SECOND TAXING DISTRICT COMMISSIONERS
Regular Meeting
May 18, 2010

Present:	Mary E. Burgess	Chairperson
	Al Ayme	Vice Chairperson
	Maria Borges-Lopez	
	Mary A. Geake	
	Sherelle Harris	
	Mary Mann	
	Cesar A. Ramirez	
Also Present:	John M. Hiscock	General Manager
	Candace Pampoukidis	District Clerk
	Kevin Barber	Dir. / Admin & Cust Serv
	Scott Whittier	Dir. / Technical Services
Public Present:	None	

Call To Order

Chairperson Mary E. Burgess called the Regular Meeting of the Second Taxing District Commissioners to order at 7:02 p.m. on Tuesday, May 18, 2010. The meeting was held at South Norwalk Electric and Water, One State Street, South Norwalk, Connecticut.

Acceptance of the Minutes

Commissioner Burgess: "Alright, I will call this regular meeting of the District Commissioners of the Second Taxing District, City of Norwalk, to order, Tuesday, May 18, 2010 at 7:02; and I need a motion for acceptance of the minutes of April 20th."

Commissioner Borges-Lopez: "So moved."

Commissioner Mann: "Second."

Commissioner Burgess: "Any corrections?"

[No remarks]

Commissioner Burgess: "All in favor?"

Commissioners simultaneously: "Aye."

Commissioner Burgess: "Opposed?"

[No opposed]

Commissioner Borges-Lopez made a motion to accept the minutes of the regular meeting of April 20, 2010. Commissioner Mann seconded and the motion passed unanimously with all seven Commissioners voting in favor and none opposed.

CONSENT AGENDA

Customer Appeal – 50 Washington Street

Commissioner Burgess: "Okay, and the consent agenda. Are you going to report on that Mr. Hiscock?"

Mr. Hiscock: "I'll just indicate that in your board book is the draft decision of the Appeals Committee and in accordance with our procedures there are no questions, there's no discussion, and if anybody wants to pull it off the consent agenda to discuss it they may do so by indicating to the Chair."

Commissioner Burgess: "So someone needs to move the resolution."

Commissioner Ayme: "So moved."

Commissioner Ramirez: "I second it."

Commissioner Burgess: "Do you want them to read it, or do you have it?"

Mr. Hiscock: "No [responding to Commissioner Burgess]."

Commissioner Burgess: "No?"

Mr. Hiscock: "No need to read it."

Commissioner Burgess: "Okay, is there a second?"

Commissioner Ramirez: "Second."

Commissioner Burgess: "Okay, all in favor?"

Commissioner simultaneously: "Aye."

Commissioners Burgess: "Opposed?"

[No opposed]

Commissioner Burgess: "Abstentions?"

[No abstentions]

Commissioner Ayme made a motion to approve the consent agenda, Customer Appeal – 50 Washington Street. Commissioner Ramirez seconded, and the motion passed with all seven Commissioners voting in favor and none opposed.

REGULAR AGENDA

AMI – Progress Report

Commissioner Burgess: "Okay, now we go into… down to show and tell time, I guess."

Mr. Hiscock: "Okay, we decided that it would be appropriate to update the Commission on our Automated Meter Infrastructure project. Some of you are new to the Commission so I'm going to have to backtrack just a little bit. We budgeted for, and are in the process of an Automated Meter Infrastructure project where we're replacing all of the electric meters in the system, and we are modifying the water meters in the system, to improve our meter reading performance along with a whole host of other goals. The project started approximately one year and half or so ago. I think the presentation that you're going to get in a moment will fill in some of the details, and as we go ask any questions and we'll sort of give you an update as to where we are. The update this evening is going to be done by… and I don't know who's doing what portions, Scott Whittier, our Director of Technical Services and Kevin Barber, our Director of Administration and… some other stuff."

[Laughter]

Commissioner Geake: "I like the title."

Mr. Hiscock: "You'll have to find a letterhead to try and remember the whole thing. Okay, so I'm… at this point I'm just going to turn it over to the two of them and they can decide who's going to what. And I think they have a slide show for you with explanation. Go ahead, sit wherever you want. Stand wherever you want [directed to Mr. Barber]"

Mr. Barber: "Well I may sit if it's okay with the… what the General Manager, John Hiscock, asked Scott and me to do is prepare a brief update of where we are on our Advanced Metering project. As soon as the light gets a little brighter we'll move ahead [referring to the slide projection]. What we're just going to do briefly is talk about the history of the project, sort of where we… what we've gone through already; where we are right now with the status; SNEW and the ConnSmart program, which I'll explain what that all is about; and SNEW, AMI, and what we have entail in the future. The history of our AMI project dates back to November of 2008 when we started this process. We had hired a consultant, Plexus Research, to assist us with the preparation of a business case which we presented to the Board in March of 2009. We had received a positive feedback from the Board, so at that point we started with an RFP process to seek bids and proposals on an AMI project. That began in March of 2009. Midway through that RFP process we had the opportunity to join this ConnSmart program which I'll talk about in like two slides. And then in October we, after receiving all of our RFP replies, we went through a very rigorous process of reviewing them, scoring them, and then we finally ended up selecting an AMI vendor in October. Then in November until current we've been in contract negotiations with them. And we are happy to say that we finally signed the contracts…"

Commissioner Mann: "Alright [laughing]."

Mr. Barber: "…So we are now at that last stage where we can begin deployment. Because we just signed the contract, we're expecting this process to get started in June, roughly July. We expect all of our electric meters to be changed out hopefully by the end of the calendar year 2010, and we are going to be doing all of our water modules, as Mr. Hiscock indicated, which are just modules added to the water meters, using our own staff, probably for the next two to three years. So we'll do that

all internally. Our current status is we selected the vendor which is Sexus… Sensus, excuse me. They are one of the two vendors that we looked at in our RFP process, and their system is the Flex Net AMI system. This system consists of a radio communication system which will communicate via two-way radio from the radio towers which will be installed on our current, existing water towers so that we don't have to go through any special process of erecting towers or anything. They're going to get placed right on top of our water towers, and they'll communicate via radio to our electric meters and/or our water meters. We are planning on replacing all of our electric meters, which is a total of about 6,500 meters. Approximately 6,200 of those are single-phase, like sort of residential style meters that you have at your own house; and the balance of meters, about 300, are three-phase which are more for the larger commercial/industrial type facilities. We'll also be doing approximately 9,500 water modules over the next few years, and this will all be sort of tied together by a computer system to manage and operate this… what I'd like to characterize as a complex network of meters and data input sys…basically stations."

Mr. Hiscock: "Yes, Kevin [Mr. Barber], I was going to say you might want to explain the difference between two-way and one-way, and why water and electric are different."

Mr. Barber: "Okay, what a two-way radio allows us to do is actually the electric meter can talk to our computer system, which will be actually housed here at State Street. It will also allow the computer system to talk to the electric meter. For example if we wanted to get an on-demand reading right now, we can walk over and ask the computer 'Get me a reading from that electric meter'. It will go out, talk to the radio, [and] the radio will then send a reading back. On the water meter it's a little bit different. All that the radio is doing on the water meter is sending the reading at pre-determined increments. And very… there's a few reasons why that's the case. Water modules, or the water reads, aren't what I like to characterize as critical or important as electric. We all know the cost of electric rates has gone up. It's now becoming more and more important to have more current, timely information on electric reads. We also read them monthly, compared to quarterly as are most cases on water. But the other major problem is with radios you need power. You need some sort of battery or electricity to run that radio, and to send the reads and receive. While with the water modules there is no source of electricity, so it's all generated off a battery. And so the battery life would be compromised if you put a two-way radio in it and had to keep sending and receiving signals. So it does become more of an efficiency for the battery on the water module to only send once in a while. They are coming out in the future with a two-way water module, so that will be something that we could do in the future if we so desire, but our RFP process called for a one-way radio system, and that fits our needs perfectly. As we said before, deployment will begin June or July of this year. As I said, for electric hopefully by the end of the year we'll be all fully deployed and running. Now as I mentioned earlier, we are involved with what's called a ConnSmart program. Last February, I believe, was when the announcement was made from the Department of Energy where they were going to be having grants for stimulus. Members of CMEEC, as listed here; SNEW, Groton Utilities, Norwalk, Norwich Public Utilities, Jewett City, and CMEEC decided as a group to file an application for some of this grant money. We filed the grant in August with the DOE, and we were notified in December that the Connecticut program was accepted as one of one hundred grant recipients in the country. And actually we are the only grant recipient in the State of Connecticut. In March of this year the contract between CMEEC and the DOE was signed. Now the total value of the ConnSmart grant was $18.2 million. SNEW's portion of this grant is just under $4.8 million. And we are actually the largest portion of the CMEEC, or ConnSmart grant portion, or grant amount. What the ConnSmart program entails is a number of projects that are being run sort of in conjunction with each other through other utilities; or I should say the four member utilities. One of them is an AMI system, which is what we're

giving an update on for today. Groton already actually has one partially installed, and they're going to be installing another one. And Norwich is going through an RFP process like we've just completed. The second is a Meter Data Management System. This type of AMI system will produce excessive, vast amounts of data that we, as a utility, need to be able to manage and use. And the Meter Data Management System is the tool that we're going to use to actually manage and control all of that data. Another portion of this program is an upgrade to the CMAR system, which is CMEEC's… it's called a Comprehensive Market Analysis and Reporting system. And I'm sure, John, you could probably describe it in greater detail what the CMAR system is."

