SECOND TAXING DISTRICT COMMISSIONERS

Regular Meeting Minutes
December 19, 2013

Present:	Mary Burgess	Chairperson
	Mary Geake	
	Mary Mann	
	David Westmoreland	
	Martha Wooten-Dumas	
Absent:	Maria Borges-Lopez	
	Cèsar Ramirez	
Also Present:	John M. Hiscock	General Manager
	Lisa Roland	District Clerk
	Kara Murphy, Esq.	Tierney, Zullo, Flaherty & Murphy
Public Present:	Fred Belinsky	

Call To Order:

Commissioner Mary Burgess called the Regular Meeting of The Second Taxing District Commissioners to order at 7:08 p.m. on Thursday, December 19, 2013. The meeting was held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut.

Acceptance of the Minutes:

Commissioner Burgess: "Ok, I will call the meeting of the Second Taxing District Commission Regular Meeting on December 19th at 7:08 p.m. And I need a motion for Acceptance of the Regular Minute Meeting of November 12th and the Annual Meeting of November 19th."

Commissioner Westmoreland: "So moved."

Commissioner Burgess: "Is there a second?"

Commissioner Wooten-Dumas: "Second."

Commissioner Burgess: "All in favor?"

Commissioners Unanimously: "Aye."

Commissioner Mann: "I would like to abstain because I was not at the Annual Meeting."

Commissioner Burgess: "Oh, that's right. Ok."

Commissioner Burgess: "Public Participation, if one should dare."

[Laughter]

Commissioner Burgess: "Ok, someone want to move to the Consent Agenda, Library Board Vacancy, Monthly Meeting Schedule and SNEW Holiday Schedule?"

Consent Agenda

2. Library Board Vacancy
3. Approve 2014 DC Monthly Meeting Schedule
4. Approve 2014 SNEW Holiday Schedule

Commissioner Mann: "I will make a motion."

Commissioner Westmoreland: "Second."

Commissioner Burgess: "All in favor?"

Commissioners Unanimously: "Aye."

Commissioner Geake: "I have one question on one thing and I talked to someone about it. We normally have, what day was it, here we go…we are having our meeting on a Thursday because of…"

John Hiscock: "Wednesday."

Commissioner Geake: "A Wednesday because of the holiday and I just wanted to make sure."

John Hiscock: "Yes, I was going to announce that just so you understand. The November 12th meeting is a Wednesday night because the 11th is a federal holiday, Veteran's Day and we are not supposed to meet on a holiday by law. I will tell you that it has been a struggle for years to deal with this situation and we thought we had it absolutely licked with no trouble because the electors meeting is in the Thanksgiving season and we always meet a week before because of what we are dealing with and back when Veteran's Day was a Monday it was never a problem, well now it is a Tuesday so once every six or seven years we are going to end up with this problem, so Lisa scheduled it for a Wednesday night."

Commissioner Geake: "Ok, well, my only thing is Lisa on the schedule that I show and maybe you forgot the updated one it doesn't show it as being on Wednesday, November 12th, it shows it as being Tuesday, November 11th so I was wondering if you had an updated one, the schedule that we have in the book?"

Commissioner Burgess: "Because I ripped it out to hang it up on my…"

Commissioner Westmoreland: “This?”

Lisa Roland: “That is the SNEW holiday schedule.”

Commissioner Geake: “Oh, I am sorry.”

Commissioner Westmoreland: “No, it says November 12^{th}.”

Commissioner Geake: “Oh never mind.”

Commissioner Mann: “It says November 12^{th} on the schedule.”

John Hiscock: “Ok, have you voted? I am sorry? Have you guys voted already?”

Commissioner Geake: “No we are just making a motion.”

John Hiscock: “You are just at the motion level. Ok.”

Commissioner Burgess: “Ok, all in favor?”

Commissioners Unanimously: “Aye.”

Commissioner Burgess: “Opposed?”

Regular Agenda:

5. OPEB Trust

Commissioner Burgess: “Ok, we are down to the Regular Agenda, OPEB Trust.”

John Hiscock: “Ok, we are down to the final stages of the OPEB Trust and I believe you saw in the write-up that Bob Bailey of Hope & Hernandez requested two sections to be added to the Trust document to make it clear that SNEW is authorized to make the ongoing annual payments through its normal pay process. That is fine with the Trustees. It is not an issue, so that language was put in. I think you can see the email from Alan Friedland, the attorney from Jackson, Lewis who created the OPEB Trust document. Both of them are with respect to accounting commencing and ending on a specific year at the accountant’s request. And SNEW may in its sole discretion pay all or any portion of the monthly costs of OPEB benefits and obligations, which is our intention and he wanted that clear for his accounting purposes. So, that was the only change to the Trust document and it has been included. Added to the Trust document, which is necessary as Exhibit A in the Trust document based on attorney Friedland’s drafting, is the Exhibit of the Eligible Retirees and Employees in accordance with the Employee Manual, matching the Employee Manual exactly and if you look at the fine print towards the back, it spells it out again so it just doesn’t rely on the Employee Manual. It also indicates that if the benefits for employees change, the benefit for the retirees will be changed to match the employees because there is a section in the manual that says the retirees will not get a greater benefit than the employees. So, this is the beneficiary list by definition and it is included as part of the Trust. The only other issue I have for you is, as I have indicated in the little note on the front of the item, we contacted Webster and People's Bank in accordance with our last set of instructions and both Webster and People's made a proposal to us. Webster was for the first million dollars .75% as an annual fee; People's was 1.1% as an annual fee. So, Webster would be $600,000 in the first year and People's would be $880,000 in the first year. And while that sounds like a fair amount of money, remember that the creation of the Trust allows us to invest as if this were a pension investment, which allows a mixture of securities, stocks, bonds and other issues that we are not allowed by law to invest in. Municipal money cannot be put into any of those, so that the creation of the Trust is going to create a greater yield, presumably of course, than the annual fee. So, in essence it is not going to cost us additional money. The only other choice is to have a member of staff manage this fund. I am not keen on doing that. I think that is not a good thing to do."

