

Town Council Meeting

October 25, 1984

7:30 p.m.

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A special meeting of the Wallingford Town Council was held in the cafeteria at Dag Hammarskjold School to discuss a proposal by the Electric Division to become members of a municipal electric energy cooperative.

Chairman Gessert called the meeting to order at 7:35 p.m. In attendance were Council members Bergamini, Diana, Gessert, Holmes, Killen, Krupp, Papale and Rys. Also present were Mayor Dickinson, Town Attorney McManus and Thomas A. Myers, Comptroller.

PUC Commissioners Richard A. Nunn, Joseph G. DeMaio and Alexander S. Kovacs were present along with Raymond F. Smith, Director of the Department of Public Utilities and Charles F. Walters, General Manager of the Electric Division.

Mr. Gessert indicated that this meeting was called to discuss the pros and cons of joining a municipal electric energy cooperative and to have any questions answered. Mr. Gessert noted for the record that Mr. Polanski is ill and will not be present.

Mr. Nunn explained that one of the responsibilities of the Public Utilities Commission is the Electric Division and within that role, they have the responsibility of setting rates for the sale of retail electricity to the ratepayers of the Town of Wallingford. At the present time, as all of you are aware, power is purchased from Connecticut Light & Power which is a subsidiary of Northeast Utilities. The power is purchased wholesale and sold retail. There are some very minor options--power can be bought from Norwalk; our own power can be generated and is when necessary but the bulk of power is purchased from Northeast Utilities.

The bulk of the budget of the Electric Division, something in excess of 80%, is made up of purchased power. The PUC has been concerned about newspaper articles about the anticipated rate increases. The nuclear plants are on the verge of starting up. There has been legislation on whether it is legal to roll in rate increases for construction work in progress and the projections are that the electric rates in the next few years will rise dramatically. We have little or no control over this under the present purchasing arrangement. What the PUC has asked of its Director, Ray Smith, is to study possible other sources of purchased power. That is the thrust of this investigation--simplifying it, we are seeking another source to purchase power.

A consultant was retained, R.W. Beck and Associates, for the purpose of studying another source to purchase power. The scenario that was originally laid out was to receive the consultant's report and after having studied it, invite the consultants who have prepared this work to a meeting in conjunction with the Town Council, to explain the details to us.

Many assumptions have to be made since we are talking about assumptions when trying to make projections. Again, the basic that is clearly understood, the decision about entering into an arrangement in purchasing power lies with the Town Council. That fact is perfectly clear to the Commission. The Commission's job, through their staff members, is to make a recommendation to the Town Council and that is what we anticipate doing. The original scenario was, after hearing from the consultant, we would then invite the cooperative to discuss what they have to offer, what entitlements they have currently and what they might be able to receive in order to increase their purchases and in turn sales, by approximately 50%.

There are six municipals, three of which are currently members of the coop. One is small, Jewett City, and Norwich and Groton are about the size of Wallingford. If Wallingford were to participate, it would be approximately 30% of the total purchases and/or sales of the coop. We were advised by the coop that because of the press that was being received and the uncertainty from various avenues within the Town of Wallingford, they asked that we settle our differences and set a direction and make a recommendation before they attended a meeting. They felt that this was the more intelligent procedure to follow. We've been short circuited in having the coop make their presentation to us.

Following the coop's visit, we were going to contact Northeast Utilities to tell them of the proposals that we have. As we all are aware, the purchase of power is somewhat of a monopoly in that they have the franchise for Wallingford which is one of the largest single customers of Connecticut Light & Power, taking approximately 2% of their total sales. Because the sequence couldn't fall in place for the coop to appear and meet with us, we subsequently have not met with Northeast Utilities. This morning's Record showed a report from a Rotary Meeting in Wallingford indicating that a representative from Northeast Utilities is anticipating rather high electric rates in the near future. What the PUC is attempting to do is to seek a viable alternate method of purchasing power. If the coop would prove not to be that viable method, then we would abandon that approach and stay with what we have. 605:

Mr. Nunn deferred to Mr. Raymond Smith for more details on some of the numbers involved.

Mr. Smith mentioned that at this time last year, the members of CMEGA which is Wallingford, South Norwalk and the third taxing district which is referred to as East Norwalk at this point, decided that we had been through the discussion stages of the investigatory stage with the CMEEC people and that we really needed some type of analysis, detailed analysis, to try to give us a handle on what participating in CMEEC would mean to the individual systems. As a result, R.W. Beck was retained to examine this option on behalf of its members, to try to project, and there are many assumptions that go into any type of projection which goes out 15 years, to give us their best attempt at projecting what is going to happen to energy rates under our present arrangement, if we were to participate with CMEEC, or perhaps set up our own cooperative with Wallingford and the two Norwalk systems.

The study developed over last winter and was finalized in June of this year and was presented at a public hearing on July 31, 1984. The members of the consultant were present and many members of the Town Council were also in attendance.

The results of the study indicate that there are some substantial savings that could be achieved, could be achieved if we were to participate in the cooperative. The numbers range from approximately \$5,000,000/\$6,000,000 to \$150,000,000 over this 50 year period. In one of the cover letters, CMEEC outlines what some of the assumptions of the study were predicated on.