Mr. Hiscock: "The computerized system that CMEEC uses to settle with ISO New England with respect to payments and charges, in other words it's a huge database that's utilized primarily for dealing with payments to the ISO, and payments from the ISO to CMEEC. So it's related to the ISO New England process and market rule, and it's a rather complex program and piece of information. And CMEEC actually markets this to other utility systems. So CMEEC is actually making money by marketing it to others. That's actually how good the product is. And it was actually developed internally within CMEEC by its own staff. And it's been in existence, and continually upgraded for probably close to the last 15 years."

Mr. Barber: "And it is part of this program because of the amounts of data that's being collected by each of the utilities. It's actually going to give CMEEC a lot more information and data to help them better purchase electricity in the future. So that's why the CMAR's is being included. It's helping us that hopefully it will actually provide us the better tools and understanding for electric usage to better purchase power in the future. Another component of the ConnSmart program is a number of pilot programs that we are going to be running. One of them, not… I should say, not that we, SNEW, is going to run, but some of the member utilities will be doing portions of it. One of them is time of use rates, which I know has been brought up to the Board a few times. Web presentment, which is actually the information we are collecting from these meters, we can actually allow customers to access via the web. So they can come on… go online and see exactly their usage almost to… almost in real time. Home security networks, which is actually receiving some of the information whether it be in a display that you have in your home, or on a smart thermostat, or some other home area device, which a lot of that is coming in the future. Some of it's here now, but some of where… I think where they want to go with it will be down the road. Another pilot program is a demand response; and another one is called DSCADA, which is Distribution, Supervisory Control and Data Acquisition, which is not part of our program yet, but it is something that we are going to be looking at in the future. Now where is SNEW going? We are heading towards a smarter grid. The installation of this AMI system by SNEW is going to provide us with the tools and the infrastructure to get us closer and closer to that smart grid that everyone kind of hears about. We're also looking for customer empowerment by the use of time-of-use rates, critical peak rates, real time, market based rates, specifically web presentment where, as I said before, a customer can come in and see exactly what their usage is, and hopefully, maybe, make decisions on their usage to maybe save some money or make better decisions on the usage; home area networks with smart thermometers as I mentioned before; a demand response program; and finally leading us down to the electronic customer payments that we will be getting to. Now that's just a quick, a very quick overview, so… questions? I'll let Scott [Mr. Whittier] answer these."

[Laughter]

Commissioner Burgess: "How much of the cost of this project will be paid by our amount that we get through the grant; percentage-wise, not…?"

Mr. Barber: The amount of our grant is $4.8 million, and that is the total amount. It is a 50% grant, so we will end up paying approximately $2.4 million for the project."

Commissioner Burgess: "The project would be $8 million without this grant. Is that what you're saying?"

Mr. Barber: "No, the project is… the total project is $4.8 million. We will be receiving approximately $2.4 [million] in return."

Commissioner Burgess: "Oh, okay."

Commissioner Ayme: "I didn't get that. Through the Chair, I thought we were getting $4.8 million in the grant, out of the $18 million?"

Mr. Barber: "That's correct, but… it's the amount of money that we spend. If we spend $4.8 million, we will receive 50% back, so we will be recieving…"

Commissioner Ayme: "Oh, we only get 50% back?"

Mr. Barber: "Right, we will be receiving $2.4 million back from the Department of Energy."

Commissioner Ayme: "So if it's more we get 50% of the excess amount?"

Mr. Barber: "Well…"

Commissioner Ayme: "In addition to the…"

Mr. Barber: "Right now ours is capped, I believe, at $4.8 million."

Commissioner Ramirez: "That's the maximum we will be receiving, correct?"

Mr. Hiscock: "Okay, because of the way we structured this CMEEC has an arrangement with DOE for the entire $18 point whatever it is million, and we're in the process of working out contractual arrangements with CMEEC of the base amount that was listed there is what we will be entitled to under the program presuming that everybody agrees, and everybody signs off, and we have an indication that that's the case. There is some extra money that may not be spent on the total grant, and if that's the case, the four utilities' managers will get to divvy up and determine who gets what. And the reason it's going to be done that way, is we're getting the lion's share because we had already budgeted our program, we were already moving forward, and we sort of became a good portion of the basis for being chosen along with some of the other things that were going on. So we locked in early at a high dollar amount. Now there's probably about $1 million or so in the program that isn't allocated quite yet, maybe it's a little higher than that…"

Mr. Barber: "$1.2 [million]…"

Mr. Hiscock: "Yes."

Mr. Barber: "$1.2, $1.3…"

Mr. Hiscock: "And on a percentage basis that allocates a little over $500,000 more to us, but since we are completely deploying, 100% right from the start, we probably would not be able to make use of the full $500,000, and we generally agreed that it's certainly not fair, we're one of the smaller systems, to get the lion's share of the money simply because we were a little ahead of the game with respect to full deployment. So there may be some additional funds for some of the programs that we hadn't originally planned, but that decision is really going to be made jointly by the systems themselves. So we're all sort of going to compete for the money. And I think we finally agreed that we wouldn't turn any money back to the Feds, I mean that just wouldn't make any sense. And the three systems that aren't doing 100% deployment, I guess to spend the money we kind of said we'll just put meters in the other systems to get a higher deployment of meters in their systems. So I know that was kind of a long response to your question, but that's sort of how it's going to work."

Commissioner Ayme: "Yes, I have another question…"

Commissioner Burgess: "Go ahead."

Commissioner Ayme: "Through the Chair, I remember when we last talked about this that there was another ex… okay, let me back track for a second here. The $2.8 million, or $2.4 million, is that for the… that's to acquire the product, the mechanical meters, and it also includes the installations, am I correct?"

Mr. Hiscock: "That's correct. I don't have the numbers. Maybe Kevin [Mr. Barber] and Scott [Mr. Whittier] have them. Our original program was not going to cost that much. And you need to understand a few things about Federal grants. They give money, but they want something in return. There are a lot of administrative requirements, a lot of reporting requirements, and while we're saying we're getting a 50% grant, I'm going to throw a number out to you that compared to our original program, maybe it's a 30% grant. That's just a guess, because there are certain… there's some things that we're going to need to do for the Federal government, but on balance we're still getting a tremendous amount of money compared to if we ignored the grant and did this on our own."

Commissioner Ayme: "And this company that we are hiring are doing the installation?"

Mr. Hiscock: "Yes."

Commissioner Ayme: "They are doing the installation?"

Mr. Hiscock: "They are doing the installation of the electric…"

Commissioner Burgess: "Of the electric."

Mr. Hiscock: "…I think Kevin [Mr. Barber] and Scott [Mr. Whittier] indicated that we are doing the installation on the water…"

Commissioner Ayme: "On the water side?"

Mr. Hiscock: "…over a longer time period."

Commissioner Ayme: "On the water side."

Mr. Hiscock: "Right."

Commissioner Ayme: "The reason I'm asking so many questions… I'm going to be asking a couple of questions, and the reason for that is that at the time they didn't have a lot of information when they made the last presentation, and… anyway, in terms of the… in terms of the employees, we should be totally implemented by the end of next year?"

Mr. Hiscock: "The electric should be implemented by December of this year."

Commissioner Ayme: "Oh, this year?"

Mr. Hiscock: "Correct."

Commissioner Ayme: "And totally, water and the electric?"

Mr. Hiscock: "Two to three years."

Commissioner Ayme: "How many employees do we have checking meters now?"

Mr. Hiscock: "Three."

Commissioner Ayme: "Three. And we already know where these employees will be allocated within the companies?"

Mr. Hiscock: "During the last presentation I talked a little bit about that…"

Commissioner Ayme: "Yes you did, right."

Mr. Hiscock: "…and we had some discussions about it. The employees that are currently working in that Department will work in other areas of the Company. There is going to be support that is necessary to keep the program running. The meters are more complex. There are more issues to deal with. They'll be servicing components, they'll be dealing with some of the other installations going forward, and they'll do other things within the Department. It isn't our intention to use this as a workforce reduction at all."

Commissioner Ayme: "Is not?"

Mr. Hiscock: "It is not."

Commissioner Ayme: "Okay."

Mr. Hiscock: "And we clearly indicated that we wouldn't do that."