Commissioner Geake: "No, absolutely."

Commissioner Westmoreland: "Say that again. Did you say that the fee would be $600,000 a year?"

John Hiscock: "I am sorry."

Commissioner Westmoreland: "I was like wow we are making some big payments into the Trust."

[Laughter]

John Hiscock: "$6,000."

Commissioner Westmoreland: "$6,000, great."

[Laughter]

John Hiscock: "Thank you; that would have been ugly. That would have been very ugly in the minutes."

Commissioner Mann: "Yeah."

John Hiscock: "$6,000 versus $8,800 and the interesting thing is that it was spelled out in the documents, when I was doing the math I put the decimal point in the wrong place. Thank you for catching that. You might make the newspaper for approving the trustee annual fee of more than or almost at the level of the trust itself."

[Laughter]

John Hiscock: "Yes, $6,000 is Webster and $8,800 is People's. I have indicated to

Webster that presuming all of the documents get put in place; that is where we should go. That is the only thing I have on the OPEB Trust. We have legal counsel here in case you have any further questions. We have decided not to have Alan Friedland come down here for that discussion since you are fully aware that you looked at the exact same document at the last go round and the only change has been what our auditor has requested, so we decided not to bring him here to tell us that he complied with the auditors' request and he is fine with it."

Commissioner Burgess: "Any questions?"

Attorney Murphy: "I just wanted to tell you that Frank Zullo sends his regards. He cannot be with you tonight. Frank and I did speak about this and he and I do think that the changes that were requested by the auditor are reasonable and appropriate and that you should accept the auditor's changes and proceed with the Trust."

Commissioner Burgess: "Commissioners, no questions? So we need a motion for final approval of the Trust."

Commissioner Westmoreland: "So moved."

Commissioner Geake: "I will second it."

Commissioner Burgess: "No discussions, all in favor?"

Commissioners Unanimously: "Aye."

Commissioner Burgess: "Opposed, abstentions?"

6. Customer Deposit Interest Rates

Commissioner Burgess: "Ok, Customer Deposit Interest Rates."

John Hiscock: "I need to give her one phone number on her way out the door."

Commissioner Burgess: "Go ahead."

[Attorney Murphy left the meeting]

John Hiscock: "Item 6 is the Customer Deposit Interest Rates, as you all know we take deposits from customers who open accounts, the amount for residential have not changed since they were first adopted in 2002 or 2003. They were adopted by the former electric commission, just prior to our consolidation into one full Commission. The money that we have taken from customers is in the books listed as a separate fund. For a considerable time period it was in CD's with a small amount in the General Fund as additional funds come in. We are in a climate now where obviously CD's pay virtually nothing; there is almost no difference between a money market and a CD. Some of the money markets are paying more than a CD's because of the bank's position on all of this. We have always been and I want you to look a little bit at this chart that in your book and I think there is a significant number I want to make it clear to you and it's an important number. Towards the top of the page we have the total interest earned on the customer deposits since 2004 and I apologize, we started in 2004 because of the way our records are kept, we didn't have the first two years and in an easily accessible way. We received $397,000 almost $398,000. We paid out $440,000, so obviously we have been paying more in interest, mostly in recent times than we are making. If you look at the earlier years of the program, we were actually earning a little bit better than we were paying out until we got to the 2007 timeframe when interest rates were a problem. The reluctance has always been that if you drive the interest rate on the deposits extraordinarily low, we get more complaints than we already get and it is a large number of complaints. If you divide it by the total number of years, it is about $40,000 divided by nine years. It is less than $5,000 a year in losses and if we didn't have a deposit program, our losses would be phenomenally higher than that. And I am not trying to justify that, but I just want to point it out to you; that's an issue. Now, if you look down through you can see that for a while we were doing really good, we had one large CD at 4%, it was like a five-year CD, it was wonderful and it covered our interest payments. As they rolled off, we have declined our interest rate in 2010 was set at 1.75%, the last major CD just rolled off so now we are in a position that if we continue at the 1.75%, essentially, I will call it for the moment a subsidy, is going to be significantly greater. So, I think that we need to deal with this and as uncomfortable as it is, I think we need to lower the interest rate. Right now, we are getting .7% for the next nine months or so, on essentially a money market fund. So, if we set the interest rate at 1%, we would be losing a little bit but not a significant amount. I hesitate to tell our customers that our interest on deposits has dropped below 1%. That's sort of then becomes a…"

Commissioner Westmoreland: "Well, but everybody has that issue with savings and anything else. We are not a bank."

John Hiscock: "That is true."

Commissioner Westmoreland: "We are not required to provide a big return. What is the legal requirement for providing interest on deposits?"

John Hiscock: "There is no legal requirement because of the nature of these deposits."

Commissioner Westmoreland: "Is there anything that bars us from making money on deposits besides the fact that it's kind of unethical? I am just trying to understand what the rules are."

