

JOINT MEETING

458

OF THE

WALLINGFORD TOWN COUNCIL  
&  
PUBLIC UTILITIES COMMISSION

June 11, 1986

(Special Town Council Meeting)

A special meeting of the Wallingford Town Council was held on this date in Council Chambers. Answering present to the roll called by the Council Secretary were Council members Bergamini, Diana, Gessert, Gouveia, Killen, Papale, Polanski and Rys. Since this was a joint meeting, Mr. Nunn also called the PUC meeting to order and all members of the PUC were present. The meeting was called to order at 6:48 p.m.

Mr. Nunn then asked Ray Smith to introduce the consultants and other representatives from the other municipalities that were part of the OMEGA group which is involved in this pending rate case. Mr. Nunn then says after that time, he feels and it is the feeling of the Town Attorney and the Attorney on the rate case, the matter to be discussed would call for an Executive Session seeing it deals with litigation and it complies with FOI since it does deal with material of a sensitive nature.

Mr. Smith then introduces the following people: Attorney Robert O'Neil, consultant Steve Daniels, the 2 managers from the 2 Norwalk Systems who are Larry Rossi, Manager of the South Norwalk Electric Works and Don Radley. He also introduces Mark Harris, an accountant with the South Norwalk Electric Works and 2 Commissioners from the South Norwalk Elec. Works who are Dorothy Spielman and Rose Riley. He then comments that Rose Riley is also a Council person. Mr. Smith then says the reason for the meeting is to advise the commission on the status of the wholesale rate case. Due to the sensitivity of the matter, he feels it should be discussed in EXECUTIVE SESSION.

Mrs. Papale then moved to go into Executive Session to discuss pending litigation; seconded by Mr. Rys.

VOTE: Unanimous ayes with the exception of Mr. Holmes who was not present; motion duly carried.

Mr. Beaumont (PUC) then also moved to go into Executive Session for the purpose of discussing pending litigation; seconded by Mr. Kovacs.

VOTE: Unanimous ayes; motion duly carried.

The meeting then went into EXECUTIVE SESSION at 6:55 p.m.

Mr. Diana then moved to come out of EXECUTIVE SESSION; seconded by Mrs. Bergamini.

VOTE: Unanimous ayes with the exception of Mr. Holmes who was not present; motion duly carried.

Mr. Beaumont also moved to come out of EXECUTIVE SESSION; seconded by Mr. Kovacs.

VOTE: Unanimous ayes; motion duly carried.

The meeting then came out of EXECUTIVE SESSION at 8:41 p.m.

Chairman Gessert then explains that they are now in open session. This is a joint meeting and the Council will defer to the PUC to let them act on the presentation just heard.

Mr. Nunn then says the purpose of this meeting is that they have been appraised by our attorney and our consultant on the nature and status of the current rate case that we participated in in Washington D.C. with the Federal Energy Regulatory Commission with CL&P division of Northeast Utilities. He then says because of the nature of this they had to do this in Executive Session. The matters are extremely sensitive. All discussion so far do qualify under the FOI Act because of the nature, He also has been advised that although it is in open session, there may be questions asked that may not be answered because the nature of the answer may jeopardize the case.

Attorney O'Neil states that this is all concerning a partial settlement now pending in Washington D.C.. There are 2 areas of concern and he has advised the PUC that in the event a settlement was not obtained, they certainly wouldn't want to reveal anything that would be prejudicial to argue their case. They want to keep the rates as low as possible. Also, under the rules of the Federal Energy Regulatory Commission behooves discussion of the settlement. He does indicate that once they do reach a settlement, all documents will be made public. 459

Mr. Nunn then asks Attorney Farrell and Attorney O'Neil to intercede on any questions they feel might jeopardize the situation. He then says they have received documents supporting a proposal to accept the recommendation set forth by out attorney's to settle at least in a partial manner, the rate case. He then says he will entertain a motion to put it out on the floor so that if they have a positive vote by the Commission, further action can take place. Such as the final documents describing the settlement characteristics. If they are in favor of this, they have to take that action. If they are not in favor, they have to go back to the attorneys and CL&P and FERC.