One of the things attempted very early in the study stage was to go to our supplier and ask, and we did ask, what their energy costs would be to Wallingford over the next 15, 20, 30 years. We were denied that information; it was not available and there were no qualms about making it available. They said they just don't do that on a regular basis. We'll have to go with some assumptions and have somebody look at your system and have somebody try to estimate what those costs will be. In addition, the Beck people went to the cooperative and tried to make their projections--the cooperative doesn't even project beyond a certain number of years and they had to make some assumptions.

Taking all this information, they ran 5 basic cases, taking an assumed load projection from each of the communities, taking an upper limit of that and a lower limit of that. The upper limit is spelled out in the report. The lower limit for the town of Norwalk happened to be no growth. Wallingford, in Mr. Smith's opinion, is probably not going to experience a no growth situation with the addition of Bristol-Myers and what is happening with the rest of the town. Wallingford will experience above normal growth. The projection is about a 2% to 2-1/2% growth in the next 15 years. Taking this information and formulating that with what the wholesale rates will probably be, taking a lower limit of that and an upper limit of that, under all those cases, in the Beck report there were some savings to be achieved using the assumptions that are clearly spelled out.

One of the key assumptions is that the coop is going to be able to get additional entitlements similar to those that they achieved as a result of breaking off the antitrust litigation, part and parcel to that settlement of those entitlements. They chose not to participate in the antitrust case and when Mr. Smith first came on board, Wallingford was in the midst of that with the two Norwalks.

606 We came up short handed--empty handed, literally. The cooperative achieved what the goal of the antitrust case was and that is to establish themselves as an operating entity with entitlements from existing plants and, in addition, they received a financial settlement. Wallingford chose to go the other route to pursue the anti-trust case and again was unsuccessful.

The history of the cooperative was that Wallingford was one of the original founders and was very instrumental in getting the enabling legislation passed at the state level. Norwich and Groton were the other two systems that participated at that time.

As Mr. Smith explained in one of his reports, back in the late 70's and early 80's, there was a decision made not to participate any more and he can accept that based on the conditions that existed--there was a lot of money being spent and nothing seemed to be going right. There were studies being performed, based again on many assumptions. We are not dealing with that same energy today because they are in existence; they have secured a position and are recognized. They have 160 or 170 megawatts of entitlements, more than sufficient to cover the needs of their existing customers. They do not have existing entitlements nor are they under any projections to secure those entitlements for us at this time. If we are to agree to pursue participation, that is one of the major questions we will have to find the answer to--what type of life of unit contracts or additional generating ability will the CMEEC be able to come up with.

The existing members are very happy with their position--they are not going to penalize themselves to absorb Wallingford. They have responsibility to their customers and the board members that exist to protect their ratepayers on behalf of Norwich and Groton today and they certainly are not going to put themselves in a position to be tarred and feathered for just absorbing Wallingford to the detriment of their existing ratepayer.

This is where we are at today--we've accrued a lot of information. We don't have all the answers. One of the key steps is whether or not we can overcome some of the legal hangups that we seem to have. Are we willing, as a bottom line, to accept a multi-year, 45 or 50 year contract? If we can't accept that premise, that is one of the basic reasons for the existence of CMEEC as it is. If we can't accept that, there is no sense in going forward. If we can not accept that we would be working in a cooperative effort along with other municipal systems who are similar to Wallingford, for the benefit of the townspeople of those communities, if we can't accept that philosophy, there is no reason to go forward. If the economics dictate, we should go forward; if the economics don't dictate, we shouldn't go forward. Two basic premises must be accepted--working in a cooperative arrangement and a long-term commitment. They are the two real nitty, gritty issues. If the study indicated there is a potential for some savings for our customers (we don't have that answer yet) but if we can accept those two premises and the economics dictate, then we should go forward. Mr. Smith has a letter from South Norwalk and their commission has decided to go forward and pursue participation. Mr. Kovacs stated that at this point, Wallingford is the only one who has not made up its mind yet.

Mr. Gessert stated that before opening this meeting to questions from the Council, he would like to mention that the Town Attorney's Office spent a great deal of time looking at this and whether you agree or disagree with his opinion, Mr. Gessert would like to thank him for his effort since too often, the Council gets a one-sided viewpoint without opposing opinions for balance or counter-thoughts. Mr. McManus provided some other points so that the Council can effectively weigh the matter and develop important questions.

Mr. Krupp stated that he does not necessarily dispute the projections that are in the R.W. Beck analysis but did point out that because of his professional orientation, he is familiar with forecasting. There are two aspects of forecasting that have to be considered. The first is that from the moment you establish a forecast, the only thing that you know for certain is that it's wrong--you just don't know by how much, in which direction and when. The second aspect of it is that basing a forecast into the future on historical data has about the same degree of safety as driving down I-91 by watching your rear-view mirror--if what is in front of you isn't the same thing as what is behind you, you could be facing a significant problem. Be that as it may, the reality says that we have to operate on this forecast.