John Hiscock: "As an example and I think I know the area you are headed, certainly if these were security deposits in reference to real estate and rentals. In real estate you cannot make money and in fact if you do make money, the full amount has to go to the individual who has placed the deposit up. That is not the case with these. They are not treated that way because they are not considered rental."

Commissioner Westmoreland: "Ok, what would be wrong with adopting a policy that says that we will pay whatever…every quarter we will set the interest rate to reflect whatever it is we are getting."

John Hiscock: "We could do that. It becomes a little bit of an administrative problem but we could do that. There is nothing that says we cannot do that. We render bills on a monthly basis and we have recently started paying the interest on a monthly basis. We used to pay it quarterly and now we pay it monthly. It is just a simple calculation inside of the program, so it just become another line item if we pay it monthly and then you could set it monthly. So, you would end up at a Commission Meeting, it would be on the Agenda, you would set it monthly and for the next month that is what would be posted. There is a notification issue maybe that…"

Commissioner Westmoreland: "If we set a policy that this is our policy it is just going to be whatever we get, why would we ever have to see it?"

John Hiscock: "We would have to do the calculation every month and look at the various places the money sits but it is not a hard calculation. We simply have to hard code the program for a different interest rate every month."

Commissioner Westmoreland: "I would be comfortable delegating that to not be a Board issue."

John Hiscock: "If you set it as a policy, yes we could do that."

Commissioner Westmoreland: "Wouldn't that be fairer?"

John Hiscock: "It would be, yes it would be?"

Commissioner Westmoreland: "And we would protect SNEW ratepayers from losing money on paying interest on deposits. Now, conversely if interest rates go way up, would we even consider keeping some of the money? That really wouldn't be right, would it?"

John Hiscock: "We have always taken the position that we don't want to make money on this and we don't want to lose money, although we have lost money. The subsidy is, however, only I guess we have to think about this issue a little bit, that the loss subsidy is by those customers who do not pay deposits because everybody else is subsidizing themselves."

Commissioner Westmoreland: "Say that again?"

John Hiscock: "The subsidy comes from those who do not have deposit money up."

Commissioner Westmoreland: "Right, that would be me."

John Hiscock: "Right."

[Laughter]

Commissioner Westmoreland: "Well, all residential is subsidizing this."

John Hiscock: "Well, you must have been a customer then prior to 2002 or 2003?"

Commissioner Westmoreland: "Yes."

Commissioner Geake: "Yes."

John Hiscock: "So you don't have a deposit. Unless of course you got on our non-payment list and got turned off, then you will have to post a deposit. Somehow I don't think that is the case."

Commissioner Westmoreland: "Not yet."

[Laughter]

Commissioner Westmoreland: "I always try to make my discount every month."

Commissioner Mann: "You and me both."

Commissioner Westmoreland: "It seems to work."

John Hiscock: "Yes and a good number of our customers do make the discount every month. There is nothing wrong with setting that policy from a legal perspective and because it is totally computerized, it is not difficult from our perspective. It would be just one of those things that would be done towards the end of every month and just before the bill run. The bill run is usually the 26th or 27th of the month."

Commissioner Westmoreland: "I mean, people are going to complain anyway but at least this way we can say hey you are getting what we are getting."

Commissioner Burgess: "What we get."

Commissioner Geake: "Yeah."

John Hiscock: "The other choice and not to disagree with you, but the other choice would be to allow staff on a policy basis to do it on a quarterly basis just to eliminate the issue but with the position that…"

Commissioner Westmoreland: "We don't lose money."

John Hiscock: "We neither make nor lose and it is a quarterly adjustment."

Commissioner Mann: "Correct."

Commissioner Westmoreland: "Either is fine with me."

John Hiscock: "As a staffer I would prefer quarterly as opposed to monthly and we certainly can run this as a fund, so we know exactly where we are. It is a matter of having the run from the billing system posted to a control account and having the interest received to the same control account and deal with the difference, set it that way, so that way it stays over the long haul in balance based on a quarterly adjustment."

Commissioner Burgess: "Does anyone want to make that motion?"

Commissioner Westmoreland: "Does that sound reasonable?"

Commissioner Burgess: "Yes, it does sound reasonable."

Commissioner Westmoreland: "I don't want to be pushing anything. I make that motion what John said."

[Laughter]

John Hiscock: "Ok, we will adjust the interest to the actual interest earned on a quarterly basis going forward starting with January 1, 2014."

Commissioner Burgess: "Second?"

Commissioner Geake: "I will second it."

Commissioner Burgess: "Any discussion?"

Commissioner Mann: "I have a question. Yes, my question would be, would we send out a notice indicating that this…regarding this new change?"

John Hiscock: "We would send a notice out of a policy change. It would be extraordinarily burdensome every time a change occurred to notify them; that would be difficult."

Commissioner Mann: "Oh yeah, I am talking about a one-time notice so we can say…"

John Hiscock: "Yeah."

Commissioner Mann: "Thank you."

John Hiscock: "We would do an insert in our December 31st billing and that would take care of it and then when we collect, our staff will be informed to tell the customer what the relationship and the arrangement is with respect to deposit interest. So, for the new accounts they will be told."

Commissioner Burgess: "Ok, ready to vote, all in favor?"

Commissioner Unanimously: "Aye."

Commissioner Burgess: "Opposed, abstentions? Ok, you are on."

7. Employee Health Insurance Plan

Commissioner Geake: "Can I make a suggestion before you start? We are missing two of our Commissioners and based on the fact that this is so critical, the changes that we are thinking about making for the employee health insurance, do you think it might be a better idea to wait until they are here? We can go ahead, but I am just thinking we could talk about it for a long period of time and then say well we don't want to make a decision."