Mr. Smith then says that they have been working since August of 1985 with the Attorney and the consultant if appealing the rate case. This rate case involves a substantial increase in wholesale purchased power costs to Wallingford as well as others. He says they have been in litigation since that time and had many sessions in attempts to come to a settlement. We have gotten to the stage where we believe we have a partial settlement that we would recommend to the Commission that we should accept which would terminate litigation on most of the issues of the case and would allow for three remaining issues that would go through the full litigation process. It is his recommendation that they accept the partial settlement along with the terms and conditions described in executive session and if the commission is in agreement, the papers or documents would be drawn up to outline and spell out everything and also continue litigation on the following three issues: the prudency issue, the issue of demand allocation, and also price squeeze.

Mr. Nunn then says with that in mind the procedure he would like to follow would be to have a motion made and if the motion is seconded, it would then be open for discussion. He would like to then turn it back to Mr. O'Neil to give the public an opportunity to hear the details of what the proposals are as far as he can illucidate in public. At that point, he will take comments from the Commission, then the Council and then the public.

Mr. Beaumont then moved the following Resolution:

Be It Resolved: That Raymond Smith, Director of Utilities is authorized to take any and all actions necessary to finalize a partial settlement of the pending rate case litigation against Connecticut Light and Power Company, FERC Docket No. ER 85-720-001 on the condition that the final documents are in proper form and in accordance with the oral proposals of the parties. A further condition is that the Town Attorney's office and Washington Counsel review and approve all documents prior to execution.

Mr. Kovacs seconded the motion.

Mr. O'Neil then comments that they have filed extensive testimony in a proceeding in Washington because everyone asks the question are we going to be subject to rates that are unjust and unreasonable. He then says Mr. Steve Daniels is a key witness on behalf of the Counsel. After reviewing the rate increase application filed last August by CL&P they identified a number of issues that they felt were being treated unappropriately and warranted adjustment to reduce the rates. In the course of the hearing efforts were made to compromise a number of these issues. He is not at liberty to discuss the details of the issues but it will be a matter of public record. The basic nature of the settlement is basically the three issues just described by Mr. Smith and in essence compromising the other issues that were identified by the towns themselves in the pretrial testimony. He then goes on to say he believes this is a good settlement and will go on to save the town incremental litigation and will also, we believe, provide for some immediate rate relief. If approved, there will be an interim reduction of rates, wholesale rates.

Mr. Nunn then asks if there are any questions from the Commission and Mr. Beaumont comments that it is his view that the Washington Counsel and consulting engineering firm have really done a good job in both the

negotiating process and in litigation. He feels the partial settlement is in the best interest of the Town of Wallingford, the rate payers as well as the Utility itself. He feels we should go forth with this to spell out the partial settlement. There were no comments then from the Council so Mr. Nunn let questions be entertained from the public. 400

Romeo Dorsey, 122 South Orchard Street, asks what percentage will the reduction they are talking about be.

Mr. O'Neil says it is a substantial reduction. Mr. Nunn then explains they received approximately a 33% increase from CL&P in their electric rates. The law states that they can invoice us for that amount immediately and if they have successful litigation, they can reduce that and the money will be returned with interest to the utility. Because of the tremendous impact of such a rate shock on the customer, the PUC elected to increase the rates 10% rather than 33%. Therefore, by doing this, we absorb the difference between 33 and 10% that we pass on to our customer. As a result of that, the utility is anticipating a budget deficit close to \$4 million. Our alternative would be to pass through the entire rate increase. The commission elected to pass through 10% of the increase and see what happened in the settlement. If we go on to litigate this it will take many months and in the meantime, we will be paying at the 33% interest. He can not answer at this time as to what they will be doing. He would say they will be leaving the 10% increase in effect and then depending on the final settlement, see if they will increase the rate.