Mr. Krupp felt that if it were simply a matter of the risks involved from the standpoint of the future rates, he probably would not have the degree of concern that he has but in looking at the State Statutes which empower and charter the CMEEC, he believes there is a very strong downside risk to the people of Wallingford who are the members of the utility. Mr. Krupp said he would raise certain specific points as to what is occurring in terms of that downside risk. There has been reference made to a contract with CMEEC. Are you just talking about signing a contract for them to supply power or are you talking about becoming members of CMEEC. 607

Mr. Smith said that at this point, the basic thing is to sign a power sales agreement. Prior to that is a memorandum of understanding that has been described. We can't accept the power sales agreement not knowing what's on the other end and Mr. Smith could not recommend this. What has been worked out is an agreement to draw up a memorandum of understanding which would spell out that we would give them the right to negotiate for us, we would have the right to review and we would have to bear the expense for that but we would also have the right to stop payment--things of that nature. That would ultimately lead to a power sales agreement. If you want Mr. Smith's opinion, whether we are members or not of CMEEC, he is not sure that is quite as important. We may be members today but he is not an attorney and will not suggest that he is either. Mr. Krupp interjected that according to our attorney, that does not occur until a vote is actually taken.

Mr. Krupp referred to Section 7-233E of the statutes, quoting specific clauses, you can understand his concerns as to what exactly CMEEC is empowered with in comparison to the Town's Charter. . . ."plan, acquire, construct, reconstruct, operate, maintain, repair, extend or improve one or more projects within or without the state or to acquire any interest in or any right to capacity of such project and to act as agent or designate one or more of the other participants of such project to act as agent for all the participants of such project in connection with the planning, acquisition, construction, reconstruction, operation, maintenance, repair, extension or improvement of such project. . .to do and perform any acts and things authorized by the act under, through or by means of its cooperative utility board officers, agents or employees. . .to acquire, hold, use and dispose of income, revenues, funds and monies to acquire, own, hire, use, operate and dispose of personal property. . . to acquire, own, use, lease, operate and dispose of real property and interests in real property and to make improvements thereon. . . to grant the use by lease or otherwise and to make charges for the use of any property or facility owned or controlled by it. . .to borrow money and to issue its negotiable bonds or notes and to enter into any agreements with the purchasers or holders of such bonds or notes or with others for their benefit. . ."

As a side note, Mr. Krupp noted elsewhere in the statutes that those costs are essentially passed on to our utilities. Mr. Krupp finds the first section frightening, when you get to the level of the superpower generating here. . ."to exercise the right of eminent domain, subject to the limitations contained herein. . .to fix and determine the location and character of and all other matters in connection with any and all projects that may be authorized to acquire, hold, establish, effectuate, operate and control, to mortgage or otherwise hypothecate any or all of its property or assets to secure the payments of its bonds, notes or other obligations."

Mr. Krupp moved on to Section 233W and mentioned that if there was any doubt in his mind as to where there could potentially be a conflict between this statute and our Charter, "Section 233W. . . insofar as the provisions of this chapter are inconsistent with the provisions of any other law, general, special or local, or any limitation imposed by corporate or municipal charter, the provisions of this chapter shall be controlling and all other conflicting laws or limitations of any nature whatsoever are hereby repealed, revoked and rescinded." Mr. Krupp is not ecstatic about the idea of our Charter being repealed, revoked or rescinded. What Mr. Krupp sees is an agency, a superagency in essence, not governed by any regulatory commission which, once empowered, really operates as a self-contained unit.

608 Mr. Krupp asked Mr. McManus informally as to whether this super-agency was empowered to the level that it could condemn property by eminent domain of the Town of Wallingford and he was told yes, it could. He finds that a little scary and is very concerned that if we go with this agreement and become members of CMEEC, that in essence what we have done is surrendered the rights of the people of Wallingford who have some 100 years supported this utility operation. This is their operation, their property and we, whether we are the Council or whether we are the PUC, we are here to protect their interests. Mr. Krupp again addresses the question since he has not seen or perhaps understood the implications of the contract, he finds it difficult to comprehend a simple agreement to purchase, do we intend to become members of CMEEC?

Mr. Smith made the following observation--that law is in existence today. He does believe they have those powers today. Whether Wallingford participates or doesn't participate, they have the right of eminent domain. Mr. Krupp agrees with that but as long as Wallingford doesn't become a member, he is not certain why they would want to. . . Mr. Smith is not sure why they would want to if Wallingford becomes a member.

Mr. Smith thought we'd be foolish to participate in something so vital to this and not become members, not take the advantage of the decision making that goes along with the membership. That is one of the things we are seeking. There have been decisions made on behalf of this community by CL&P many years ago. . . they decided to participate in Millstone III; they decided to participate in 90 some megawatts of Seabrook; they've decided in the past to build Millstone I and II--we are paying for those decisions and we have no say in those decisions whatsoever. Whether or not we would have changed those decisions, we have the advantage of hindsight now but inherent in participation is the ability to make those decisions and, along with that is a risk, assuredly, there is a risk. You can look at it both ways--an optimist would look at it as an opportunity and a pessimist is strictly on the risk side. If you view it as a risk, it is a no win situation and there is no reason to participate and actively be a member. Again, the bottom line is if you want to participate, it would be absolutely ridiculous not to become members and not to be involved in the decision making process because if we do participate, we let other people make our decisions without us again and we've gained nothing.