Commissioner Burgess: "I don't think we can."

Commissioner Mann: "We have a time period, don't we?"

John Hiscock: "I want to explain that issue to you. We are permitted to change the plan prior to the beginning of the plan year. The plan year is January 1 through December 31. If we make a change after the plan year starts, we are required and don't hold me to the number, but we are required an advanced notification to the employees of either 60 or 90 days. So, we have the opportunity to make this change without notification once a year, prior to the beginning of the plan year. So, that would be, if we didn't wait, that would occur. Something to keep in mind as you deliberate certainly but that is the procedural issue here."

Commissioner Burgess: "Go ahead."

John Hiscock: "Ok, Employee Health Insurance, as you can read from the write-up we originally got a 16% increase from Oxford/United Healthcare, the largest increase we have had in many, many, many years. Generally, they have certainly been higher than the rate of inflation but nowhere near this kind of an increase. As our agent said, well you got away with it for a long time at a certain number. I indicated and he agreed that 16% is not palatable, it's a big number. It is certainly a big number and it was going to cost the company $130,000 a year."

Commissioner Westmoreland: "Well, they can say this year, oh its Obama care."

John Hiscock: "Yeah there is this whole argument about the 3% tax, which essentially was supposed to be on the insurance companies. Well, it is like the gross receipt tax on your electric bill. It is supposed to be on the company, well it is on the customer; we all know that."

Commissioner Mann: "Yes."

John Hiscock: "So that is not an excuse, it's just a comment. As a result of that 16% quote, we went out and got Anthem/Blue Cross and CIGNA to quote, based on our current plan, which is a standard plan, the HSA $2,000/$4,000 deductible is a very standard industry plan. So, it was not hard to get quotes other than because of the number of retirees under 65, we have trouble getting quotes from a lot of companies. Anthem was at 6.4%, which was certainly a good or a better situation than we had with the United Healthcare/Oxford and like every good agent he went back to United Healthcare/Oxford and Oxford essentially came back with a 7.5% increase. Clearly the 7.5% increase is an attitude on their pricing department, well for 1% higher than our competition they are not going to put the employees through a change of doctors and providers and all of those things and dealing with a new company, new procedures. So they made a calculated guess and said ok they will accept 7.5%. Consistent with the memorandums that I gave you, I did indicate to the agent to indicate to Oxford that we would accept the 7.5% because we have no choice and certainly I would never be in favor of forcing the employees through a change for the 1% especially when you don't know how good they are going to be paying claims and while they may be better they may be worse. Certainly we are all used to what they are. Now, so that is where we are. It still means a $60,000 increase per year. The plan is described in the document from the insurance company towards the back of your spreadsheet with the yellow print. Ok, you can see the plan on the left-hand side is the current plan with renewals and a $2,000/$4,000 non-gated HSA with a $3,000 out-of-pocket and a $15/$25/$40 after deductible prescription. They did provide us three other plans, alternative 1, 2, and 3. As you can see, the alternative 1 is a 2.94% increase; the 2.94% increase would be a result of an increase on the deductible in-network from $2,000/$4,000 to $2,850/$5,700. If you read in the fine print down below they basically told us that they will not accept us fully funding the deductibles like we do in the current HSA. Their goal is to create pain for the employee so that they make a decision as to whether or not they are going for healthcare. The premise of the HSA is, from the insurance company's perspective, make the employees pay initially and then cover on the upper end, so that there is no big expense on the bottom end. Well, when we first went into the HSA, the savings was so huge over the traditional point-of-service plan, that we fully funded the HSA deductible so that our employees, for those new Commissioners and maybe I should have explained this in the memo and I forgot to explain it to you, is that each employee has an HSA savings account and on the first week of January of each year, we deposit directly into their HSA account either $2,000 or $4,000 depending on whether they are individuals or family. So, I wanted to make that clear to you and I hadn't made that clear to the new Commissioners and I need to make that disclosure now. So, if we picked the alternative 1 that they have provided and we haven't done that and I will explain why in a minute, we would have been limited to the HSA reimbursement that we currently do with $2,000/$4,000 and that is sort of where we left it. In the end, that presents us a problem going forward, so we simply went with the renewal as indicated. If we were to go back to them and say re-quote alternative 1 before the beginning of the year, they would do so and we might get a slightly better than 2.94% increase. Of course, the employee with families would have an immediate $1,700 deductible and for singles it would be $850 deductible. And again, if we are going to make any change to the plan and the plan right now is full reimbursement, it has to be done this month or there is a notification period. Not that the employees would have the right to object. It simply would be notification. So, at this point are there any questions?

I can answer any questions, are there any issues, is there anything else the Commission would like to discuss? Ok fine, we should do that."

Commissioner Westmoreland: "Well, I am not comfortable making a change that would require the employees…if we have been paying everything and its two weeks before the end of the year and then we are going to say well, now your world is different in terms of your benefits and we are going to make you pay some, that would be something I would want to consider over a long period of time and I would want the employees' input into those decisions somehow. I don't know legally what we can do, but I wouldn't want employees to think that this is just an arbitrary decision we made to save money. It needs to be viewed in the context of our whole benefits package and how it compares to competitors and I would like employees to know months ahead of time that a change is coming not 10 days. That is my concern."