Mr. Nunn then says lets say they reduce the rate from 33% to 17.5%, they are still not covering the entire rate. At that point, the decision of the commission might be to again increase the rate to get more recovery. He does not know what action the Commission will take based on the partial settlement.

Mr. Dorsey then asks how much the bill in dollars will increase. Mr. Smith says they he does not have the financial statements with him and he could not answer that question.

Mr. Nunn then says he can say that the rates increased 33% on April 23rd.

Mr. Dorsey asks what was the profit in March. Mr. Smith says he really couldn't answer that. Mr. Dorsey says the problem is that they are not going to have a \$4 million deficit. Mr. Smith says they are talking about next year's budget. Mr. Nunn then says if they are working with a 6-7-8% profit and they absorb a 33% increase, then the mathematics tell me that we have a loss and that is a loss. Mr. Smith then says he does not have the financial statements with him as he was not prepared to answer that type of question. Next year the budget was prepared to show a 13% retail rate increase with the 33-35% wholesale rate increase and as a result there were insufficient revenues to cover the expenses which resulted in a \$4 million net loss 1986-87.

Mayor Dickinson then comments about the State looking to reduce rates now other than the CL&P phase in. Mr. Smith says that the State put an order into effect that basically did not change the rates. They had changed components within the rates and there is recovery schemes and all. The consultant lawyer could address that. The bottom line is that they said they would not change the rates.

Attorney O'Neil says the effect of the Connecticut Commission's decision is to allow the rates that are now in effect to remain in effect and there would be no change in rates. But those rates would be deemed to be overcollecting \$46 million annually which would be put into a ratepayer fund to amortize future rate increases. The difference between what is happening at the FERC level, which is where we are, is at the Federal Energy Regulatory Commission when CL&P filed this 35% rate increase, it proposed to phase in whatsoever of the costs associated with Millstone III. At the CT Commission, in accordance with state law, the company proposed a 3 year phase in. They would only then collect 33 1/3% of the cost. It is our understanding that this order that was signed today, requires a 5 year phase in. Their understanding is that this proposal is that deferral will in essence carry interest and next year the rates will go up to reflect a further step increase.

Mayor Dickinson then asks if the state is requiring a phase in for Wallingford or are we under a different rule? Attorney O'Neil says Wallingford is different. He then describes a case that happened in Massachusetts and the State Commission cannot dictate ratemaking subject to the Federal Energy Regulatory Commission. He then says what is happening is that they are giving the ratepayer a shot of Novicaine. It won't kill the pain, it won't make it go away, they are just postponing it.

Mr. Nunn then asks if there are any other questions and Mr. Gouveia then says he would like to make a comment. He then says as far as information to the people, we have different rules than Washington. 461

Mr. Gouveia says he does take exception with the Novicaine shot he is talking about. The State DPUC ordered Northeast Utilities to cut the profit margin. Instead of 16% profit they will make 13%. In essence they will reduce the revenue by \$79 million. That is going to be set aside for future rate requests. That difference does alleviate some pain but the sad part about it is that we fall under a different set of rules.

Mr. O'Neil then says he was advised that the order today had a 14% and not a 13% on the state level. They had been talking about \$70+ million dollar but the state court, he believes, disallowed \$33 million. Mr. Gouveia feels the case with Northeast Utilities is that they didn't get their rate increase and in essence they got some money taken away from them because they were making too much profit. Some people say this is due to politics because this is an election year and maybe this is the case where politics does pay off for people. Again, this does not help us at all in this case says Mr. Gouveia.

Mr. Nunn then says it is the opinion of the consultants that this increase will not be deferred forever. They are also the investor owned utilities who also have to pass through a rate increase to their rate payers and because we can not have a phase-in, we have been impacted by the entire amount. The only way we can insulate the phase-in is by us taking the 10% instead of the 33%. It is felt that after everything is settled on this we will pay better rates than a retail customer.