Mr. Krupp felt if the decision is ultimately to become members of CMEEC and if his reading of the legal implications is correct and he has not heard anyone correct him to the contrary thus far, there is no way that he would ever support the decision to join CMEEC or to engage in that contract because he cannot visualize the people of this town yielding control of the utility.

Mr. Smith asked what control Mr. Krupp foresees giving up--he has talked to the people in Norwich and Groton and Jewett City and he does not think they feel they have given up anything to this date. They have been operating under a power sales agreement since 1980 with CMEEC and Mr. Smith does not think they feel that through the eminent domain clause, they have been usurped and he does not think they have decided they have given up their rate making ability. Mr. Krupp begged to differ with this point because if the ratemaking is being established at the PUC level for the distribution of power subsequent to its receipt, in fact, CMEEC still has the right to impose indirectly its rate upon the ratepayers of Wallingford because of the means by which it assesses charges and there is no regulatory agency that controls that and that is where an essential part of his objection lies. . . there is no ultimate regulatory agency to which it is responsible. Mr. Smith agreed this is correct, just as the Wallingford or the other municipalities have that same power as a super local agency to have those rates established without any regulatory oversight. Mr. Krupp felt that the regulatory power in Wallingford would pretty much fall to the people of the town. By elective process, they could change the structure of the appointing authorities for that PUC. Mr. Smith agreed and asked if that could not happen within the board of CMEEC. Mr. Krupp felt it could not since it was simply an appointive board. Mr. Smith pointed out that the appointment to the board is made by each municipality and the municipality has the right to withdraw or remove that person at any time, without due cause.

Mr. Krupp pointed out that a representative may be removed but not the board in its entirety. Mr. Smith felt that if decisions are being made that are not benefiting our communities, again, it can't be an idea that everything is geared or programmed to the rates of Wallingford--there are other communities that are also involved and these people live and work in those communities and represent those communities whether it be on utility boards or whatever and they have the responsibility to their own rate-payers and aren't going out and just arbitrarily establishing rates so that CMEEC can become a monster. Faith, confidence and respect must be considered--if you elect people, you have the faith that they are going to do the job for you. 609:

Mr. Gessert pointed out that faith in elected officials is one thing but the longest term which can be served is 6 years in the United States Senate, not 50 years. Mr. Smith pointed out that the board members can be removed at any time--the agency will exist just as the United States Government has existed. Mr. Smith pointed out that we are talking about who makes the decisions within the cooperative. There are two representatives from each community who make those decisions and if you think that something is not going the way it should be for the benefit of those towns, the people should raise up and go to the board meetings and voice their opinion, just as they do at a PUC meeting or at a Council meeting.

Mr. Gessert asked what would happen if Norwich and Groton decided they did not care for Wallingford's member and Mr. Smith stated they have a right to remove a board member with a full public hearing and this is spelled out in the statute. Mr. Krupp asked if the phrase read, "with or without cause" and Mr. Smith said there is a hearing process and the municipality, on the other hand, can remove him without cause. There are two aspects--if the board had a member who never showed up, or the municipality indicated they did not like what a member was doing, he would be withdrawn and it would be up to the appointing authority to replace him. In Mr. Smith's opinion, there are very respected people from other communities serving on that board but that is not to say that 5 years from now, they will be the same; that is a risk but hopefully, everybody will be responsible enough to realize the importance of the decisions they are embarking upon and the commitments they are making.

Mr. Krupp asked in terms of the current market value or relative market value, what is the relative proportion of assets that Wallingford is placing under the control of CMEEC in comparison. Mr. Smith replied that Wallingford is placing no assets into that organization--we retain the ability to set our own rates, administer our own service area or whatever it is. He further stated that we are displacing our purchasing agent from CL&P to another agency. There is a decision that we do not lose title to any utility assets and this is very clear. At one point, there was a reference that we were giving away a \$90,000,000 asset but that's been cleared up.

Mr. Krupp was not asking the question as to how much we were surrendering title to--he was asking how much is the value of the assets that are going to fall within the control of this organization, relative to those of other members. Mr. Smith did not understand Mr. Krupp's question and Mayor Dickinson explained that he was asking about the comparative value. Mr. Smith explained that Groton is the largest utility in Connecticut, about 30% larger than Wallingford in terms of its sales. Its service area is smaller; its customers are smaller--they only have 12,000 customers and we have 18,000. Norwich is probably 2/3's of Wallingford's size in terms of sales. Norwalk is about 1/5 of our size and East Norwalk slightly smaller than that. Jewett City is less than that and that is the proportion of the sizes of the communities. If all six were to participate, we would represent about 1/3 of the total sales of the group and membership would be 1/3, equal to Groton and Norwalk, equal to the way the membership has been established. The other three systems would be participants but non-member participants.