John Hiscock: "The problem we always run into is that we cannot get renewals in a timely enough fashion to deal with it that way and it becomes a difficulty. However, you would have the opportunity to leave the plan where it is and then at a subsequent month make a decision to change it and then you would go through the notification process that is required by law or something greater if you wanted to, you always have that option. If you change the plan mid-timeframe, it's a notification process. With respect to the…and I know what you are saying with respect to the employees and talking about it; that becomes extraordinarily problematic because we don't have a bargaining unit. And while you are free to talk to counsel about that issue, we have been repeatedly warned not to in any way discuss a benefit package with employees in front of a vote on the basis you create de facto bargaining group by doing that. It becomes this legal argument as to whether you have recognized the employees or not and that becomes, in the opinion of counsel, a very slippery slope that you are going to get yourself into a bind with, so if there is going to be an inquiry with respect to the employees, it shouldn't be by the company."

Commissioner Westmoreland: "Well, I understand that absolutely. I feel like well on the one hand if we can save, it is not very much money; it is like $8,000, right, if we switch to the other one, who was it Oxford?"

John Hiscock: "We are in Oxford now."

Commissioner Westmoreland: "We are in Oxford now."

John Hiscock: "And we are not suggesting that we go to CIGNA because that is not going to save us much, only 1%."

Commissioner Westmoreland: "It really doesn't save us any money."

John Hiscock: "That is not worth the effort."

Commissioner Mann: "No."

John Hiscock: "The choices are…"

Commissioner Westmoreland: "It really is just the choice of plans."

John Hiscock: "Right, it is the choice of whether we change the deductible and the maximum in network/out-of-pocket from $3,000 to $4,000 and take care of the deductibles, put them in a higher level but not reimburse them under the HSA because the insurance company would balk at that. You know there are other methodologies; you certainly could require some payment by the employees as opposed to changing the deductible, that is an option and I calculated some numbers just to look at that as an idea. My goal, let me put it to you this way, is to think about what could be done to leave the company with the same premium as the prior year and when you leave the company with same prior year premium or close to it, you either move to a higher deductible and obviously not fund the HSA or you require some sort of contribution from the employees and I did a few calculations and I don't know if you want to share them at this point or you want to deal with it differently. I am sort of…I will provide whatever data the Commission would like."

Commissioner Wooten-Dumas: "I would like to take a look."

Commissioner Geake: "Through the Chair, the way I feel about it is the fact that a lot of people have not had insurance and through Obama care and things like that they are finally getting insurance that will be eligible January 1st. Since the beginning of the existence of this, we have always paid 100%. We need to make changes to that. We have to make some changes because the world is making changes. They are going to be the one of the only places that they don't have to pay anything because we have them at 100%. It is becoming tougher and the economy and they have to realize it. They have to realize this and I am sure every one of them is walking around wondering what could happen if, so…"

John Hiscock: "Yeah, these are not suggestions on my part. Take them only as illustrations of the ways that we could mitigate the damage from an increase and leave the company in the same position and we will mail this, since it was distributed here to the two Commissioners who were not present. You can see just a very simple spreadsheet with the single and then the parent/child, the spouse and then the family coverage. You see the current rate, the rate for 2013 and what the insurance costs us and as you can see the numbers are big but not inconsistent with what you have all heard from the marketplace and talking to other individuals in your own personal experience. You see the renewal rate. A couple of interesting things have occurred in the renewal rate and this is the negotiated renewal rate. The single coverage goes from $590 to $662, the parent/child coverage drops from $1,228 down to $1,099. It has to do with the census, it has to do with our company and the distribution of the mixture between single, parent plus child, spouse, family and the ages and all of those things change every year and we are a small group, we are under 50. While we have 53 authorized employee positions, we only have 46 or 47 filled currently. So the first thought was freeze it at the current level and let the employee pay the increase. Well, that becomes very interesting because what do you do with the parent and child who suddenly…what are we going to do, give them a rebate? That makes no sense; that is looking for trouble, to get into one of those issues. So then we have a difference column and you can see the difference and this is monthly, single would be $72 a month, the parent plus child is a negative $128, the spouse is an increase of $84 and the family is an increase of $230. Ok, I just threw two arbitrarily, what I will call, neutral plans. You can see the increase is $60,000, the two plans would obtain from the employees. I will put it to you that way right now, either slightly over $60,000 or slightly under $60,000. Plan A is the employee pays 7% of the premium. Now, you know the increase is 7.5% but it is premium under renewal rate as opposed to the increase which is based off the current rate. Just a little quirk in math that we all remember from high school and then Plan B, which is another…Plan A is a common way to do it, you know straight percentage, Plan B is another common way, the company pays for the employee and then the employees pay a percentage of their dependent coverage. To do that, to remain neutral if we paid for the single and then have the employee pay for their family coverage depending on what they might be, it would be 14% of the premium for everything other than the basic employee. So, the basic employee pays nothing and as an example parent/child would pay $61 a month, spouse they would pay $96 and family $176. It sort of illustrates how much they would end up paying under those circumstances but when you compare it to what the company pays, the company is paying a big number so you would be in these illustrations, not recommendations at this point, illustrations where it would go. So, I was trying to give you an idea of how you…I could write a hundred different plans. So this is simply an illustration of two very common plans."

Commissioner Westmoreland: "Currently, just to make sure I understand this, the single person does not pay anything, and a family doesn't pay anything."

John Hiscock: "No one pays anything."

Commissioner Westmoreland: "No one pays anything."

Commissioner Geake: "No."

John Hiscock: "No one pays anything and no one actually even has a deductible because we are funding their HSA bank."

