. Smith or the P.U.C. that they had selected the wrong unit?

The Council stated that it was for the sole purpose of obtaining additional information.

Mr. Smith explained that the bids expired on December 30th and he has had time extensions from the bidders and will now have to request additional extensions.

ITEM #3 Consider and Approve Filling the Position of Manager of Planning and Regulatory Affairs - Electric Division

Mr. Bradley made the motion, seconded by Mr. Holmes.

Mr. Parisi: At the present time considering the state of the economy I don't feel that I can vote in the affirmative to fill a new position. It is not that I am against it but given the economic times, I just don't believe that we would be acting very prudently by creating new positions.

Mr. Holmes: If it were any other position I would probably agree but I think that the importance with this type of position as dealing with the regulatory affairs, I feel more strongly about the duties of the environmental aspect of the job are very, very important to me. The need is there for this position. The exposure to the Town if someone is somehow injured due to the lack of manpower available to conduct training, follow-up activities, I think that the exposure is far greater than filling the position.

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Ms. Papale: Mr. Barry, do you wish to add anything?

Mr. Barry: We need this position for a number of reasons. The position will be responsible for the PCB monitoring, in addition to that there is all the legislation associated with E.P.A. and D.E.P. as well as safety training, HASCOM and all other State requirements. In addition, there are project specific issues with regard to permitting almost anything we do from building a substation to buying a truck. That is one component of the job. In addition to that we see the job involved in demand side management issues which is a new focus for this utility. That is basically breaking new ground. There is also the issue of the EMF which you keep reading about. There are issues of rates that need to be addressed. I understand that these are very bad economic times, however, in my mind that is not a good enough reason not to do this. We have the funds for the position in the current year's business plan. The benefit to the customers is that the technical people who are now picking up the slack on all these kinds of issues do their technical work and let someone pay full-time attention to this kind of stuff. It will also make a better utility overall. Without planning for the future, we can't get any better.

Mr. Gouveia reiterated his position that our primary mission at a time of uncertainty is to contain or even reduce costs. He could not support this position at this time.

Mr. Parisi pointed out that in the minutes dated October 30, 1990, Mr. Gouveia made the observation that new positions were added in one year. Mr. Parisi identified with dealing with environmental problems because of where he works but his company has addressed the issues by a committee structure and the existing department heads are the ones who have to combine their talents to deal with it. We do that because it is not the best of times and not economically feasible for the company to create new positions. In better times I would have no problem with this. I think that we should perhaps look at other ways to solve the problem.

Mr. Roger Dann of the Water & Sewer Division commented that his division also has allocated funds for the purpose of creating a planning position. Not an environmental planning position but a planning position. He brought that to the Council's attention during budget workshops and pointed out the reasons for it. He felt that many times you can put off the planning function but the reality is that that does not really happen. The reason that you create a planning position is so that you can dedicate that person and their resources to doing the job that you really want to get accomplished and that is to look at the long-term not the short-term approach. In the short-term you can save money by not funding the position, but in the long-term you pay for that over and over again because you are constantly playing catch up. You pay for not planning properly for situations, for growth, and you pay for that. ::

Mr. Holmes reiterated his position of supporting the filling of the position.

Mr. Parisi stated that one of the prime factors that the public is concerned with in these times are dollars. He understood and agreed with what Mr. Barry and Mr. Dann stated but many people in management positions are facing exactly what they are and most of them do not have much help. He said that it was the economic factors of profit and loss that sometimes drive the decisions.



VOTE: Holmes, Papale and Zandri, aye; all others, no; motion failed.

ITEM #4 Consider and Approve the Quarterly Budget Amendment - Electric Division

Mr. Killen stated that this item would not have been before the Council this evening if he had not realized this afternoon that there was no request from the P.U.C. that was certified by the Mayor and Comptroller. He requested that all the necessary papers be in order the next time.