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Mr. Diana asked to be forgiven for possibly being dramatic but this seems to him to be the beginning of possibly the tie-in of the futuristic supercity concept projected by 1999 and that represents the Boston-New York City corridor. That is something right out of Future Shock but I guess it's going to become a reality and this seems like it is the beginning of it. You mentioned earlier that we will experience 2 to 2-1/2% growth in Wallingford over the next 15 years. It seems somewhat unreasonable today to enter into a contract for 50 years if our projected growth will only be 2/2-1/2%. After coming off the Economic Development Commission after a couple of years, Mr. Diana noted that they had the advantage of boasting that Wallingford owns its own electric company and I just can't see us giving away that advantage and we would give away that one particular advantage--we no longer own our own company. Mr. Smith asked why we would not own it and Mr. Diana felt that once a member of CMEEC, some advantages must be surrendered and there is no way you will have the same controls which existed before joining CMEEC--right now we are independent. Mr. Smith said we are independent except that 80% of our budget is established by someone else with no say whatsoever. He further stated that they fix the rates and although there is a regulatory agency, our experience has not been good with that regulatory agency. Mr. Smith added that 85% of the control is lost when you consider the state tax added.

Mr. Diana asked if the day came when Wallingford wanted to fire up the Pierce Station to supplement purchased electricity, can this be done with CMEEC? Mr. Smith replied yes, we are permitted to maintain our existing generating facilities with a proviso that we could add 10 megawatts of hydropower if a suitable site can be found. Mr. Diana asked if 12 megawatts could be added and Mr. Smith stated that there is a limitation of 10. Mr. Diana indicated that with this limitation, we can no longer do what we wanted to do and therefore we are giving something away. Mr. Smith indicated that we are not giving away total control.

Mr. Smith agreed that there are some risks. Mr. Diana felt that in order for us to actively solicit getting into something like CMEEC, there should be a gain and from what he has seen from where he is sitting, he sees no reason for the town to compromise or negotiate when it is not to our advantage. Why should we give away the profits when we still own the store? Mr. Diana asked if CMEEC approached us or if we approached them and Mr. Smith replied that the Commission asked him to investigate this matter a couple of years ago and I reported to the Council sometime during that period that we were in discussions. This stage was not arrived at just by meeting one time, of that Mr. Smith assured the Council. Mr. Smith felt if there was nothing to be gained, he would agree with Mr. Diana but he has a document which indicates that there are some substantial dollars to be saved for their customers. If a replacement can be found for an energy supply source, there are some dollars to be realized; if they can't be realized, Mr. Smith is very much against it himself since he is not proposing this to cost the town money because he also lives in this community. Mr. Diana is not questioning the intention because he is sure the intention is right.

Mr. Nunn returned to the original premise he made in his opening remarks that the search for an alternate source of purchased power is what the PUC is looking at and CMEEC just happens to be one of those sources and that is what is being investigated at the present time.

Mr. Smith asked to digress a second and explained that CMEEC is not a unique organization in this country--there are approximately 55 joint action agencies throughout this country--Minnesota, Delaware just started their own and he was involved in one of the formation meetings, California. CMEEC is relatively new in this area. There is Massachusetts and different types of joint action agencies, different makeups. The one in existence in Connecticut is one type and there are others with partial requirements, total requirements, etc. but the one available to us is the one in Connecticut.

Mr. Gessert noted that R.W. Beck has made some projections in their document--what guarantees do they have to back up their projections? Mr. Smith indicated there are no guarantees, just as if he made the projections there would be no guarantees. Mr. Gessert stated the PUC could fire Mr. Smith but once Wallingford signs a contract that R.W. Beck tells the town to sign. . . Mr. Gessert asked what the cost of the study was and Mr. Smith said the total cost was \$35,000 and he believes Wallingford paid one-third.

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Mr. Gessert noted for the record that if R.W. Beck told him it was dark outside, he would go to a window and look. Mr. Smith felt that if the best consulting company in the world told him that, he should. Mr. Gessert remembered that R.W. Beck gave us the value of the cost of oil and told us in 1977 that the average annual increase in the cost of oil was going to be 6% and at that time, the three largest users of oil in New Haven--SNETCo., U.I. and Yale were all budgeting 15% to 20% and thought they were being too conservative. The 6% estimate was totally inaccurate and upon their recommendation, our PUC spent \$1,200,000 to convert the power plant to oil and after completing the project, turned it off.

Mr. Gessert has a question of control. One of the remarks made is CMEEC has a significant amount of indebtedness right now--if we join, what happens to the indebtedness--do we get to share the mortgage? Mr. Smith replied that we get to share the entitlements and we get to share the mortgage--you don't buy into something without assuming some of the risks. Mr. Smith further stated that undoubtedly, their indebtedness would have to increase if the entitlements we are able to secure include some future generations.

Mr. Gessert asked what is owned by CMEEC with this indebtedness and Mr. Smith replied that they own 12 megawatts of Millstone III and that is basically where the money went to and the organizational costs and whatever assets they have in their buildings but the bulk is in the Millstone III plant. Mr. Gessert asked how many employees CMEEC currently has and Mr. Smith replied 19 or 20. Mr. Gessert asked what their current budget for salaries was and Mr. Smith recently saw a document indicating their total A&G costs are about \$1,000,000 but he does not know what that figure represents.