Commissioner Ayme: "Okay, in addition to that, to the $2.4 million, there was another expense, or is that… does that cover… are we covered by… for the computer software, if any?"

Mr. Hiscock: "Oh, yes."

Mr. Barber: "Yes."

Commissioner Ayme: "We are?"

Mr. Hiscock: "Yes."

Commissioner Ayme: "There is no… is there any other expense, in addition to the $2.4 million, in addition to what we're talking about here for the implementation of the system?"

Mr. Hiscock: "I don't believe so, based on what we're currently planning on doing. Now I think what you will acknowledge or realize that once the system is in place, it's the backbone for things that we will be doing in the future. We won't be obligated to do those things, but they will become a natural part of our business. And as customers getting, I would say, increasingly savvy with respect to their bills, they may demand additional services, and we'll be able to provide them. This is basically the backbone for that. So in the future there will be more expenditures, in all likelihood."

Commissioner Ayme: "In connection with this system here?"

Mr. Hiscock: "In connection with the system…"

Commissioner Ayme: "Right."

Mr. Hiscock: "…but not for the basic program that we're presenting and that we're committed to at this point in time."

Commissioner Ayme: "Okay, two more questions. At the time we talked about we should be able to pinpoint the leakage or seepage of electric power energy. We are going to be able to control that?"

Mr. Hiscock: "To give you an example, Kevin [Mr. Barber] and Scott [Mr. Whittier] gave me an interesting number today about the number of electric reads will be doing per year…"

Mr. Barber: "Hang on, I got this number. Scott [Mr. Whittier] and I, during the… this morning, when we were finishing up this, we started just doing some quick numbers. Apparently we go out for an electric read, and we read each meter once per month."

Commissioner Ayme: "Right."

Mr. Barber: "We have about 6,500 meters, so it's 6,500 meter reads per month. So if you multiply that by 12; 78,000 meter reads that we collect. Well the new system, we're actually going to be collecting meter reads every 15 minutes. So it's no longer one reading per month, it's actually 96 reads, per meter, per day, which is actually, per each meter, it's 2,880 readings per month."

Commissioner Ramirez: "Can you repeat that number again please?"

Commissioner Mann: "Wow."

Commissioner Ayme: "96,000; 96."

Mr. Barber: "I'll… let me… I'll even go further. For us, in one full year, 6,500 meters, we are going to read each meter, or total readings of…"

Commissioner Ramirez: "Let's… I'm sorry [directed to Mr. Barber], let's start it by the month please..."

Mr. Barber: "You want to go monthly?"

Commissioner Ramirez: "…because I know he's going to throw a big number on the year."

Mr. Barber: "Well the monthly readings… each month we are going to read 18,720,000 meter reads in a given month with this new system, as compared to 6,500 that we are currently reading."

Commissioner Ramirez: "Well obviously it's continued. Like, you're talking about every 15 minutes versus…"

Mr. Barber: "Exactly."

Commissioner Ayme: "Well…"

Mr. Barber: "And what I mean…"

Commissioner Ramirez: "More precisely too."

Mr. Barber: "…what John, Mr. Hiscock, is getting at is the fact that with all this data we're going to be reading all of the time."

Commissioner Ayme: "Right."

Mr. Barber: "It will give us the tools to hopefully find some of the issues you're mentioning [directed to Commissioner Ayme]."

Commissioner Ayme: "Okay, but…"

Mr. Barber: "Not guaranteed, but it's going to give us tools to help."

Commissioner Ayme: "But it the end… in the end we should be… we should get to a point where we will be able to pinpoint where we are losing any seepage, any I don't… leakage, seepage of electricity, of the energy."

Mr. Hiscock: "Yes, the end result of all of this is the mapping program that we're also moving forward on, which we budgeted quite a few years ago; a similar kind of interesting technology, we'll be able to associate meter reads with specific transformers, we'll be able to associate meter reads with specific circuit loadings, and through study and looking at all of these issues, we'll be able to improve efficiency in the electric system."

Commissioner Ayme: "Right. Right."

Mr. Hiscock: "We'll be able to downsize transformers to the appropriate size, because they're generally oversized. Nobody really knows exactly what the loading on a specific transformer would be. When we're taking the readings, every 15 minutes we will have a snapshot of exactly what the loading is on a particular transformer every 15 minutes. We'll have knowledge of what the loading on any particular circuit, or section of a circuit would be, so that you can take all of these numbers and massage them, and putting them together, and that's why we need a meter data management system as part of this…"

Commissioner Ayme: "Okay."

Mr. Hiscock: "…because it's tremendous amounts of data and information."

Commissioner Ayme: "Right."

Mr. Hiscock: "But the long and the short of all of this is that it's efficiency related, both from our customers' utilization and from our system."

Commissioner Ramirez: "Absolutely."

Commissioner Ayme: "Okay, because of the change, and I… you tell me if I'm wrong, but because of the change in the billing system, we'll be able to recoup within the first year, and this, we talked about this, somewhere over $1 million, am I correct?"

Mr. Hiscock: "I don't… I don't have the business case in front of me. I can't remember the payback on the business case."

Commissioner Ayme: "But we should be able to get some money back?"

Mr. Hiscock: "We will pay the system off relatively quickly in the terms of years, and after that, yes, it's a savings."

Commissioner Ayme: "Okay, so… alright, in terms of… okay…"

Mr. Hiscock: "And then when you add the federal grant in it makes the business case look a little bit better."

Commissioner Ayme: "Right. Okay, in terms of the seepage I understand that there's nothing that we can do on the water side, and that's too bad."

Mr. Hiscock: "The water is a lot more difficult, and a lot more complex…"

Commissioner Ayme: "Is a lot more difficult, I understand that. The… my other question is that CMEEC is going to be getting some money because they'll be selling services."

Mr. Hiscock: "CMEEC will be getting money to implement its portions of the program."

Commissioner Ayme: "Right."

Mr. Hiscock: "They will be doing some rate analysis. They'll be developing time-of-use rates. They'll be administering the grant. That's part of the cost. I mean obviously they get money. You've got to administer it and spend money. They're handling all of the grant accounting and the grant management, because they are the primary awardee. The four systems are sub-awardees under the process."

Commissioner Ayme: "Are we supplying or providing CMEEC with any of the… of the… system that we are implementing here?"

Mr. Hiscock: "None of the assets."

Commissioner Ayme: "None of the assets?"

Mr. Hiscock: "None of the assets go. We were pretty clear. CMEEC originally wanted to own significant portions of the system. The systems, the individual utility systems made it clear that there was going to be no ownership of any assets, no ownership of meters, no ownership of computers, or towers, or anything else in the individual systems. CMEEC will own some computer systems on their end of it. They'll have license and title to the improved CMAR system. They'll have some intellectual property rights with respect to the development and the integration between the various utilities, but the actual hardware, software, computers and equipment that reside in the distribution systems of the individual companies will not be CMEEC's, and CMEEC will have no control over that."

Commissioner Ayme: "But will they require any of the output in terms of documentation, in terms of data, in terms of anything that we would have to do; that I would call extra work in order to provide CMEEC with some information that they might need?"

Mr. Hiscock: "Yes, as part of the grant we are required to report to the federal government. I mean this is basically a big…"

Commissioner Ramirez: "Process [responding to Mr. Hiscock]."

Mr. Hiscock: "…research project, in addition to pushing money out for stimulus reasons."

Commissioner Ayme: "Right."

Mr. Hiscock: "Yes, there is data that we will be required to provide to CMEEC, but it will go sort of without expense on our part, because this is all going to be done electronically. There's going to be a linkage between our MDM, our Meter Data Management, and a CMEEC system."

Commissioner Ayme: "Does that mean that they will have access to our system?"

Mr. Hiscock: "They will have access to our data."

Commissioner Ayme: "Our data?"

Mr. Hiscock: "And we will…"

Commissioner Ayme: "But in order to get access to the data, they have to have access to the system."

Mr. Barber: "Well, I'll…"

Mr. Hiscock: "Let Kevin [Mr. Barber] deal with that, because he's on the MDM team."

Mr. Barber: "Let me explain. They are going to… they will have access only to the point where we will be, I believe, providing it to them. It will be sort of, I guess what they described as a push. We will be pushing the data to CMEEC. CMEEC will not be coming in and…"

Commissioner Mann: "Going into our system [responding to Mr. Barber]."

Mr. Barber: "…grabbing any of our data. We will be giving it to them."

Commissioner Ayme: "We would give them whatever data they require?"

Mr. Barber: "Only what basically we agree upon."

Commissioner Ayme: "But that…"

Mr. Barber: "Right now I believe its… it's… I'm trying to think of the correct word. It's a…"

Commissioner Ayme: "Alright, I'm going to be blunt here, but…"

Mr. Hiscock: "The agreement that we're still negotiating that we've made a lot of comment on, or I've made a lot of comment on…"

Commissioner Ayme: "Right."