Mr. Bradley made a motion to Amend the A side of the Budget, Acct. #455 to be increased by \$1,312,500.00 and on the B side, Acct. #555FA to be increased by \$1,250,000 and Acct. #408-1 to be adjusted by \$62,500.00, seconded by Mr. Parisi.

VOTE: All ayes; motion duly carried.

Mr. Bradley made a motion to Transfer Funds from Acct. #501, Fuel Expense in the Amount of \$90,000 to Acct. #903-1 Data Processing in the Amount of \$90,000., seconded by Ms. Papale.

Mr. Solinsky asked if this was in addition to purchasing the computer and software?

Mr. Barry: Yes, this is separate.

Mr. Solinsky: But this cost wasn't known before when you were going to purchase?

Mr. Barry: This is associated with the rewrite of the Electric Division software. In some ways it is remotely associated with the purchase of the hardware. For the most part this is to supplement the resources in the Data Processing Department with regard to the conversion of the software.

Mr. Solinsky: I remember this being brought to our attention that it was going take this extra money to put this system into use.

Mr. Barry: The truth of the matter is in a minor part it is associated with the hardware purchase. The upgrade of the system as a whole and the hardware purchase was completed within the original budget that we proposed to you. Separate from that but somewhat associated with that was the rewrite and the upgrade of the Electric Division software. That is what this work is associated with.

Mr. Killen: How much of the bill will be going towards other than personnel? With the amended budget you will now have \$349,550 for the entire account for the year, how much of that is going towards capital items as opposed to personnel?

Mr. Barry: None. \$349,550 is the basic operation of Data Processing out of the business plan for the most part. Completely. It does not include capital expenditures.

Mr. Bradley asked at what point will the Division begin to phase out the consultant?

Mr. Barry responded in 1 month maximum. He did feel that the Division will be in need of a resource from the consultant giving what kinds of activities are on the slate for the next 2-3 months.

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Mr. Bradley's concerns were with the price of consultants. He asked why there was no report from the Data Processing Department in the January Director's Report.

Mr. Barry stated that it just was not gotten to.

Mr. Killen asked if someone has filled Cliff's position?

Mr. Barry stated that someone has been on board for about a week.

Mr. Killen asked if it will still require the \$90,000.00?

Mr. Barry stated that it takes approximately 6 or more months to get up to par to find out how the system actually works. The learning curve is long and slow.

Mr. Killen: You are paying in-house and out-of-house expenses?

Mr. Barry: Yes, we are using a combination of resources.

VOTE: Solinsky, no; all others, aye; motion duly carried.

Mr. Bradley made a motion to Increase Acct. #419, Interest & Income Dividend by \$50,000 and also Increasing the Net Income Acct. by \$50,000., seconded by Ms. Papale.

VOTE: All ayes; motion duly carried.

Mr. Barry pointed out that in the next transfer there was a typographical error on the account numbers. It should read #923-2 instead of #423-2 and #923-3 instead of #423-3.

Mr. Bradley made a motion to Transfer \$25,000 from Acct. #585, Street Lights \$25,000 from Underground Lines, Acct. #524 and \$40,000 from Pierce Plant Acct. #513-2 to Acct. #923-2, \$45,000 and Acct. #923-3, \$45,000 for a total of \$90,000, seconded by Ms. Papale.

Mr. Killen asked why we were so far off on the street lights?

Mr. Barry stated that it was due to the fact that the Division was converting at a pretty good rate to high pressure sodium and the maintenance on those is much less.

VOTE: Holmes was absent; all others, aye; motion duly carried.

Mr. Barry reminded the Council of the fact that back in 1988 he came to them asking that an Electrician position be lowered to that of an Apprentice position. That young man who was the apprentice took the test for the Electrician and passed. Now one opening exists for an Electrician. If Mr. Barry gives that gentleman the job, he ends up down an Electrician. He was asking that the position of Apprentice be upgraded back to what it was two years ago.

Much discussion ensued around this issue. It had to be explained several times since the issue was a bit confusing.