Mr. Gessert asked about CMEEC's power to remove the Wallingford representative. Mr. Smith read from his report. . . "Each representative of a municipal electric energy cooperative shall hold office for the term for which he was appointed, until his successor has been appointed and has qualified. The representative of a municipal electric energy cooperative may be removed only by the cooperative utility board for inefficiency, for neglect of duty or for misconduct in office and after he shall have been given a copy of the charges against him and not sooner than 10 days thereafter had opportunity in person or by counsel to be heard thereon by such governing body." That is how he can be removed by the board. Further, "a member may remove one or more of its representatives with or without cause at any time." Mr. Smith explained that a member is the community who appoints.

Mr. Gessert asked if the rates handed to Wallingford were not agreeable, to whom would the town appeal--PUCA? It would be Mr. Smith's opinion, again non-legal, if you really wanted to challenge that, you would have to go through the judicial system--courts. Mr. Holmes asked if the appeal would be made through the federal court system and Mr. Smith assumed since it is a state statute, you would go through the state courts. Mr. Holmes asked the Town Attorney what the appeal rights would be and Mr. McManus said it is his opinion that there would be no effective appeal rights, period. Mr. Smith asked what is effective appeal since if a state statute is involved, you would generally go to a state court to challenge that. Whether it is effective or not to go before FERC has certainly been questionable--FERC is the Federal Energy Regulatory Commission.

Mr. Gessert asked what the initiation fee would be this time since \$100,000 was asked last time. Mr. Smith replied that the initiation fee represents catchup charges or the remainder of the charges that they felt were appropriate as part of the startup costs to get themselves established where they are today. If we remained as members, there probably would have been charges that we would have absorbed during that time period of 1979 through October of 1980. Mr. Smith felt that \$155,000 would be required for the initiation fee to be amortized over a year or 18 months, part of the electric bill.

Mr. Gessert asked what the options would be if we found the projections in the R.W. Beck report are estimated incorrectly. Mr. DeMa: felt that SNETCO. has made some incorrect projections and if you fire someone who has made a bad projection, you still have the bad projection. Mr. Gessert felt that if the President of SNETCO. made a bad projection, he would not be paid a salary for next 47 years, and this is a very different ballgame. Mr. Smith indicated that 20 or 30 years ago, projections were made that nuclear power would be virtually free and we are living with those projections today, aren't we? Mr. Smith felt the projections could be wrong but they could also be wrong the other way and there could be several millions of dollars in savings in the other direction. There are a

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lot of assumptions and Mr. Smith does not want to mislead the Council to think this is predicated on factual information. The people the Electric Division went to the first time couldn't give them this information and they turned to someone who could give them some feel on what is happening. Mr. Gessert felt that R.W. Beck has not made mistakes in the town's favor and Mr. Smith felt Mr. Gessert had a personal feeling rolled in and R.W. Beck must be respected as consultants since they make many hundreds of analyses for people and Mr. Smith feels they are respected in the industry. Mr. Smith still believes it was the right decision on the Pierce Station and disagrees from day one, for different reasons.

Mr. Holmes felt with the many assumptions being made, we are being asked to pick up the dice and roll them for 50 years. He asked if there was any type of contract reviewed. Mr. Smith stated that the power sales agreement was turned over to the Town Attorney several weeks ago, a copy of the power sales agreement in effect for Groton, Norwich and Jewett City. Mr. Holmes asked if any comparison was made between the rates CMEEC has now vs. our rates currently and Mr. Smith indicated they are fairly comparable. Mr. Smith noted that the problem is not with today's rates--the problem is with what is about to happen in the next 2 years with the insertion of Millstone III into our rate base. As was pointed out somewhere, Millstone III is a very expensive power plant--this is not only Mr. Smith's opinion--a representative from Northeast Utilities was in town yesterday and he said rates are going to take off. Why are they taking off? Because you have a debt that's been accruing over the last 10 years that accrues at an average percentage of 12%, 13%, 14%, whatever the financing costs are, in addition to construction costs. All of a sudden that's going to have to be paid for. My concern is how much of that are we going to pay for? There is no decision the way we go now--we'll pay for our share right through the rate structure--our proportionate share which turns out to be about 13 megawatts and that is a pretty hefty chunk.

Mr. Holmes felt that we would be a captive audience for 50 years if at the end of that time there were still outstanding obligations to be paid and he asked Attorney McManus if he has reviewed the contract and for any comments he may have to offer.

Attorney McManus stated he has in fact reviewed the so-called power supply contract and there are numerous areas which he finds quite a bit of difficulty with, not the least of which is the paragraph which absolutely requires the term of ownership to be 50 years. You are absolutely right that there is no getting out of this--once you are in, you assume your piece of their \$90,000,000 debt. They have actually been in existence approximately 2 years and they are \$90,000,000 in the hole. Ask yourself what the Town of Wallingford Department of Public Utilities is in the hole after being in business for 100 years and it isn't \$90,000,000 but you will be \$90,000,000 in debt the minute you join this group and you will be in it for 50 years and the covenant is whatever that debt level is at the end of that 50 years, if you want out, you have to honk up your share and I don't care if your share at that point is \$100,000,000. As a practical matter, if you want to talk about control, there is no effective control. Your one vote up there is structurally odd man out--Groton, Norwich, Jewett City and Wallingford comes waltzing in from 35 miles away and gets its ears kicked in. The control goes the other way on this one. Under their contract, in Attorney McManus' view, they can come down and start telling us how to run our own municipal power plant. Under paragraph 4b, they have a right to declare the management of our own utility inefficient and come in and tell us how to run it. We have no control going this way except one vote which is structurally odd man out and yet they can turn around and come down here and declare us to be inefficient and start telling us how to run our operation--that is the control part of the contract. And, when they sue us to start telling us how to run our own utility, we'll pay their attorneys fees to do it.