VOTE: (PUC MOTION) Unanimous ayes; motion duly carried.

Mr. Kovacs then moved to adjourn the PUC meeting; seconded by Mr. Beaumont.

VOTE: Unanimous ayes; motion duly carried.

The PUC Meeting then adjourned at 9:18 p.m.

The next item scheduled for the Town Council meeting was a discussion with Joel Cogan of Connecticut Conference of Municipalities concerning membership.

Chairman Gessert introduces Mr. Cogan and Mr. Cogan begins by giving each Council member a packet on the Connecticut Conference of Municipalities. He starts with a map that is darkened for all the cities and towns of Connecticut that do belong to CCM. The map does show 98 municipalities which is 82% of the state's population that belong to CCM. Mr. Cogan does explain that Mr. Leslie did want to attend this meeting but was not able to make it tonight.

Mr. Cogan goes on to state that many of the surrounding towns are active members of CCM. He then goes on to explain the 4-5 items stapled together in the packet which are unsolicited comments in the last few weeks about some of the benefits from membership in CCM. The first item was an item from the Bridgeport Post where CCM had saved Bridgeport about \$1 million by having them figure out what money they had coming to them from the state. They found this information out while they were still preparing their tax rate and they saved a very substantial amount. There are many letters also included here that thank CCM for the information provided. They pride themselves in saying they will answer any question that any official of a CCM member municipality has. They do this and they handle over 1,000 inquiries a year from all different members of municipalities. The last loose piece of information is an article from the Manchester Herald where there was a bill turned up in the legislature and it passed the House and CCM lobbied heavily against it and it lost by six votes in the Senate. This bill would not only have hurt Manchester but many other municipalities as well. Mr. Cogan then says what they have done in the folder is put together some of the things that describe what CCM does that benefit individual municipalities. He then says a substantial amount of what they do benefits cities and towns whether they belong to CCM or not. He does point out that the more membership they do have, the more effective they will be in terms of representing more towns and in terms of having a more solid revenue basis which enables them to do, in the long run, a more effective job. There is no question about the fact that when they get bills passed or bills amended or defeated,

everyone benefits from that whether they belong or not. Another are that would benefit anyone is the area of insurance. They have been very active in this. We set up CT Interlocal Risk Management agency a number of years ago which they also have information on in their packet. He also states that they run a very successful Worker's Compensation Pool. They cover over 36,000 employees. They have municipalities that are not in their worker's comp. pool and they do help to keep the rates down and put an element of competition into the market that had not existed. For the last year or so they have been getting ready to get into the liability area. They were very active in working with legislation on municipal liability and they have been working to set up a liability on available property insurance pool. Wallingford is one of over 60 municipalities that have submitted applications. We are putting a proposal together for Wallingford. There is no question that we are not going to be low in the price that we offer to everyone of those municipalities and he is certain that they are forcing the Hartford who is the main actor in the municipal liability insurance market in CT. This will force them to keep their prices honest and come up with lower prices. Even for non-members, the benefit comes because they introduce it to the marketplace and the liability is absolutely essential. Mr. Cogan then says it is possible to be a member of CIRMA without being a member of CCM. There are a number of municipalities who have done that but more are becoming CCM members. Most of the other work they do is directly aimed at the member municipalities. He then says they have intervened on behalf of municipalities for the CL&P rate case oddly enough. They are also involved in a case in Southington where the state labor board held that Department heads could form a labor union because they were not covered by the exemption under the statute because they were not heads of major departments. The Town of Southington is appealing that case in the courts and CCM will be joining on their side. Mr. Cogan continues and says they also do national lobbying working through the National League of Cities in respect with Congress as a whole and directly with our own Conn. Congressional delegation. The advocacy work is a major part of what they do both in terms of representation work and in keeping the towns and cities informed about what is going on in the Legislature. CCM members are able to have information to use in their budget process that no other cities or towns in the State have had and at this time, in particular, when there was so much in the air, it was important to them.