Mr. Barry stated that in the Division's Business Plan, he proposed and the Council approved two Electrician positions (pg. #178 of the budget book). This is a new position.

Mr. Zandri asked if a new position was being created tonight?

Mr. Barry: No.

Mr. Parisi: In 1988 that fit, it doesn't fit now, money is tight.

Mr. Bradley made a motion to Upgrade/Title Change for Apprentice Electrician to Maintenance Electrician, seconded by Mr. Holmes.

Mr. Bradley asked what the justification was for filling the position? Since the Town is holding the line on new positions, he felt that from an administrative position we should be looking at reviewing those positions that are currently open that have not been filled and justifying the need for them.

Mayor Dickinson: That is an ongoing process. I received a list from Personnel. Every department is different and the functions and duties of the people in one department are not necessarily the same as another and the utilities are especially unique in that regard. Everything is being looked at.

Mr. Zandri: Utilities are unique because regardless of the economy, people will still use the same amount of electricity and the workload does not change that much. It is not creating a new position and I feel that it should definitely be filled.

Mr. Parisi: I buy that to a degree. But when we were told that the overtime account was as high as it was because of the workload, and to me, additional work hopefully meant additional income. Now we are told that it is a flat market.

Mr. Zandri: ....talking about growth not current levels.

Mr. Parisi: It is not there and it is not going to be there. I want to see what the overtime account is going to be this year. It should not be very high. I just wanted to raise that point.

Mr. Bradley once again asked Mr. Barry to justify filling the position.

Mr. Barry stated that there is a tremendous amount of work that has not been done. There are substations that have not been maintained in places that people cannot remember how long it has been.

Mrs. Duryea stated that if this position is filled then that should address some of the overtime problem. There should not be as much.

Mr. Barry: It will have some effect.

Mr. Parisi: I am going to want a detailed breakdown on that overtime at the budget session this year.

VOTE: Parisi, no; all others, aye; motion duly carried.

Mr. Bradley asked why the formats have changed?

Mr. Myers, Comptroller explained that it is a new format, different than what the Council is accustomed to seeing, it now corresponds with nationally recognized accounting standards for utilities.

Mr. Killen stated that for purposes of making motions and understanding needs as to why there is a shortage/excess the Council will need the standard format.

Mr. Barry: In the future we will give you separate pieces of paper for each bulleted item and it will work out much better.

Mr. Al Kovacs stated that the Council will also see a difference in the Water & Sewer Budgets this year. In the past at times it has been very difficult to follow. He pointed out that when they review the budget this year they will notice new account numbers and more detailed explanations. The P.U.C. hopes this will solve a lot of the problems at budget times. Roger Dann and his staff have done a lot of work and again, the Council will notice new numbers and more detailed explanations.

Mr. Killen asked how it got this far with the P.U.C. meeting on this today?

Mr. Kovacs stated that he could not answer that question.

Mr. Killen: I would ask that question if I were you.

ITEM #5 Consider and Approve the Quarterly Budget Amendment - Water and Sewer Divisions

Motion was made by Mr. Bradley, seconded by Mr. Parisi.

Mr. Holmes left for work at 11:30 P.M.

Mr. Dann explained that revised budget requests were distributed this evening to the Council. He had deleted several of the items that had been in the format that was previously given the Council. He will try to highlight where those changes were made when he proceeds.

The intent is not to say that it comes from this account and goes to that account but rather to evaluate each account on its own merit, make the changes that the Division feels is necessary and observe what happens when the bottom line is approached. As a result, Mr. Dann did not have specific information that shows Account A is up by \$1,000 and Account B is down by \$1,000. Instead the recommended changes were made and the bottom line reflects the net sum of all of those changes. He felt that was a more appropriate approach to take.

Mr. Bradley asked that the Division bear with the Council with their having to learn a whole new process.