Mr. Hiscock: "The only data that we are forced to send to them is data that's required for the program and for the federal grant. They originally sent us a contract that forced us to provide them whatever they wanted. We refused to do that. The original process, they wanted the meter data to go to them, and they were going to feed it down to us. We refused to do that."

Commissioner Ayme: "Okay."

Mr. Hiscock: "All of the systems absolutely refused, and said we're going to do the technique that Kevin [Mr. Barber] described, the push."

Commissioner Ayme: "Okay, I'm..."

Mr. Hiscock: "So it's the data that we are re… going to give them, is the data that they're required to use to meet the grant reporting requirements."

Commissioner Mann: "Yes."

Mr. Hiscock: "And that's the way the contract has been set up."

Commissioner Ayme: "Right. Okay, I'm going to be a little blunt here. Is the data that we're providing to CMEEC, are they able to profit from that data in any way, shape, or form?"

Mr. Hiscock: "Probably not, with the exception of our wholly owned subsidiary, SEA, may market some of the tools that are produced. However, since we are the owners of CMEEC, we would then share in that pro rata… proceeds."

Commissioner Ayme: "Okay."

Mr. Hiscock: "So that anything that CMEEC gains financially by marketing anything…"

Commissioner Ayme: "Right."

Mr. Hiscock: "…from this program, comes back to the systems; not in the same share that you saw there, where we're a major, but based on our load share ratio of CMEEC, which is about 8 or 9% at this point, so that we would share in that."

Commissioner Ayme: "How… I know I'm asking… perhaps I'm going beyond right now of what you could possibly answer…"

Mr. Hiscock: "Okay [acknowledging Commissioner Ayme]."

Commissioner Ayme: "…but how… if we get any income from CMEEC in terms of whatever profits they make, I don't… you know, I'm not anticipating… whatever it is. It could be a lot. It could be… I don't think it will be a lot, but whatever the amount, how would that be… I don't know if you'll be able to answer this right now… how would that be reflected in our books?"

Mr. Hiscock: "What happens is it comes to us directly on our power bill. So in other words, the way CMEEC is setup, we get billed for the power that we use, and it's billed to us in the same general ratio that CMEEC pays for it through the ISO. And then we develop other programs; the Pierce Project, which is a generating station in Wallingford; a 50 in 5 Project, which is distributed generation around the systems; Gas Hedges and Fuel Hedges, and everyone of them really becomes sort of add/deduct to the base bill. So that's the way it would be reflected. If they were profits that came back to us from SEA marketing, through a dividend to CMEEC, it really comes back to us in a bottom line of our bill. So all of these things that we do really are adds and deducts from the bill. If we do a bad project it becomes an adder, if we do a good project it becomes a deduct, to the bill."

Commissioner Ayme: "I'd like to ask you one question, which is perhaps not directly related to what we're talking about, but I think it could have an impact. And for that, I have to ask the Chair if I can ask a question which is not related to this. It could have an impact. But I believe the question is germane to what we're talking about here."

Commissioner Burgess: "Germane to the…?"

Commissioner Ayme: "Yes."

Commissioner Burgess: "Okay."

Commissioner Ayme: "You mentioned ISO. ISO is… ISO, if a bill before the assembly that has already been and approved, and right now is in the… it went to the Governor for the signature, which is the energy bill. I'm sure you're…"

Mr. Hiscock: "Oh, yes."

Commissioner Ayme: "…totally familiar. Okay…"

Mr. Hiscock: "Not totally."

Commissioner Ayme: "Totally… huh? Totally familiar."

Mr. Hiscock: "Not totally familiar."

Commissioner Ayme: "Okay…"

Commissioner Mann: "Nobody is."

Commissioner Ayme: "…am I correct in assuming that ISO is going to be kind of de-centralized if that happens?"

Mr. Hiscock: "No."

Commissioner Ayme: "No?"

Mr. Hiscock: "ISO reports directly to the FERC."

Commissioner Ayme: "Right."

Mr. Hiscock: "ISO is regulated by the FERC."

Commissioner Ayme: "Right."

Mr. Hiscock: "And any of the actions that are taken at the Connecticut level really are not going to reign the ISO in at all. They may require certain things through the DPUC, through the State system; it may have some impact on costs, but the State of Connecticut has no jurisdiction whatsoever with respect to the ISO. It's a federal issue. It's the Federal Energy Regulatory Commission."

Commissioner Ayme: "Okay, and…"

Mr. Hiscock: "And it all has effect on rates. It all has e1qffect on how we do business. But the bill is really related to how the utilities deal with ISO based on their various products."

Commissioner Ayme: "Alright, this energy bill, if it gets signed by the Governor, do you think… short answer, I'm not looking for an extensive answer…"

Mr. Hiscock: "Okay."

Commissioner Ayme: "Would that be beneficial to us, or would that be detrimental?"

Mr. Hiscock: "In relationship to the two investor-owned utilities, we come out better."

Commissioner Ayme: "Thank you. Alright, one more question. The accounts of the customers, that they're going to have access through the web once the whole system is implemented. This is going to be… the customers will be able to tap into the system, tap into their accounts and see how much…"

Commissioner Burgess: "No."

Mr. Barber: "They will be able to see their usage. The intent is that you will be able to see your current usage, like the last 15 minutes…"

Commissioner Ayme: "Right."

Mr. Barber: "…what you've used, and your current usage trains for the day or month."

Commissioner Ayme: "How about the bills? Will they be able to see the bills?"

Mr. Whittier: "You're referring to CMEEC seeing this, correct?"

Commissioner Ayme: "No, I'm… no SNEW. SNEW [responding to Mr. Whittier]."

Commissioner Mann: "Customers [responding to Mr. Whittier]

Mr. Barber: "They will probably… I mean, right now we have not ironed out exactly what, let's say, programs we're going to use for that. So I can't really say for sure what they're going to… more than likely they will be able to see, let's say, their last bill. They'll be able to see their current usages through the month."

Commissioner Ayme: "Right."

Mr. Barber: "There becomes issues when you try and show what their current amount of their bill is going to be, because you're dealing with…"

Commissioner Ramirez: "Right. Right."

Commissioner Ayme: "Okay."

Mr. Barber: "…some complexities with billing aspects, but…"

Commissioner Ramirez: "But it definitely will show up the past (inaudible)?"

Mr. Barber: "Yes, we'll be able to show them past bills. We should be able to show them past usage, so they can compare the current month to last month or last year."

Commissioner Ayme: "And customers will be able to pay their bill through the system? How long?"

Mr. Barber: "We will be moving to that down the road."

Commissioner Ayme: "Oh."

Mr. Barber: "Part of this whole process will be getting customers access to their bills, let's say, online; bill payment."

Commissioner Ayme: "Through the same programs, or we have to buy another program?"

Mr. Barber: "That's another one that we have to investigate to determine the best. More than likely it will probably be a different program…"

Commissioner Ayme: "Different program [acknowledging Mr. Barber]."

Mr. Barber: "…but in similar…"

Commissioner Ayme: "Right."

Mr. Barber: "…probably an add on module to our current customer information system."

Commissioner Ayme: "Right. Okay."

Mr. Barber: "But probably separate from the meter reading access stuff."

Commissioner Ayme: "Alright. Thank you, and I apologize for taking so much time."

Commissioner Burgess: "Are there any other questions?"

Commissioner Harris: "I have a quick question, if you don't mind. This sounds like an investment related type of procedure. I know you said if you purchased some other things, and if it goes well, our bill is reduced, am I understanding that correctly?"

Mr. Hiscock: "This will… yes. It will add some efficiencies to our system. We purchase a certain amount of power through the master meters that come in through the CL&P connection and is billed to us by CMEEC, and that's how it's billed to us, and there are certain inefficiencies. There's lost power. There's power that disappears in the system, and it disappears through transformers. If you… an example, if you take your computer charger and plug it into the wall without it plugged into your computer, and you put your hand on it, and you touch it, and feel it - it uses power; just the fact that the transformer is in the system. Well our transformers do the same thing. They waste power. So the larger the transformer, the more power it wastes, so that you don't want to put in too large a transformer. So this program will allow us to look at those issues, downsize transformers, and obtain some efficiency. So that will save us some money. Theft of service is an issue. Customers steal from us. Very common. Very common. Customers steal from each other. These systems are a deterrent to that, because we know when a meter is unplugged. We get a report. You take the meter out of that socket and our computer knows you've pulled the meter. Most of the theft involves playing around with the meters, and doing other things. We also have the ability to tell customers to shut their… we will have the ability to tell customers to shut their main breaker off for the day in their unit, and if there's consumption, because we can read it every 15 minutes on that meter, we know there's a problem. We then go after the landlord. We do it now manually. It's a

little bit more difficult. All of these kinds of things just promote efficiency and savings - one, the theft from ourselves; two, the inefficiencies in the system. And it will allow us to maybe downsize some equipment, and the smaller the equipment, the less it costs. So it's all about a more efficient electric system and less waste."