Commissioner Westmoreland: "That is a very generous benefit."

John Hiscock: "It is an extraordinarily generous benefit."

Commissioner Westmoreland: "But, I don't know, maybe because I am a fairly new Commissioner, I don't know how our salaries compare, for instance to other…I have always believed that your total package to employees should be better than your competitors because you want to keep good people, but not so much better that you can't afford it. That is not good for business."

John Hiscock: "Yeah and being a new Commissioner I did not share and I should have probably shared their salary structure with you, I didn't but not because I didn't want to, we normally deal with those issues in January. I am going to make a comment just a simple comment about where we are. If you look at the entire package, I don't think you are going to find one that is as good, the sick package is good, the vacation package is good, the holiday package is good and the salary package is probably, as you described and I will describe to you again, probably above comparative market rates. There are a few that I can very specifically give you. We pay our linemen better than CL&P pays their linemen and that is for two reasons, if you going to be a linemen, living in Fairfield County and you are going to get X dollars and if we paid you what CL&P pays, you are going to go live someplace else in the State and grab the CL&P salary because you would be at a tremendous advantage to do that. CL&P used to compensate them with an additional stipend for working in Fairfield County; they ended that. It became extraordinarily difficult for them, they ended that. I think on balance, if we were to hire a firm to do a top to bottom analysis, I think two things would have to happen. When you tell a firm that you want to do a comparative analysis, you have to give them the parameters of what you are going to compare to. Are you going to compare to utility industry standards or are you compare to governmental standards? There is still a decision-making process there or you can get all of the comparisons and at some point you need to make a decision. I will tell you that it is my very strong opinion that if you did the comparison, you will find that the package is very good compensation. Now, on the other hand, we are in Fairfield County and that doesn't make things very easy for anyone, we all know that."

Commissioner Westmoreland: "Well, my electricity was only off for 45 minutes during Hurricane Sandy versus everybody else I know who were CL&P customers who were off for weeks. So, I am extremely grateful to the employees because I just want my electric to be on all the time."

[Laughter]

John Hiscock: "The employees do a good job."

Commissioner Wooten-Dumas: "Yes, they do."

John Hiscock: "Like any organization we have a few that aren't exactly stars, but on average the employees are generally company oriented. I think as you all know, most companies of our style are unionized, we are not, we were unionized twice and in two specific instances the employees decided that the Commission was preferable to unionization and I think it has to do with the benefit package and the compensation package. So, it is a trade-off. I think that is as far as I can go with an explanation here."

Commissioner Westmoreland: "And in light of that I am just very concerned about springing a $134 or $176 a month on a family starting basically 10 days from now they didn't plan. I would feel more comfortable if we were going to do this and I am not sure how the other Commissioners feel, certainly we need to manage cost, but I would be more comfortable and think it would be more respectful of the employees to give more notice, even if it caused us more pain in terms of the notification process that we are required to go through."

John Hiscock: "There is no pain with the notification; it is extraordinarily simplistic in our case. It amounts to, at this point in time; it amounts to for the next year $15,000 a quarter. So, if there was an interim decision to be made the worst case would be an additional $15,000 from the point the decision was made. So, at any point in time you made that decision, the notification process will cost an additional $15,000 from that time forward is what I am saying to you."

Commissioner Westmoreland: "Right."

Commissioner Mann: "So, are you saying that if we chose to do this, you would like to give the employees at least a 90-day notice?"

Commissioner Westmoreland: "Yes, I mean…you know you guys have been doing this a lot longer than I have and I would welcome your input, but I am just telling you my reaction and I recognize that I don't have the experience that you guys have and I mean that. It just doesn't feel good."

Commissioner Geake: "All I know is that we talked about it in the past years and we always just talked about it and never got anywhere and now it is to the point where we really need to do something. If we do it tonight and it goes into effect in 90 days, you know something. I really think we need to do something now at this point in our life or their life, or anybody's life."

Commissioner Wooten-Dumas: "So, it is either give them 90-day notices or it takes affect January 1st?"

John Hiscock: "Well, the coverage with respect to change in premium obviously has to go into effect on January 1st. If you made a decision tonight with respect to any particular thing other than what we are doing now, it would be 10-day notice would be the legal requirement. You could make the notice any length of time you wanted to, but the legal requirement is no notice if you make it before December 31st. After December 31st, it would require 60 or 90 days and unfortunately I didn't check to see what the current standard is or it could be any notice you want to make, it is your choice. You could make an announcement that this is, in 6 months from now, with the new fiscal year, it is going to be X; you have the ability to do that. If no decision is made this evening, you clearly will spend an additional $15,000 higher than what you spent last year. I am hoping that clarifies."

Commissioner Wooten-Dumas: "Yes, it does."

Commissioner Mann: "Well, I am very comfortable with a 90-day notice."

Commissioner Burgess: "You are what?"

Commissioner Mann: "Comfortable with a 90-day notice."

John Hiscock: "Well, ok you are comfortable with the 90-day notice but the question is are you going to adopt some sort of the plan this evening or are you going to defer a decision to the full Commission and then provide the 90-day notice, that is what I am trying to understand. So, you have two options, you either approve something this evening that you haven't had time to look at, I understand and provide them 90-day notice or you take a look at this, think about it, come back in January and put it on the agenda and then provide a 90-day notice or take longer. I am just telling you what the procedural issues are."

Commissioner Westmoreland: "Normally I am all about saving money and cutting costs, but when it comes to employee benefits I am more willing to spend some extra money to make a good decision for SNEW and for our employees."