Mr. Dann explained that the format is exactly the same. The budget presentation for next year is being presented in the revised format that Mr. Myers spoke of before. He will continue this for consistency with current year's budget but when next year's budget is presented it will be in the revised format.

WATER DIVISION BUDGET

A number of modifications felt to be necessary were indicated in the Revenue From Sales and some of the other Income accounts. The current Revenue From Sales is actually running ahead of the projections for this year in spite of the poor economy. To reflect that it was recommended that the Division increase its Revenue From Sales by \$250,000.

Other recommendations are as follows:

- Decrease in the Anticipated Income from Connection Charges

The intent had been in the current year to implement a connection charge system on the Water Division side similar to what currently exists on the Sewer Division side.

Mr. Parisi: How much have you increased your prices from last year to this year?

Mr. Dann: Our water rates increased by close to 30%.

Mr. Parisi: Don't you think that may have something to do with your good fortune?

Mr. Dann: This is actually billed consumptually. This is the useage which is up.

Mr. Parisi: We are using more water?

Mr. Dann: In spite of what you would have thought, resulting from an increase in rate, consumption actually continues to increase and it appears that that is occurring primarily on some of the larger industrial customers. We don't see this reflected on the Sewer Division side so therefore you would conclude that, in fact, it has to be the large industrial customer who is not attributing equally to the sewer.

Mr. Parisi: Why wouldn't it be reflected on the other side?

Mr. Dann: Because many of the large industrial customers have their own waste treatment facilities and don't contribute that flow back into our facilities.

Mr. Parisi: When you build a rate increase into your projection, do you anticipate the number of new installations?

Mr. Dann: We utilize three year averages. We also factor in whether we are increasing or decreasing our consumptive levels and

the number of our customers.

Mr. Gouveia: If you look to the actual to date on almost any of these accounts, then you annualize it, it comes very, very close to what you are proposing. My fear is that, if you take for instance the meter sales, that comes very close to what you are proposing. Suppose that from now until the end of June the consumption decreases, are you going to fall short again? I guess what I am trying to tell you is that I like what you are doing, I like your budget because it reflects everything up to date. But it seems to me that you are cutting it a little too close.

Mr. Dann: We have a tendency to try to fine tune it. This quarterly amendment has given us the opportunity to come back in three month's time and re-evaluate all of our projections. I'm not taking all of the increase in income and allocating it on the expense side, instead I am leaving ourselves some increased unappropriated funds so, if necessary, it gives us some ability to adjust again in the future.

Mr. Gouveia: I notice that this format is like the Electric Division format but there is one column missing that being the Over or Under Budget, is that something that they proposed to do?

Mr. Dann: I don't know why that difference did develop. I don't see any particular value, and I don't see any problem with adding that in.

Mr. Killen: This process does not include what we need. It will show one lump that will include budget amendments and transfers and it doesn't really say what the action of the Council was.

Mr. Dann: The last time we did this we went through a discussion on this. I believe that the action that was ultimately taken was to accept the budget as amended. That is exactly the same format as we are presenting it in this time.

Mr. Gouveia: We did do that Bert, but we also had some concerns with it.

Mr. Killen: You can make a budget amendment with no problem at all but you are guided by the actions of the wording of the Charter in making transfers. A transfer has to be made, it has to go to the Mayor first, be certified by the Comptroller, the Mayor then has to o.k. it and send it on to us for us to decide whether or not the transfer shall be made. It has to flow in and out and we have no control over that. To lump it all in one bottom line figure does not reflect the actions of this Council at all.

Mr. Dann: I think that we can defer this to Mr. Myers since it seems like a considerable amount of paper to accomplish the same

task. If it is necessary paper then we can certainly do it in that form.

Mr. Myers' recommendation for this procedure was to adopt a motion that would adopt the amended budget for the Water Division or the Electric Division as presented or amended in the attached report. The reports presented to the Council would be appended to the minutes with the form containing all necessary signatures. He pointed out that it is not a transfer as such. It is a revisiting of the budget from top to bottom in an attempt to have the budget numbers reflect what is actually going on in the business.