Commissioner Harris: "And that's good for the theft that this will be in place by December of 2009…"

Mr. Hiscock: "10 [responding to Commissioner Harris]."

Commissioner Harris: "I'm sorry; 2010, when the bills are really high due to winter. So that's really good."

Commissioner Ramirez: "Presumably you will be able to shut off the services directly from the main computer, or…?"

Mr. Hiscock: "Yes, we talked about that in the business case, that when we have to terminate service for non-payment, or if there's an end of tenancy and somebody moves out, or somebody sells a property and a new tenant moves in… we do that all manually now, and we have to roll a truck, and it's very expensive, and we get very little money to do it. We don't really charge what it costs. From here on… well, when the system is fully deployed and debugged, we will do all of that from the computer. So we won't be sending manpower out to physically do those kinds of tasks. It will be done from the office, and that adds quite a bit of additional error checking and difficulty. We shut a meter off from the office while the customer is talking to us on the phone, and the power doesn't go out, there's something wrong, and it's usually because the landlord's wiring is, you know, a problem; or we shut a customer down on purpose, and another customer calls us and said they've lost power. That's a problem. So all of these things that we're doing and finding now manually, we will be able to do in a very automated fashion."

Commissioner Ramirez: "A simple question, Chair? Presumably this system is kind of a sophisticated system, so therefore you must have people who understand how to deal and read all of those interesting numbers. How long are we providing training to the current reader makers, or perhaps somebody with a little more high tech knowledge?"

Mr. Hiscock: "What's…"

Commissioner Ramirez: "Or are we adding anybody, or how are you doing that?"

Mr. Hiscock: "At this point we're not adding bodies…"

Commissioner Ramirez: "Okay, that's (inaudible) training."

Mr. Hiscock: "We haven't decided whether or not, in the overhead portion of this project that we're going to bring on some additional expertise. What's sort of happening in our business is that the manual functions that people do are disappearing, and the skill level of the employees is increasing. We spend a lot of money on technical training. We spend tremendous amounts of money on technical training; sending people to training classes. We will continue to do that. We will provide training wherever possible. There…"

Commissioner Ramirez: "Well presumably directly to the system itself…"

Mr. Hiscock: "Right."

Commissioner Ramirez: "…that's what I'm referring to."

Mr. Hiscock: "Our meter readers will get some additional training, because they're going to need to understand the system and how to troubleshoot it and maintain it. Other staff will get additional training. We're not at this point planning on bringing on anyone else for this program. However, we're doing the GIS mapping; the geospatial mapping project, fairly complex computer technology. We're doing the AMI, fairly complex computer technology. Everything we're doing today requires higher levels, so as we progress we will be hiring employees with higher skill levels; that's clear, and there's no way around that. We needed to keep up…"

Commissioner Ramirez: "You just mentioned before that we're not planning to add more bodies."

Mr. Hiscock: "For this particular project, but as it all integrates together, over time we will need people with greater, mostly computer skills."

Commissioner Ramirez: "Would it be fair to ask you a specific number, fair number that you have in mind…"

Mr. Hiscock: "I don't."

Commissioner Ramirez: "…based on the plan that you already have?"

Mr. Hiscock: "I don't have a number in mind. That, I absolutely do not. It has to do with how much work is done by consultants versus how much work is done by our own staff. An example, sort of unrelated to this, but to give you an example of how it works; we've been upgrading our computer network, our basic computer network system. We've been making a lot of changes. This weekend we had a consultant working with us all weekend long to help our staff. At some point, it's costly to continue to use consultants. When you get to that point, then you add staff."

Commissioner Mann: "That's right."

Mr. Hiscock: "So I can't really give you a specific answer, but in the long run, over the next several years, we will be adding more technical staff… base."

Commissioner Ramirez: "So you're referring to… when you said several years, obviously it will be quite a few years to come."

Mr. Hiscock: "Yes, and all of those come back to the Commission, because you know that we have a very specific org structure, a very specific number of authorized employees. So they would come back on an annual basis when we review all of that; or sooner if necessary."

Commissioner Ramirez: "So fairly, somebody's got to pay for those extra bodies, so presumably we expect either the water or the electric to go up a few (inaudible)…"

Mr. Hiscock: "I think it's a balance between efficiency… you may get the efficiency and savings, then you've got to balance it against the…"

Commissioner Ramirez: "(Inaudible) the other way around."

Mr. Hiscock: "…additional cost, and you get into this balancing game. In the end you hope the decisions you make lower the bill…"

Commissioner Ramirez: "Will be the best."

Mr. Hiscock: "…relative to the other utilities."

Commissioner Ramirez: "I was just looking forward to keep in mind for the best of our clients, which they are the suppliers financially, and definitely keep in mind for those that have a very… seniors and retirees that are part of our clientele."

Mr. Hiscock: "I think the Commission will always be able to judge that, as you judge our rates with respect to the investor-owned utilities and where we are. If we start approaching their costs, we have a problem. And we may get, you know, into that going forward, but it's the best tool that you have to measure our success."

Commissioner Ramirez: "I think our philosophy has been so proactive and assist our clientele. We can only hope that we don't lose sight of being the best, and be the most economical entrepreneur business."

Commissioner Ayme: "Yes, along the same lines of what Commissioner Ramirez is talking about, we won't be needing people reading meters anymore, because the meters will provide… will send the information right into the computers, right?"

Mr. Hiscock: "Correct."

Commissioner Ayme: "Right, so what we'll need is people to read the information from the computer screen?"

Commissioner Ramirez: "That's what we are talking about [responding to Commissioner Ayme]."

Commissioner Ayme: "And that's what we are talking about here."

Mr. Hiscock: "Yes."

Commissioner Ayme: "Okay, one question I forgot. We have to fit the towers. Is that cost included in what we're talking about there, the $2.4 [million]?"

Mr. Hiscock: "Yes."

Commissioner Ayme: "It is?"

Mr. Hiscock: "Yes."

Commissioner Ayme: "Okay…"

Mr. Hiscock: "I think the system is up to five towers in the original cost [directed to Mr. Barber]?"

Mr. Barber: "Yes."

Mr. Hiscock: "Right, and you don't really always know exactly how many towers because of radio issues and interferences, and there are towers, and then there's these repeater things that they understand that can be put it…"

Mr. Barber: "Placed on the towers [responding to Mr. Hiscock]."

Mr. Hiscock: "…but the original price on the bid from Sensus was for up to five towers. And we're hoping to do it with four, or maybe three. Kevin [Mr. Barber] is trying to do it with three."

Commissioner Ayme: "Three towers?"

Mr. Barber: "That's… in a perfect world we'd have three towers and we'd be able to read all of our water and all of our electric. However…"

Commissioner Ayme: "Now, then my next question would be, do we have all the towers that we need, and if it requires more towers, do we already have them?"

Commissioner Ramirez: "He already said that we already have enough [responding to Commissioner Ayme]."

Mr. Hiscock: "We have… our water towers are fairly well disbursed through our distribution system. We have one all the way down in Rowayton at Witch Lane; we have one at the Merritt Parkway, at what we call Flower Lane, New Canaan Avenue area; we've got one on Connecticut Avenue; we've got one on Summitt Avenue; we've got one on Michael Street. So we're lucky in the fact that our water towers are spread through our system. So we don't believe we would have to go to any other towers, other than the ones we own currently."

Mr. Barber: "And the system was designed… through the RFP process, they actually did a radio propagation study where they actually… we provided them locations of our towers. They did a study with some complex computer software to make sure that putting a tower at those locations would cover our entire system. And they're confident that with the numbers that they provided us, they would be able to do it. They also have other tools, you know, repeaters that they could install that would assist in getting those, let's say, "hard to reach meters" that may be at the outskirts of our territory."

Mr. Hiscock: "And those aren't big issues, because they go on utility poles 40 feet off the ground, or 30 feet off the ground."

Commissioner Ayme: "Yes, go ahead [directed to Commissioner Ramirez]."

Commissioner Ramirez: "And Chair, I think this will be the last, at least on this subject. I believe I asked this question before, and it was answered to me that it was too early to answer because it was way too early. Now that we're almost in the process to… almost in the middle, presumably these

high tech individuals already did an analysis. If the readers perhaps the waves, the two-way zone, okay, are we missing…? My concern was how accurate the readers will be through these two-ways? Are we missing… are we going to miss any waves at all, because through all these cell phones, two-way radios, and all of these other electronic apparatus in the… on the…?"

Mr. Barber: "No, I don't…"

Commissioner Ramirez: "No? Have you asked those questions to the consultant?"

Mr. Barber: "Actually yes, that's part of our… was part of the RFP, was the affect (inaudible)…"

Commissioner Ramirez: "And you are very confident that we are not going to lose anything at all? It's going to be accurate?"