John Hiscock: "I wrestle with this every year because you have both sides of the equation here. We are not fighting with somebody over what it should be. You have the employees and the customers and it is a balance and we internally fight with this all the time."

Commissioner Westmoreland: "Right, I mean it's clear that the economics are not sustainable and it has to change. I feel that and you guys have wrestled with this every year, I have not, if I alone was making the decision, I would say defer any decision until the January meeting, discuss it again hopefully with all the Commissioners and then hopefully make a recommendation that we could implement and meet the 60 to 90 day notice period at that meeting, which I realize will cost us more money."

John Hiscock: "You do recognize this and I am not lobbying here, you do recognize the size of our budget and its…"

Commissioner Mann: "It's pretty painful."

John Hiscock: "Is out beyond the decimal point when it comes to that. I know we said this last year and those that were on the Commission last year remember the conversation, well we don't know what the affordable healthcare act is going to do and we are still in the same spot. We have an implementation, but we don't know if that implementation is going to get modified or not so I don't know where we are going in the long run. That is anybody's guess, not mine. It looks like we will work through this and it will all makes sense eventually."

Commissioner Westmoreland: "You know…Mary, Mary Geake, Mrs. Burgess I don't know how you guys feel?"

Commissioner Burgess: "I am not uncomfortable at giving them a little more notice than at Christmas week saying whoa, hey."

Commissioner Westmoreland: "Merry Christmas."

[Laughter]

Commissioner Mann: "Yeah, Merry Christmas, you are absolutely right."

John Hiscock: "And the employee's only notice clearly was the agenda. I think some of the employees might because of procedural things that are going on inside the building…

Commissioner Mann: "That this is coming."

John Hiscock: "If they happen to be at this building they are aware we are meeting with the agent and things are going back and forth. The average employee in the field would have no knowledge of this other than seeing the agenda. I can guarantee to you other than a few people in the company who are employees; they don't really look at the agenda really. We have a few who look at it all the time but…"

Commissioner Westmoreland: "$145 a month for a family, that hurts."

Commissioner Geake: "If we were to decide to make it a 90-day notice, can we at least decide on which one we are showing preference towards rather than just one way or another so at least when we come back in January and say this is what we are thinking about, what does the whole group of us think? I mean, do you have any thoughts on that?"

Commissioner Mann: "Plan A or Plan B?"

Commissioner Geake: "Yes, or Plan C or…"

John Hiscock: "Or Plan C or Plan D."

Commissioner Westmoreland: "Having been single most of my life, I always resented that the single people in companies subsidize the families, but I am lot more sensitive to that as I have gotten older, now that I have a dog…"

[Laughter]

John Hiscock: "We also know that the younger people subsidize the older people. There are many, many subsidies in society so… not that I agree with them."

Commissioner Burgess: "If my children would do something, no one would have to subsidize me, no tax dollars."

[Laughter]

Commissioner Westmoreland: "Well, clearly under Plan A single people are basically subsidizing the family."

Commissioner Mann: "Yes they are."

Commissioner Westmoreland: “And that may be alright, I don’t know. I don’t have any clear cut view as to which is better.”

Commissioner Mann: “Neither do I.”

John Hiscock: “And simply until you have a consensus and a view and basically since you all want 90-day notice, that is what I am getting out of this conversation; you are down to now a 90-day notice plus $5,000 for every month that you delay the decision. I am now even making it simpler for you to defer decision making; that is all I am saying. And the other reality of the procedure is unless you vote something this evening, you are automatically into status quo and you are automatically into the either 60-day or 90-day notice from the date of decision.”

Commissioner Mann: “Automatically, yeah.”

John Hiscock: “So I do want to tell you that you can’t table this and expect anything other than you are, automatically going out to the process. So, a no decision is a no decision and it…”

Commissioner Westmoreland: “Which would mean it would go to…”

John Hiscock: “It would go to at least April.”

Commissioner Westmoreland: “April.”

John Hiscock: “Correct. It would go to at least April which you know, you would implement it and then it would be May 1st before you collect money from the employees. Well, January, then you have February, March and April, is the 90-day notice and then the first payments would be in May.”

Commissioner Wooten-Dumas: “Does it have to be 90 days?”

Commissioner Mann: “It could be 60.”

John Hiscock: “I think it can be 60 but I am not positive. I don’t want to commit 60 to you. It is either 60 or 90, I don’t know which.”

Commissioner Wooten-Dumas: “I am looking at this and if we went with one of these plans, these are pretty still low compared to other, so they are still getting an excellent deal.”

John Hiscock: “Absolutely.”

Commissioner Westmoreland: “When you have a family…”

Commissioner Wooten-Dumas: “I understand when you have family.”

Commissioner Westmoreland: "And suddenly $150 a month is gone."

Commissioner Wooten-Dumas: "When you have a family and being paid above-average for living in Fairfield County, which most people don't have that luxury of, being paid above, they live here because they are basically almost stuck here and they have to pay out whatever they have to pay out or either they go without. But looking at this, like I said, this is pretty good and if they are paid well enough to stay in Fairfield County, then if you are going…all I am saying is if we need to do something than I can't see extending it out to 90-days because if you are going to give them notice and I am sure these employees are budget minded or whatever, I don't know but, I think just 60-days would be good if we are trying to not lose money. That is what I am getting at."

Commissioner Burgess: "Mr. Hiscock, you are not sure that 60-days are allowable?"

John Hiscock: "I am not positive, if I had to choose between the 60 or 90 I would lean towards the 60 as probable, but I don't want to commit and make a mistake."