The other major areas they cover are Management assistance whereby CCM provides information through a variety of types of bulletins etc.

They have a series called Municipal Liability bulletins, State Regulation bulletins, extensive labor relations assistance service and then they publish CT Town & City. They do run workshops and training sessions. They are now about to expand the training programs to include on-site training in the municipalities in personnel, administration etc. They do have an individual inquiry service. Some involve a very small amount of research and others involve a very extensive amount of research. Mr. Cogan is absolutely convinced that a municipality that chooses to avail itself to that service, and most members do, will save in fees that they would otherwise have to pay to lawyers and consultants. They will save far more than the dues alone.

Mr. Diana then asks the cost of this and Mr. Cogan says it is \$11,077 for Wallingford. Mr. Polanski then asks how many people are on the staff and Mr. Cogan replies 34. Mr. Diana then asks if there is an additional charge to be a member of CIRMA. Mr. Cogan says to be a member of CIRMA, it is an insurance premium that could be over \$1million. Mrs. Bergamini then asks if they are already members of CIRMA. Mr. Cogan says they have submitted an application and they are in the process of giving them a proposal.

Mayor Dickinson then says currently CIRMA is Worker's Comp. and we are self-insured for worker's comp. CIRMA is just going into general liability and that is the reason for the application.

Mr. Diana then says with some investigation on his end he can say that the figure is somewhere between \$8,000-\$10,000 for CIRMA for this town. This is the entry fee. Mr. Cogan explains there is a one-time entry fee which is a certain percentage of what the worker's comp. would be. There is still an annual contribution that is paid after that. This is non-profit to the extent that you have a better than anticipated loss ratio, you would get distribution of what they call members equity which is a distribution surplus each year and they have paid back in the liability pool millions of dollars. He then explains

that it does show, not including distribution this year, \$6,895,000. He explains that the yearly fee is like an insurance premium. He then explains that Milford's total premium is in the area of \$1 million. They are a little bigger than Wallingford. We are talking about a lot of kinds of insurance, general, automobile liability and automobile physical damage, public official liability insurance, law enforcement liability insurance, school leaders and employees liability insurance and property insurance including boiler and machinery etc. Not all towns are going to buy all of those but when you add them all up, that adds up to a lot of money. We are doing this because there was a need to make sure that municipalities were going to be able to get insurance in the first place and in the second to help keep the rates down and thirdly to provide some loss control services and get a better handle on liability. 463

Mr. Diana then says CIRMA is in fact a self-insurance pool, correct? Mr. Cogan says exactly. CCM manages and administers CIRMA. CIRMA contracts with professional insurance service organizations. Mr. Cogan then lists some of these organizations.

Mrs. Bergamini then asks if they have addressed binding arbitration. Mr. Cogan says yes they are. They tried to get it changed and they were involved in the two cases that went to the Supreme Court.

They challenged directly the constitutionality of binding arbitration case and the State Supreme court through them out on the grounds that municipalities did not have the power to question the constitutionality in State Statute. Then they tried a new angle on the Board of Education for teachers binding arbitration, Conn. Association of Boards of Ed was a lead referring organization in that case and they joined that one and they through that out on the same grounds. This last session, they introduced a bill in the General Assembly which said that municipality had the same right to challenge the State Statute that anybody else had and they got it out and it was then defeated in the Senate by 2 votes. They tried to get it reconsidered but they couldn't. That will be on the priority list next year. In terms of binding arbitration they were able to get some changes in the statute and now the arbitrators have to give reason for their decisions. Mrs. Bergamini then says they are suppose to give reasons but some of those reasons are absolutely ridiculous. This is a thorn in everyone's side.