Mr. Hiscock: "Yes…"

Commissioner Ramirez: "Presumably 99.9 fractions of."

Mr. Hiscock: "And there's a whole bunch of routines that it goes through, and it's… there's error checking, let's put it that way. There's error checking routines in the communications process to make sure that the data is appropriate. And the MDM's that they're working on, there's error checking and process for filling in missing data and going back and reconstructing things. The meters hold a certain amount… there's a tremendous amount of checking all of this."

Commissioner Ramirez: "And the last one, with… the question Commissioner Al Ayme, pertaining to… and I understand the whole protocol about this requirement for the feds, but the question is, presumably that we will provide specifically number data; nothing confidential or anything like that; specifically only by the numbers, correct?"

Mr. Barber: "We are not providing… we will not be providing any customer data information."

Commissioner Ramirez: "Okay, strictly numbers, what is required by the feds?"

Mr. Barber: "That is correct. We've had long discussions in our project team meeting regarding that specific thing. We will not be providing customer level data."

Commissioner Ramirez: "Okay."

Mr. Hiscock: "And we're going to have a confidentiality agreement between the parties."

Commissioner Ramirez: "Terrific. Thank you."

Commissioner Burgess: "Does anyone have any other questions?"

Commissioner Ramirez: "No."

Commissioner Burgess: "Do we have any questions of Mr. Whittier, because he seems to have escaped interrogation."

[Laughter]

Mr. Whittier: "I'm doing fine, thank you."

Commissioner Burgess: "And there's no action required?"

Mr. Hiscock: "None."

Commissioner Burgess: "Okay."

Mr. Hiscock: "This has all been previously budgeted. It's all on budget, and…"

Commissioner Burgess: "Right. Okay, item five."

Commissioner Ramirez: "We thank you for your hard work, and this is going to be a sophisticated process. We're proud to our leadership. Thank you."

Mr. Hiscock: "And they'll report back in six months."

Substation – Progress Report

Commissioner Burgess: "Okay, substation progress report."

Mr. Hiscock: "Okay, the next three items, five, six, and seven are interrelated, and we'll sort of take them in order. You're aware, or at least most… I'm going to use these terms for a while. The Commission generally is aware that we acquired land on Martin Luther King, adjacent to our existing land, for the purposes of placing a substation on Martin Luther King Boulevard to eliminate our 27/6 feeds from CL&P which have become problematic and very, very expensive. The project would minimize our payments to CL&P for sub-transmission services, but we obviously would have to pay the capital cost of the project. On balance its clearly a cost savings. We're currently spending about $700,000.00 per year to CL&P, and even a $7, or an $8, or a $9,000,000 substation… $700,000.00 is going to cover the debt service for the project if we do it through debt. Where we are right now, we issued a request for proposal through a mailing list that we utilized, the NEPPA affiliates list, which is engineering, and manufacturers, and equipment representatives throughout New England and generally the Northeast. We issued a request for proposal to do a Siting Council application for this substation. A Siting Council application requires preliminary design, about 30% design. It requires satisfying local zoning issues. The Siting Council is the group at the State that deals with substations, power plants, larger antennas, and all of those other infrastructure components that serve multiple communities that nobody wants in their community; they all want in the neighbors community. So they created the Siting Council, and the Siting Council does it. Commissioner Burgess has been to a Siting Council hearing for the Second Taxing District in the mid, I guess, 2005 range, and is familiar with the process. So we sent out the RFP to provide all of the engineering and technical services relating to the Siting Council application. For the past week or so we have been interviewing four firms that gave us credible proposals to do the work. We're meeting tomorrow to discuss those proposals, and to award to one of the firms the project. Related to the cost, you recall that we obtained a special appropriation of $1.5 million to acquire the land and to start the engineering. We've spent about $1 million of that. There's about $500,000.00 left in that account. This portion of the project is probably going to be in the $200,000.00 to $250,000.00 range. It involves the consultant services that will be in the

$100,000.00 range. It involves legal services that I'm going to talk about in a minute. It involves environmental services. It involves surveying. It involves site remediation. We'll be putting together this team to go forward with a Siting Council application. Very similar to the team that CMEEC and SNEW put together to get the power plant through the Siting Council; a fairly complex, difficult, time consuming process. It may take as much as two years to get this moving forward. The… we're now moving from the planning and property acquisition stages for this to the actual permitting process, and we'll be in for the permitting for… if we're really lucky, only 18 months, and then we'll be into final design and construction after that. It will be a while before you'll see any physical work. It's now really regulatory work. It's now legal work. And that's where we are in this process. We will not be requesting additional funds until the next budget cycle which will come about next March. And at that point we'll be further requesting funds to move the project forward. That's really where we are on the substation. I can answer any particular questions about this aspect."

Commissioner Ayme: "I only have one question right now. Do you have a name for the substation?"

Mr. Hiscock: "No."

Commissioner Ayme: "Okay [laughing]."

Mr. Hiscock: "No. We generally don't name substations."

Commissioner Ayme: "No?"

Mr. Hiscock: "At least in our system we haven't named any yet."

Commissioner Ramirez: "Yes, the SoNo Substation [laughing]."

Mr. Hiscock: "Any other questions about where we are? I mean, this is just a very, very brief report, and is sort of… is leading into the next item."

Commissioner Ramirez: "Through the Chair, if you don't mind. Who is putting this council together? Who will be the members of such a… brain of storms, for a better word?"

Mr. Hiscock: "The basic lead to the team will be our staff, our group, our Department Heads, will lead the team."

Commissioner Ramirez: "Okay."

Mr. Hiscock: "The team will consist of the engineering consultant that we're talking about here. It will consist of our local legal counsel for local zoning approvals. It will consist of a Siting Council attorney that we're going to talk about in a minute. It will include the licensed environmental professional that's working on the site that we acquired. It will include another engineering firm that's going to the interconnect study so that we can connect to the grid. There are a lot of parties and partners in putting something together, but it all revolves around our internal staff. And we will be the individuals moving things forward."

Commissioner Ramirez: "So our staff will be playing the main role in this program, though?"

Mr. Hiscock: "Excuse me?"

Commissioner Ramirez: "Our staff will be playing a main role?"

Mr. Hiscock: "A major role. A major role. We will be meeting with the team routinely. Depending on the particular topic, it will be various staff members that will be involved."

Commissioner Ramirez: "That will be including you also?"

Mr. Hiscock: "I will be there, yes. If we're dealing with detailed technical issues with respect to the electric system, [Michael] Giordano will be there, Scott Whittier will be there. Really it depends on what particular functions will be doing at what point in time."

Commissioner Burgess: "Any other questions?"

[No remarks]

Commissioner Burgess: "No? Okay, on to the next item."

Mr. Hiscock: "Alright…"

Commissioner Burgess: "If… can I ask one question?"

Mr. Hiscock: "Yes."

Commissioner Borges-Lopez: "Do you need a…?"

Commissioner Mann: "There's an action…"

Commissioner Borges-Lopez: "…action required on this."

Commissioner Mann: "Yes."

Mr. Hiscock: "No action required under this item, but there will be under the next item."

Commissioner Ayme: "For the substation?"

Commissioner Mann: "Authorize the use of special counsel."

Commissioner Ayme: "Oh, six [referring to the agenda item]."

Commissioner Burgess: "Can I ask one question before you start?"

Mr. Hiscock: "Yes."

Commissioner Burgess: "Didn't we use Paul McCary before?"

Mr. Hiscock: "Yes."

Commissioner Burgess: "Okay."

Mr. Hiscock: "Okay, and that's where I was going to head next…"

Commissioner Mann: "Okay."

Mr. Hiscock: "…If that's what the Commission would like."

Commissioner Mann: "Oh, okay."

Mr. Hiscock: "Okay."

Commissioner Burgess: "You're on."