Mr. Nunn suggested at this point expediting some of the decision making here. It seems that some of the members of the Council have a major concern with the terms of the contract and we have recognized this from the outset; that is the 45 or 50 year term of the contract. We've all felt that that was a concern. We've explored the possibility of there being a way to participate. . . . enjoy the lower rates if they were to be enjoyed. . . .if it's all on the downside as the Town Attorney is suggesting and that could be true. . . .I've been told that the participation would be a minimum of 45 years and the only difference between 45 and 50 is that CMEEC has been ongoing for 5 years and they started a 50 year contract so if we came in now, at the end of that contract we'd assume all members would have the ability to terminate at the same time.

There are also differing objections or concerns on other aspects of the arrangement but Mr. Nunn thinks the major concern is the term of the contract. There is no alternative to that term of the contract. Mr. Nunn will be happy to provide all the facts at their disposal but if the concern is the 45 years and that would require you as a Councilperson to vote against participation in CMEEC, then he thinks we could save everybody a lot of time if you are against it because of 45 years, there is no alternative to 45 years and that in itself would kill it. Whether the PUC could answer the other questions to the Council's satisfaction is academic. 613

Mr. Kovacs attended a seminar not too long ago and his main concern was the 50 year contract and he spoke to Mr. DeMaio and Mr. Nunn about that and he went one step further and asked one of the members of CMEEC if there were an alternative and was told positively no-- it had to be a 45 or 50 year contract or nothing and there was no bending.

Mrs. Papale asked the PUC Commissioners if their concern over the 50 year contract has changed and Mr. Kovacs indicated it has not. Mr. DeMaio also stated that the \$90,000,000 debt was questioned and the answer was given that something was gained--a portion of the nuclear power plant, 12 megawatts of Millstone III.

Mr. Gessert asked Mr. Krupp if he is concerned about the 50 years and Mr. Krupp indicated that as long as there is an exposure to the people of this town who are the owners of this utility surrendering any control and as long as there is no regulatory agency to which the CMEEC is responsible, then he cannot support this.

Mr. Rys stated that the 50 years definitely concerned him--he doesn't even know if he will be here in 50 years.

Mr. Holmes was concerned about three things and the first, of course, is the 50 years. He feels like we're being asked to go on a blind date--we don't know if the girl is good looking or (if she can cook was added by Mr. Diana) and the fact that the statutes are written that we will be virtually in a stranglehold to CMEEC and third, as you stated, the cost to the ratepayers for CMEEC and Wallingford are virtually compatible. Assuming too many things over the next 15 or 20 years is something Mr. Holmes does not feel we should try to do at this point.

Mr. Smith felt that the phrasing of the question was unfair--everybody should automatically say yes.

Mrs. Bergamini felt that the PUC had to have a lot of faith in this to bring it to the Council. The 50 years may have bothered the PUC but obviously they are going for it.

Mr. Nunn pointed out that the PUC was asked to come here and did not say they were ready to come and he wants to make that fine line of distinction. The PUC hasn't heard from the coop, from Northeast Utilities, etc.

Mrs. Bergamini referred to a document given her by the PUC and noted that Wallingford is such small potatoes in comparison and asked how much clout Wallingford could have by joining this coop. How can you control rates when we are the "Mom & Pop" store and there is a Caldor on every corner? In Mrs. Bergamini's opinion, Northeast Utilities could smash us in a minute. Conglomerates are taking over all the time. Why do you think we will have so much control over our rates that we don't have now? Mr. DeMaio indicated it would be because the Electric Division is buying their own power. Mrs. Bergamini asked why Northeast Utilities could not control the rate at which this power is purchased?

617 Mr. Smith felt that the "Mom & Pop" store analogy was a good one. When the big stores came along they did join together and formed food cooperatives and bought on a cooperative basis, such as IGA. The idea is that with 6 systems put together, they have more strength than any of them individually and you must accept that premise. You're right, Northeast Utilities could do things to strike it down--they fought the legislation and formation process since they didn't want this to happen. One of the ideas is that you can join together and pool your resources, go out on the open market and buy what is appropriate for you and not let somebody else make that decision. If that is the premise, then American Electric Power should eat up Northeast Utilities or Public Service in New Jersey. There are utilities smaller than Wallingford that are privately owned and then there are large utilities. They have to exist and are there to serve their ratepayers but they will continue to exist. The joining of the 6 is the idea that they will have more clout and will be able to participate. They are members of the pool and have common goals to serve their ratepayers; some have slightly different goals because they are serving stockholders in addition to ratepayers. Here we are not serving stockholders and are taking advantage of the idea that each of these communities have a common goal that they are there to serve their communities, not the stockholders.