Mr. Killen stated that if these were all predicated on the fact that there was excess money on one side and you needed money to offset it on the other side and they balanced, then he saw no problem. But what is happening is the Council is going through the whole thing line by line. This could then be done with every single budget. The entire budget could be amended every 3 months.

Mr. Myers responded that the Town could do that if it so desired, except the difference is that the utilities are driven by sales. The dynamics of the utilities are much different than the property taxes and fixed expenditures in the department such as the Welfare Department.

Mr. Killen: It makes no difference what the revenues are. We allocate enough to run that division during the course of the year. If they need line by line transfers, we make them the same way we do with the Police and/or Fire Department. I see no sense in making it in all one lump, it takes away from what the Charter says we shall do.

Mr. Parisi: Aren't we redistributing profit?

Mr. Myers: This amendment does that.

Mr. Parisi: I don't know that industry redistributes profit, it may a percentage of it, but not all of it.

Mr. Myers: All of it is not redistributed here.

Mr. Parisi: Where does the rest of it go?

Mr. Myers: The sales increase falls to the bottom line, Net Income. It would then go to Retained Earnings.

Mr. Zandri: Normally in a department you will transfer from line item to line item, as long as the dollars are available in that account. What you have to be careful with here is when you have an increase in sales, if you wanted to have a department live within their budget, any increase in sales should go into Retained Earnings then you are living within their budget. They can then transfer from line item to line item and still living within their budget. If you take an increase in sales and now redistribute that to a line item, you are now increasing the overall picture

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of what they budgeted for to start off with at the beginning of the year. That is what you have to be careful of.

Mr. Dann: I really think that defeats the purpose of going through this exercise which is to review everything, to really update what has occurred and reflect that into the budget, whether it be increases or decreases.

Mr. Killen: What I require of any department head is why they have a shortage since they are the ones who put their budget together. They can then explain that it may be due to the fact that the Mayor of the Council cut it or it may be due to other mitigating factors.

Mr. Dann: These are not a series of random increases or decreases they each come with an explanation.

Mr. Killen: An overall explanation but not a line by line explanation.

Ms. Papale: Why don't we start through them and listen to the explanations.

Mr. Bradley: Why don't we start with Acct. #471-000, I make a motion to establish a new account, #471-000 and fund it in the amount of \$1,000, seconded by Ms. Papale.

Mr. Solinsky left at 11:52 P.M.

Mr. Dann explained that the reason the account is being recommended for establishment and funding is that it is reflective of the new rates that were implemented which allowed for a fee to be charged for after hours call outs when those are made solely at the customer's convenience. In order to recognize this as a new source of income, an account has to be established. He went on to say that a \$50.00 charge applies to anyone who calls for the service to be turned on or off at their (the customer's) convenience. There is no charge for the emergency calls, the division continues to respond to those calls as they always have.

Mr. Zandri felt that what is missing is the process of putting the profit into Retained Earnings to balance the budget. What can easily happen is profit can be brought into the budget and moved to another account.

Mr. Parisi agreed and stated that it takes a measure of control away from the Council. Money can be moved all over without any control on the part of the Council.

Mr. Myers disagreed. He pointed out that transfers and budget amendments also move money around in the budget.

Ms. Papale: It is not what you are doing but the way it is presented.



Mr. Killen: That is one of the biggest problems with it.

Mayor Dickinson: One of the efforts was with this budget amendment changes are reflected in accounts that normally you would not see. In the revenue accounts particularly. With this format everything gets adjusted to reflect reality. Revenue accounts show what the actual situation is and other changes. It does produce a clearer picture on where the utility is on a quarterly basis.

Mr. Parisi: It amends it but also changes the entire picture as well. You are not dealing with the budget that you approved. It changes every quarter.