Mr. Hiscock: "Siting Council work is relatively complex. It's a legal specialty. Our local counsel does not feel that it has the necessary background to deal with the Siting Council. When we went through the Siting Council application for the power plant project, the application was in the name of SNEW. It was not in the name of CMEEC, our partner; and we did that specifically because it related to our site. During that process we used a gentleman by the name of Larry Golden, who I believe you met, and the Commission met at that point. Larry [Golden] did an excellent job of moving it through the Siting Counsel. He also attended local zoning matters so that he could coordinate the Siting Council requirements and speak to our local zoning people about their responsibilities under the Siting Council rules. And we would have wanted to use Larry [Mr. Golden] again, unfortunately Larry [Golden] passed away about three years ago; a very early death due to medical problems. Larry [Golden] was in the same firm as Paul McCary. We're proposing this time to use Paul McCary and Murtha Cullina. Murtha Cullina does a lot of regulatory work in Hartford. They appear before the Siting Council. They also appear before other regulatory groups. Their specialty is regulatory law. They appear before the DEP, they appear before the Department of Health Services. They appear before the Department of Transportation. They are truly regulatory law attorneys. They also appear before federal agencies. I called Larry… yeah, I called Larry… I called Paul McCary, talked to him about this project. Paul McCary represented SNEW in its relationship with EMCOR when we were dealing with EMCOR. It also represented EMCOR, and we signed an agreement of non-conflict because we believed the… EMCOR and SNEW had a goal to move the project through the regulatory process. So Paul [McCary] has worked for us before. I discussed this project with him because about six months ago we essentially received I guess what you'd call a divorce notice from Mr. McCary with respect to the power plant project, because he was representing others, and it became a conflict. Because of the power plant project, and you know where it's going or not going, we didn't object, and that was all well and good. We discussed whether there would be a conflict situation here with Murtha Cullina and their other clients, and Paul [McCary], and we decided that we didn't believe that there was any form of a conflict because there really is going to be no electric industry opposition to what we're trying to do here. This is a simple, local distribution substation. I then contacted our counsel, and talked to our counsel about the process primarily for two reasons. One, we wanted to make sure that our counsel felt that they wanted additional assistance with respect to the Siting Council. Frank Zullo clearly indicated that based on this issue, and past practice, he absolutely wanted to use someone with expertise in Siting Council. I then went back to Paul [McCary] and asked Paul to provide us with a proposal, and you can see the letter of proposal that's included in the package that you received. It's very open-ended. You can see the price is very wide-ranging, and it's because of the process that you go through. Depending on how difficult the local procedure is as it relates to the Siting

Council, meetings are expensive, and if you end up with more local meetings than anticipated it drives the cost upward. If it becomes an easy process, the cost is lower. So it's a wide range, and essentially it's an hourly rate. It's no different than our current arrangement with general counsel. General counsel indicated that the rate quoted in the proposal is within $10.00 of the hourly rate of our general counsel when they do zoning work in Norwalk and the surrounding communities. As you probably all know from the retainer letters that we deal with every June, it's lower than the hourly rate… it's significantly higher than the hourly rate that they charge us for our general legal business because one, they get a retainer; and two, we get a reduced hourly rate. So we checked with local counsel to make sure the rate was appropriate, and that was the indication to us, that they felt the rate was appropriate. That's generally what you with deal with for legal representation from somebody that you don't have a retainer and an ongoing general relationship with. I talked to Frank Zullo yesterday with respect to the letter, to make sure that he was onboard. He would have come this evening if I asked him to come. I did not ask him to come based on our prior relationships with Paul McCary and Murtha Cullina, but he did indicate to me that I should relay to the Board that he reviewed the letter, he finds it acceptable, he has minor changes that he would like to make and we'll work that out with Paul McCary in a conference call. But his recommendation is to go forward to engage Paul McCary and Murtha Cullina to do the work for us in this area. Murtha Cullina will then become part of this team that will be part of the Siting Council process. So at this point one, the appropriate action would be… or the necessary action would be to approve our retaining Murtha Cullina based on the letter and the recommendation of general counsel."

Commissioner Ayme: "Murtha Cullina is the name of the legal firm, right?"

Commissioner Mann: "Yes."

Mr. Hiscock: "Is the legal firm that Paul McCary works for."

Commissioner Ayme: "Okay."

Mr. Hiscock: "Okay?

Commissioner Ayme: "Alright."

Mr. Hiscock: "And I can answer questions about the process. It's a pretty standard retainer…"

Commissioner Burgess: "I have one question. You're saying authorize hiring these people…"

Mr. Hiscock: "Right, and it…"

Commissioner Burgess: "…or should we just authorize the use of special counsel based on the fact that our counsel wants to make a few changes in this letter. I mean do we want to authorize it based on this letter when there will be possibly a few changes, or do we just want to go with authorizing the use of special counsel?"

Mr. Hiscock: "I think that authorize the use of special counsel, subject to final approval by our counsel and my with respect to the minor changes that we need to make."

Commissioner Burgess: "Okay. Alright."

Mr. Hiscock: "We certainly could bring back a final document for the next meeting, but the changes are so minor…"

Commissioner Burgess: "I just wasn't sure that we wanted to base it on this letter when this letter may be changed slightly. That's all."

Commissioner Ayme: "I don't think it's (inaudible) [directed to Commissioner Burgess]."

Commissioner Burgess: "So whatever…"

Mr. Hiscock: "The recommendation…"

Commissioner Burgess: "Action you…"

Mr. Hiscock: "…of myself and Frank Zullo is to request the Commission authorize us to engage special counsel based on this letter with minor changes that are agreeable to the three parties."

Commissioner Burgess: "Okay, now…"

Mr. Hiscock: "The three parties being SNEW, general counsel, and Murtha Cullina's representative, Paul McCary."

Commissioner Ayme: "Now what's the wording at the end, providing final…?"

Commissioner Borges-Lopez: "Can I… I'd like to make a motion to authorize the use of special counsel subject to change made by SNEW general counsel and the General Manager. Is that appropriate?"

Mr. Hiscock: "That would be."

Commissioner Burgess: "Wonderful."

Commissioner Mann: "Second."

Commissioner Burgess: "Are you ready to vote? Any questions before we vote?"

[No remarks]

Commissioner Burgess: "Okay, all in favor?"

Commissioners simultaneously: "Aye."

Commissioner Burgess: "Opposed?"

[No opposed]

Commissioner Burgess: "Abstentions?"

[No abstentions]

Commissioner Borges-Lopez made a motion to authorize the use of special counsel, as it relates to the State of Connecticut Siting Counsel, subject to the review of SNEW's general counsel and general manager. Commissioner Mann seconded and the motion passed unanimously with all seven Commissioners voting in favor and none opposed.

Electric Source Outages – Reliability Issues – Report

Commissioner Burgess: "Okay. Now you get to tell us why I'm cooking and sitting in my kitchen all the time by the gas stove."

Mr. Hiscock: "I requested that the Chairman allow this to be placed on the agenda because we're starting to get, from my perspective, into very uncomfortable territory. You're all customers both at your homes, and for those of you who work in South Norwalk; your businesses that you work for, or own, or whatever."

Commissioner Borges-Lopez: "Thank God for the generator on the roof."

Mr. Hiscock: "Yes. Yes."

Commissioner Mann: "You have one. I'm cooking."

Mr. Hiscock: "Yes, but we're starting to get some criticism from our customers, and we've been very quiet to date about the outages and why they've been occurring. And they're significant outages. We've had four since July 1. And actually I think the first one was actually in August, or the very last week of July; I can't remember which. And they're significant system-wide outages due to failures of our feed system from CL&P. They're for various reasons, but when it happens it takes between two and three hours to restore service even if there's one available line to service us. We have two feeds from CL&P. They used to originate from the substation at New Canaan Avenue along Route 7, the highway, the connector. Last year we were moved to a smaller substation off of Flax Hill Road, which was about the mid-point of the old, long conductors that came from New Canaan Avenue to feed us. We reviewed plans. We reviewed a scheme of protection and relays, and CL&P basically indicated to us that we had reasonably good reliability. We were involved every step of the way, not only our own staff, but an outside consultant that we used, and it appeared to us that things were going to be reasonably good and we were going to have good reliability. Over the years we've always had problems with the feeds from CL&P, but it's worse now. The reason for the failures have been various. The first failure was an electrical storm in the middle of the summer. They claim that there was a lighting strike relatively close to the relays; took out both relays. When all was said and done we had a manual switch that was in the open position because the CL&P staff that commissioned the substation didn't realize the appropriate protection scheme. So that was a failure that took several hours. We've had failures where we've had dump trucks in a construction project raising the dump bodies and striking an un-insulated conductor with a ground fault along the Belle Avenue section, the old right of way. We had a conductor slap in a wind storm, a fairly heavy windstorm where a pair of conductors wrapped around each other creating some phase-to-phase shorts on two separate circuits. We recently had, and we haven't got a full report from CL&P with respect to the problem, but the more recent one that happened a week or so ago. The initial claim was an arrester failure. We haven't had the final report from CL&P, and we're not sure… we'll be meeting in a week or two to get that information. None of these failures have been our fault. Every single failure has been related to a CL&P outage situation. It shouldn't be happening, but it's happening. One of the feeds to us is a feed that was put in, in the

90's, that's mostly aerial in nature. We were involved in modifying it. Aerial feeds have a tendency to be more prone to external damage and hits. We have one underground feeder, but it's a very, very old feeder that's had significant amounts of cable and splice failures. The problem we're having now is the feeds are not fully independent of one another, and the hits that we've been taking, every time we've taken a hit it's taken out the whole protection scheme, and taken down both circuits. The minute that happens, CL&P needs to dispatch a crew. They have a very specific switching protocol and safety protocol they have to go through to restore service, and even though there's always one line that is damaged, it takes us two to three hours to restore. We haven't been very vocal about it, because we're trying not to get into a battle with CL&P, because we're trying to negotiate certain contractual arrangements with CL&P with respect to the new substation, and extracting ourselves from the two older feeds. We prefer not to get into that kind of a situation, and we've told them that in face-to-face meetings, but I think our patience has gotten to the point we need to explain to our customers what's going on. And I wanted to explain it to the Commission before we essentially write a release that we will end up inserting in our customer bills, explaining to customers what's going on. Our commercial customers are upset with us. There's loss of business concerns. We've had Friday night failures. You know, the bars and the restaurants get really unhappy when they have to turn patrons away."