Mrs. Bergamini then asks if Mr. Cogan feels that the \$11,000 in dues will be justified. Will they get \$11,000 worth back. Mr. Cogan says that is the question they have to decide. If they don't believe it, they shouldn't join. More and more members are joining and they are very satisfied. Bridgeport and Hartford pay \$37,000 a year. Mrs. Bergamini then comments that she and Mrs. Papale went to a convention last year and they came back singing praises. Mr. Gouveia also comments that he went to one of the seminars in Cromwell on newly elected Council members and he enjoyed it. He wished it were longer because there is too much information given in one morning.

Mayor Dickinson then asks if there are different fees for some of the other services. If they were going to use the answer service is there another fee? Mr. Cogan says some have separate fees. The inquiry service has no charge. The personnel service for which there is a fee is the one called computerized labor relations status services. That is a separate subscription service. It is available only to members of CCM. This is self-supporting. On this what you get is a monthly labor relations data report which reports on all the contract settlements. The fee for Wallingford is \$990 with the Board of Education \$1,100. This is optional. He continues to say they do charge money for their workshops, registration fees. Some of them. Not all are charged for. Many workshops they do only for CCM members. They will be doing one in the next few months on re-evaluation. This one they will not charge for but that will be for CCM members only. They tend to not charge for the ones that are for CCM members. They also have some workshops they charge a registration fee for. CCM members pay much less. All of the bulletins are free. There are a few publications that they do charge for. They publish a municipal directory which they do charge for. It is a listing of municipal officials.

Mr. Diana asks if there will be further discussion on this and Mrs. Bergamini says this is a discussion. They do not have to decide or make a motion on joining now.

Mrs. Bergamini then asks if they did belong at one time. Mr. Cogan explains that they did belong. He says the reason they got out was they withdrew during the time when Rocco Vumbacco was Mayor and to the best of his knowledge, it was related to the charge for workshop

fees. The Mayor felt they shouldn't be charged for workshop fees. He felt it should become part of the dues. 464

Mayor Dickinson then says he heard is was something about an inquiry of saleries within the organization.

Mrs. Bergamini then comments about a person being re-assessed and they decide the assessment is not to their liking and they bring their proof and they go before the appeal session and they win. She found out a year or two later, the tax assessor's office or his staff can review that and arbitrarily decide that no they shouldn't have been reduced and increase it. After the people have gone through the trouble. She had two people she spoke to. She says she called the assessor's office and he told her that after a year or two they go through the records and find an error they have a right to do this. The people involved had to go through all the mess and what is the point of initially bereaving it then if the Board of Tax Review gave it to you the first time and the Board of Tax Review gave it a second time. Mrs. Bergamini feels this is grossly unfair. If you win a case in 1982, the same rules should apply in 1984 or 1985. This might be something that someone should check into. Marybeth's case was an error which she proved. This is probably something covered in the Statute and this should be looked in to.

Mr. Cogan says they go into this re-evaluation and everyone does it like you are doing it for the first time and you learn once you finish it you are a big expert but then the next people have to go through the first time.

Mr. Killen then says the thing that amazes him about this is that it still doesn't serve the purposes that it was put on the books for. It wasn't just to bring everyone abreast of each other. It was to make your assessor aware of the values throughout the town. You bring an out-of-town firm to do it which doesn't help you assesor one damn bit. He doesn't know what is going on. He takes their figures and works with them. It really defeats the purpose of the statute.

There are no further questions and Mr. Cogan is thanked by all the Council members.

A motion to adjourn was duly made, seconded and carried and the meeting adjourned at 9:47 p.m.

Respectfully submitted,

Lisa M. Bousquet  
Council Secretary

Approved

David A. Gessert  
David A. Gessert, Council Chairman

6-24-86

(Date)

Rosemary A. Rascati  
Rosemary A. Rascati, Town Clerk

6-24-86

(Date)