Mr. Killen stated that at budget time quite a bit of time is spent going over these items, item by item, and now the Council has to spend almost as much time again on a quarterly basis going over it. That is too much time spent on it.

Mayor Dickinson felt that as much time is spent on individual transfers as well.

Mr. Killen felt that all too often too much time is spent on studying the philosophy of the issue and nothing is getting accomplished.

Mr. Gouveia felt that if all additional revenues above and beyond what was budgeted automatically went to Retained Earnings and then all the other transfers were accommodated within the budget there would not be a problem. There would be times in extraordinary cases that some funds may have to be taken from Retained Earnings but on the whole it would give the Council more control of the budget.

Mr. Dann stated that it is not always as simple as that. He understood the point that Mr. Gouveia and Mr. Parisi were making. He asked Mr. Myers to work with his Division to come up with some sort of balance sheet that helps to clarify this for the Council.

Mr. Myers felt that it may be of help to segregate the sales revenue and the operating expenses from non-operating type revenues and expenses like the Electric Division format does.

Mr. Zandri stated that he was opposed to the \$250,000 in Meter Sales being used for Reserve for Water Supply Products (pg. #3).

Mr. Dann explained the reasoning for that was that it was an excess coming in and the Division is entering into a major project which could be funded by the additional revenue. He felt it was entirely appropriate to take that type of windfall and set it into the types of areas where a positive impact could be made on the future rate structure.

Mr. Zandri felt that it should go into Retained Earnings. When it came time to fund the project then it could be decided at that

time how to fund it.

Mr. Beaumont reminded Mr. Zandri that the Retained Earnings Account is being set up with the idea that it is restricted.

Mr. Zandri understood that but pointed out that does not necessarily mean that that is what he would want to use Retained Earnings for in a given year. He would not have any problem with the format of the budget amendments presented this evening if all the increases and all the decreases in revenue were totalled out and the Council gets a bottom line figure and places that into Retained Earnings and all of the transfers would not present a problem as far as he was concerned because he feels this would keep the Division running within their original budget. He asked if any of the increased sales are going into any other accounts than Retained Earnings?

Mr. Dann: It is possible. If it has happened it is because has happened that was not anticipated in the regular budget.

Mr. Zandri: Utilities are unique in that they have revenues. Other departments don't have that luxury and have to live within their budgets. That is the only argument that I have. You happen to be very fortunate to have an account that allows you to draw from. The other departments don't have the luxury to do that.

Mr. Dann: It is a benefit if your revenues are running ahead, a problem if they are running behind. We share a risk that perhaps the other departments don't necessarily share either.

Mr. Parisi felt that the way it stands now, the Council has no control over the money. In Retained Earnings, they do.

The Council for the most part felt uncomfortable with the format presented this evening. Mr. Bradley agreed with Mr. Parisi in feeling that the Council has lost control of the money and that he (Mr. Bradley) personally did not have a thorough understanding of the process. He suggested that the Water Division re-sell this to the Council whether at a workshop so they can sit down and understand the process and contribute input.

Mr. Bradley asked if the P.U.C. has approved what is before the Council this evening?

Mr. Dann: Yes they have.

Mr. Bradley: Is there a transfer?

Mr. Dann: There is a signed copy.....

Ms. Wall: I have a signed copy, it was handed to me tonight.

Mr. Bradley: Is there a reason why all of this has taken place so quick? We have seen so many errors here tonight on the Electric Division side, corrections, I have a revised correction to the

Water & Sewer information.

Mr. Beaumont: That is because there were changes that had to be made after the initial paperwork came through. Based on some discussions between the Water & Sewer Division and the Comptroller's Office, the information had to be revised.

Mr. Killen: You, as a commission, should have taken action on it before it happened. We have an agenda meeting to put this agenda together and make sure that all of the pieces are in order. When this special meeting was requested, I assumed that all of the paperwork had been done since there was adequate time to do so. With all the time allotted, the papers before us still were not in order, the Mayor and Comptroller signed this evening the papers that should have been here and completed before this should even have been put on the agenda. It should never have gotten as far as the agenda. I am very reluctant to go through with any of this, there have been too many errors leading up to this point.