Commissioner Mann: "You better believe it."

Mr. Hiscock: "We've had daytime failures. We've had night failures. We've had weekend failures. Every segment of our customer base has experienced this, and depending on when the failure is, it affects them differently. You know if it's two in the morning, which one of them was, or one in the morning…"

Commissioner Mann: "Not a problem."

Mr. Hiscock: "Not too many people are affected by it, other than the bars at closing time. Most customers are in bed. But the business customers, their computer systems are affected. You know, they've got to restart. It's just a hassle for everybody. So I wanted to really brief the Commission, and explain to the Commission, you know, what's been going on, because I expect that once we issue the release you're going to hear back from the business community, you're going to hear from customers. You know, there's going to be a discussion about it, but I don't think we can accept the negative publicity any longer. It's simply not our fault. The other issue is that… you see the paperwork in here. I only put that in to show you what we go through every time there's a failure. Some of these failures represent the two feed simultaneous failure that we're talking about here. We have way more single feeder failures in which only one feeder comes down. It's very common for us to have a feeder failure from CL&P. It's truly unacceptable. Now the other side of this issue… We could scream at CL&P. We could force CL&P to improve service. However, the arrangement that we get wholesale sub-transmission service from CL&P means we pay them for the service, and we pay them based on a capital recovery factor, so every dollar they invest each year, we have to pay them about $0.20 on the dollar to cover their capital, their taxes, their profit, and their OM&A. So we really don't want to be leaning very hard on them to improve service, because that costs us a lot of money. To link all of these three items together, the reason we're doing the substation is to get off of the CL&P feeds. Once that happens, we'll be fed from the 115 system along the Metro North main line tracks. The 115 system hasn't gone down since 2003 when we had that failure that involved the Northeast and went back to the mid-West and up into Canada, that we were actually right on the fringe of. The reliability is tremendous. So we'll be in charge of everything at that point. Once it gets into our new substation it will feed, underground, our existing

substation and the reliability will improve tremendously. So that's really how all of this links together, but, 'but', we still need to tell our customers what we're doing, why we're doing it, and that the failures are related not to us, but to CL&P."

Commissioner Burgess: "And if anyone doubts how tough our General Manager is, you will now realize that he imposed the gag order on me for quite some time [laughing]."

Commissioner Ramirez: "Presumably… a simple question here [directed to the Commissioner Burgess]."

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

Commissioner Ramirez: "Presumably, once we get built our substation, our marriage will be divorced from… completely, or three-quarters, or are we still going to have some…?"

Mr. Hiscock: "We will have no relationship with CL&P other than the fact that CL&P owns the 115 wires that we'll be hooking into, but they are part of the ISO New England grid backbone, and they're managed, controlled, operated, billed, charged, and everything else by ISO New England. So there'll be no financial relationship directly with CL&P. It will be all through what's called our market participant, which is CMEEC. CMEEC is the one that is the interface between us and the grid from a regulatory and a financial perspective, and it currently is."

Commissioner Ramirez: "Are we getting exposed to any legal issues once we disclose what the problem is in relating to all of this (inaudible)…?"

Mr. Hiscock: "No, this is pretty factual. We are going to be doing nothing other than explaining what happened. We're not going to be criticizing CL&P, that's not our intention at all. We won't be talking about…"

Commissioner Ramirez: "Just letting everyone know all the facts that have transpired within the past few months or years?"

Mr. Hiscock: "Right, we're going to be talking about what has happened…"

Commissioner Ramirez: "Right."

Mr. Hiscock: "…and that's really it. We're not going to be saying we're getting bad service. We're simply going to say it relates to antiquated facilities that are serving us; that we are intending to replace with a substation. So we will try to do it in a way that…"

Commissioner Ramirez: "Be very polite."

Mr. Hiscock: "…doesn't offend CL&P, but yet gets the point across to our customers that it's not us, it's not our staff, it's not our crew, we have no control."

Commissioner Burgess: "Commissioner Geake, you had a question?"

Commissioner Geake: "Yes, why doesn't CL&P reimburse us for detail restart. I mean, after all it's costing us money. Why can't we get reimbursed, and maybe they'll suddenly realize that it's hurting us as well, you know?"

Mr. Hiscock: "It's not really part of the agreement structure at all. The agreement doesn't have provisions for that, and there are very specific exclusions. CL&P is going to indicate that these have been outside of their control. Weather is not their issue. Utility strikes are not their issue. When a vehicle hits, and splits a pole, and causes a problem, it's not their issue. They're simply within the nature of doing business, and they're not negligent. And they really aren't negligent at this point."

Commissioner Geake: "I have one other question, if you don't mind, Ma'am [directed to Commissioner Burgess]. I spent 13 years as a police dispatcher, so I go back into my dispatching ages when I start reading things about this. And I find that on some of these cases there are five, six, seven hours where we contact CL&P and they never call us back. And I mean based on the fact that we are so detailed on everything, and it's like there should be a protocol that they… their dispatcher should contact us and say I have an ETA of three hours, four hours, or something, just to give us some updated of what's going on, because it seems like at some points we're like in left field. We have no idea what the right field is doing, and they don't care. They won't talk with us. Why is that?"

Mr. Hiscock: "We would need to go into executive session to discuss that."

Commissioner Ramirez: "Yes, it's a lot of restructure that they're going through internally."

Commissioner Geake: "Okay."

Mr. Hiscock: "What I would suggest is that I will answer that question, if you don't mind, to anybody who asks it of me privately, because there are some issues that relate to the CL&P system that I can't disclose publicly."

Commissioner Geake: "Okay, never mind."

Mr. Hiscock: "Okay."

Commissioner Ayme: "In terms… I had a question in mind. I forgot. I'm sorry."

Commissioner Harris: "I have a question."

Commissioner Burgess: "Go ahead [acknowledging Commissioner Harris]."

Commissioner Harris: "What is OM&A?"

Mr. Hiscock: "Oh…"

Commissioner Harris: "You mentioned something…"

Mr. Hiscock: "Operations, Maintenance and Administration."

Commissioner Harris: "Okay."

Mr. Hiscock: "Okay? If there's no administration involved we call it O&M."

Commissioner Harris: "I'm sorry, operation, maintenance…?"

Mr. Hiscock: "And administration [responding to Commissioner Harris]. Operation is the routine day-to-day things that you do to make something continue to function appropriately. Maintenance is where you learn to repair something that's broken, or do preventative maintenance on it so that it doesn't break. And administration is all of the overhead, paper, discussions, correspondence, and all of the other things that result from the O&M. So generally we refer to it… when you get to our budget you'll see that we give you an OM&A budget and a capital budget. So that's generally the way we refer to it."

Commissioner Ayme: "My question was what do we need from CL&P in terms of the substation, just to hook up to the 115?"

Mr. Hiscock: "We prefer that they don't object to our application..."

Commissioner Ayme: "Right."

Mr. Hiscock: "That would be very helpful. They need to provide us certain information with respect to…"

Commissioner Ayme: "Technical information?"

Mr. Hiscock: "Yes, with respect to the connection. They are the ones who will specify the engineering methodology used to make the connections, and they are the ones who will specify the relaying and protection scheme necessary to protect the 115 portion of the grid that they are responsible for. So we need their cooperation. That's about it."

Commissioner Ayme: "That we would otherwise have to pay someone to get all of this information for us, is that it?"

Mr. Hiscock: "I think CL&P is really the only source of information…"

Commissioner Ayme: "The only source?"

Mr. Hiscock: "And, you know, they are a regulated utility…"

Commissioner Ayme: "Yes."

Mr. Hiscock: "…they are obligated to give it to us. But you know, people are obligated to do things, and they do them…"

Commissioner Ayme: "But not normally…"

Mr. Hiscock: "…and people are obligated to do things, and they do them friendly and quickly for you."

Commissioner Ayme: "Yes. Okay."

Commissioner Burgess: "Any other questions?"

Commissioner Ayme: "No, not me."

Public Participation

Commissioner Burgess: "And there's no public here…"

Commissioner Ayme: "Move to adjourn."

Commissioner Ramirez: "I second the motion."

Commissioner Burgess: "Okay, all in favor?"

Commissioners simultaneously: "Aye."

Adjournment

The meeting adjourned at 8:34 p.m.

Attest:

Candace Pampoukidis
District Clerk