Commissioner Westmoreland: "Well, if we made a decision tonight, there is no notice, but we could choose to give notice."

John Hiscock: "Correct. You can always choose to give more notice than required. However, it's more likely 60 required than 90, but I can't guarantee that. There have been so many changes recently with plans, I can't keep up with all the rules and regulations and if I had asked the agent, he would probably have to look it up himself and I didn't think to ask the agent before the discussion this evening."

Commissioner Burgess: "Well, are you saying we have to make a decision on one of these plans tonight or we can just decide to bring it up at the next Commission meeting?"

John Hiscock: "If you are not going to leave it in the status quo."

Commissioner Burgess: "But otherwise it would just stay in the status quo?"

John Hiscock: "It will stay in the status quo for essentially, even if it is a 60-day notice, it will stay at a minimum of 90 because we don't meet again until late in January. So even if it is only a 60-day notice, it will be 90 days before it is effective, if you don't make any decision this evening and if you make a decision this evening, you haven't had this information other than looking at it this evening as to whether or not you want to entertain a different plan than this or these are the most logical ones to go with."

Commissioner Mann: "Well, I think these two plans are the most logical to go with. I guess my question would be I am in favor of making a decision tonight stating that our employees will share in the cost and if we make that decision, can we choose which plan at a later date, after everybody has had an opportunity to review it?"

John Hiscock: "If you want to make a policy decision tonight that the employees will share, the amount to be determined in a subsequent month, yes you can do that. In other words, it would be an announcement. However…no, I won't say that because it would be an affirmative policy statement on your part which would tell the employees yes absolutely they are going to somehow share in this. You could do that this evening and then defer the amount and the plan to a later date and then the notification procedure would be determined at that point in time provided it was I think a minimum of 60-days at worst a minimum of 90."

Commissioner Burgess: "Sounds sensible."

Commissioner Mann: "Can I make a motion that we will make the decision and vote upon it whether or not the employees will share the cost of the insurance?"

Commissioner Burgess: "Is that alone a motion?"

John Hiscock: "I don't think that was actually a motion."

Commissioner Wooten-Dumas: "She was asking can she make a motion."

Commissioner Mann: "It was more of a question."

John Hiscock: "Yes, it was a question, you didn't actually propose something."

[Laughter]

John Hiscock: "If you are going make the motion where I think you are going, you would simply going to say you intend to put the employees on notice that they at some point in upcoming plan year they will be required to share in the cost, the amount and the notice to be determined later."

Commissioner Mann: "That would be my motion that I would like to put on the table."

Commissioner Geake: "I will second it."

Commissioner Burgess: "Is there any further discussion, all in favor of the motion?"

Commissioners Unanimously: "Aye."

Commissioner Burgess: "Opposed, abstentions?"

John Hiscock: "Alright, the action you have taken will be communicated to the employees and I am sure they will then read the minutes of this meeting and they will understand your dilemma and difficulty. They get it; I am not saying anything other than that. They get it; they all understand where they are and not one of them would like to see an increase. There is a reality and how difficult that increase is going to be, you are going to determine that at a later date."

Commissioner Mann: "Well, I keep thinking about the fact that you may have to consider a rate increase this year and I am not happy about that."

John Hiscock: "I know this is not…"

Commissioner Mann: "You know how I always buck that one."

John Hiscock: "This is not on topic but I will tell you that CL&P and I know that I am on the tape, what I have is sort of public information, we have talked about it previously. CL&P has just gotten a standard service increase as of January 1, 2014 and you remember the discussion that we were having previously with respect to the gas hedges that were expensive that were rolling off, they also roll off January 1, 2014 so that the, and I am only talking electric now, the spread on the electric side between CL&P's standard service and our rates are actually going to get better going through early 2014. We might be in a position to…we certainly will not need to increase electric rates in 2014…"

Commissioner Mann: "Wonderful."

John Hiscock: "For residential customers and we might be able to do something better depending on what happens in January and February with respect to the gas transmission shortages that last year drove our rates up a little bit, not that our customers saw it, I am talking about our wholesale rate. So that is good news. On the water side there needs to be some discussion, it has been over two years since we have done anything."

Commissioner Westmoreland: "So, at the next meeting, will this item be back on the agenda to discuss further."

John Hiscock: "It is certainly the Chair's choice but I would think so."

Commissioner Burgess: "Yes."

Commissioner Westmoreland: "It would be helpful if there was some sort of sense is A or B better because I don't really have a clue about it?"

John Hiscock: "I don't know; the employees will be talking. I distributed this spreadsheet at the public meeting, so it is a public document and I am presuming they will all want to see what it looks like and they will all start talking. While I am not going to go to them and ask them what they want, I am assuming through the grapevine and the process, either I, or you or both will hear back one way or another. Some of you have more contact with employees than others, some of you don't have much contact because you are new, but you still might have contact."

Commissioner Burgess: "Some have too much."

[Laughter]

Commissioner Burgess: "You end up baking cookies."

John Hiscock: "Well, I chose not to say that."

Commissioner Burgess: "Ok, a motion to adjourn?"

Commissioner Westmoreland: "So moved."

Commissioner Burgess: "You don't want to adjourn Mary?"

Commissioner Mann: "Sure, absolutely."

Commissioner Burgess: "I said motion to adjourn, I am sorry."

Commissioner Mann: "Oh, second, I am sorry."

Adjournment

The meeting adjourned at 8:20 p.m.

Attest:

Lisa Roland
District Clerk