Mr. Beaumont stated that all of these items before the Council were acted upon this evening by the P.U.C.

Mr. Killen asked why there were after the fact? This meeting was called for over 3 weeks ago. If the P.U.C. had not acted on these items this evening, then we would have been meeting for nothing. Someone from the Electric Division requested this special meeting. We are going against the very rules that we set and scold other people for by acting on this this evening was Mr. Killen's remarks.

Ms. Papale thought it was a good idea to meet 4 times a year from approximately 7-11:00 P.M. to get a better understanding of the process. She attended the P.U.C. meeting this evening to better understand the material presented tonight. She felt that the last 1 1/2 hours were wasted and the very purpose of the meeting this evening regarding this item was lost. She was disappointed that nothing was being accomplished. She suggested a changed format and have the Division reappear before the Council at one of the next meetings.

Mr. Solinsky left at 11:52 P.M.

Mr. Dann stated that the Division has consistently this month worked on nothing but the budget and budget amendments. They got this packaged through and done as quickly as they could and they could not afford to wait too long on some of the items and find themselves in a situation of being overexpended on some of the accounts.

Mr. Gouveia felt that everyone understands the process and 90% of the questions that the Council may have had have been answered in the two pages of explanation accompanying the amendments. He felt the problem was in the procedure. He agreed that most of the Council Members feel as though they are losing control

over the budget.

Mr. Dann tried to explain to the Council the procedure by referring them to pages 4-11 and 4-18.

Mr. Killen reiterated that the Water Division is no different than any other department and the Council does not meet quarterly with any other department within the Town.

Mr. Dann felt it was an opportunity for the Division to explain what is going on, what the programs are, what has happened over the past quarter with the utilities.

The difference of opinion regarding the quarterly budget amendment process between the Council and the Division could not be reconciled.

Mr. Zandri amended the motion to Table this Item and have the Water and Sewer Division Change Their Format to Show the Appropriate Transfers to Each Line Item and Be Presented at the Next Town Council Meeting, seconded by Mr. Parisi.

VOTE: Holmes & Solinsky were absent; Papale, no; all others, aye. Motion duly carried.

ITEM #6 Consider and Approve a Transfer of Funds in the Amount of \$499.00 from Computerized Indexing Acct. #6030-6500 to Advertising Acct. #6030-4100 - Town Clerk's Office

Motion was made by Mr. Bradley, seconded by Mr. Parisi

VOTE: Holmes & Solinsky were absent; all others, aye; motion duly carried.

Motion was made by Mr. Bradley to Adjourn the meeting, seconded by Mr. Parisi.

There being no further business, the meeting adjourned at 12:58 A.M.

Meeting recorded and transcribed by:  
Kathryn F. Milano, Town Council Secretary

Approved by:

\_\_\_\_\_  
Albert E. Killen, Chairman

\_\_\_\_\_  
Date

\_\_\_\_\_  
Kathryn J. Wall, Town Clerk

\_\_\_\_\_  
Date

SPECIAL TOWN COUNCIL MEETING

FEBRUARY 7, 1991

7:00 P.M.

AGENDA

1. Roll Call & Pledge of Allegiance
2. Consider and Approve a Transfer of Funds in the Amount of \$1,000 from Acct. #100-1300, Clerk's Wages to Acct. #900-9000, Professional Services as requested by the Youth Service Bureau
3. Discussion and Possible Action on Payment of an Invoice From Vincent T. McManus, Jr. for Legal Services Rendered the Zoning Board of Appeals in the Matter of the Zoning Board of Appeals vs. Planning & Zoning
4. Discussion Regarding the Arbitrator's Agreement Concerning the New Yalesville Firehouse
5. Discussion and Possible Action on the Electrical Cable Problem at Sheehan High School