Mrs. Bergamini made the point that CMEEC could be absorbed and Mr. Smith pointed out that United Illuminating could be absorbed tomorrow. Mrs. Bergamini felt that much more money would be needed to absorb U.I. than would be needed to absorb CMEEC and Mr. Smith feels there is a lot of question about that today.

Mr. Nunn thinks everyone is concerned with the 45 years and that question has to be answered yes. He feels the question should be asked, "Is that concern over a 45 year commitment so strong in your mind that that would prevent you from voting in the affirmative to join it?" Mrs. Papale commented that the Council understood the question the way Mr. Nunn asked it.

Mrs. Bergamini is concerned with the 45 year contract and still has qualms that CMEEC is not all that big and that scares her. Mr. Smith pointed out that it's three times bigger than the Wallingford Electric Division is today.

Mrs. Papale was reminded tonight of when she first served on the Council and was asked if she would vote for a gas franchise for Wallingford and she is just as confused tonight as she was then. She was told she voted the wrong way at that time and it turned out it was correct. It is a matter of judgment that the entire Council tries to use and it's very difficult to make a judgment as big as this when she looks at the PUC who are experts and she really doesn't believe they are all that sure themselves. She feels that Mr. Smith is the expert in this field.

Mrs. Papale asked how this would affect the budget and the ordinance where money is given to the General Fund from the Electric Division? Mr. Smith said it would not affect it at all as long as the PUC maintains its rates. In the Purchased Power A/C 555, we spend \$24,000,000 to \$25,000,000 to Northeast Utilities per year. That same account would be the same approximate number today.

Mrs. Papale asked if the PUC Commission felt that joining CMEEC would take away some of their clout since they will be the boss. Mr. Nunn felt that his explanation may be an oversimplification but they are simply looking to get an alternate source of purchased power. They have no clout over Northeast Utilities now. They sell us our power and we cannot dictate anything to them. Yes, we have recourse to the federal antiregulatory commission from which the track record has not been good over the past in making an appeal. Whatever rates they set have pretty much been in effect but we have no control over that. What we would be doing would be replacing Northeast Utilities as our power supplier for the cooperative, thereby being members, we would have some control. Whether the legal ramifications that enable us to buy from them are so overwhelming and so debilitating to us, then Mr. Nunn also would not want to join. The PUC is not coming to the Council and saying join--that is not their intent. The PUC is explaining what the pros and cons are of joining so please, this Commission has not voted yet to say, let's pass it on to the Council with an affirmative vote; let's seek their support, because the bottom line is it's your vote that makes us join, not our vote. Our vote only makes a recommendation to you.

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Mrs. Papale asked how it stood with bonding and didn't the Electric Division bond quite often with money? Mr. Smith felt we would continue to bond in the same manner and he would have to defer to the Comptroller. Mrs. Papale got the impression from Mr. McManus that we couldn't go into bonding and Attorney McManus felt that you could not consider as a source for your bonds the income of the Public Utilities Division and not ever at any time in the future will the Public Utilities Division be an asset to put on a financial affidavit to support your bonds and your bond premium and your bond costs as a result will suffer. Mayor Dickinson felt that Attorney McManus went one step beyond and it is his understanding that it is true that the assets might not be able to be included on the financial statement for bonding but we don't do that now; utility revenues are not used on General Obligation Bonds. You are talking about Revenue Bonds and we haven't been selling Revenue Bonds.

Mr. Myers explained that all the town's bonds are General Obligation Bonds currently, backed by the full faith and credit of the town. When an official statement is issued with respect to selling bonds, all the town's assets are included--general government, general fund, special revenue fund, Electric, Water and Sewer enterprise funds so we currently show all assets but we don't pledge repayment of the bonds in any one particular asset. We maintain that privilege as an internal accounting control. Revenue Bonds are more costly and a higher risk obligation and they sell at a higher interest rate than a General Obligation Bond.

Mr. Myers further pointed out that up to now, we've always sold General Obligation Bonds based on the strength in Wallingford so the utilities have enjoyed, the enterprise operations of the town have enjoyed a lower bond interest cost because the bonds are backed by the full faith and credit of the town rather than just pledged by one specific revenue source.

Mr. Smith carried that one step farther--yes, there's a higher risk associated that you're not pledging the full faith and credit of the town there--all you are pledging is the revenues derived from that operation and that is on the other side.

Mr. Nunn thinks Mr. DeMaio made a good point--if you don't want the 45 years, we can all go home! Mrs. Papale is not trying to waste anybody's time but is trying to weigh what bothers her more--the 45 to 50 year lease or the good idea of potential savings for the customers and she is not going to vote yes or no.

Mr. Smith referred to the July 31, 1984 meeting and asked if everybody understood the reason for a 45/50 year contract and the need for that. That is the security that they can go out to the market and raise capital; they've already sold 30 year bonds and certainly if you sign a 10 year contract, nobody in their right mind is going to sell you bonds for 30 years not knowing there will be any security in the 11th year or any way of paying that bond. That is the reason for the 45/50 year contract. They fully expect to have to sell additional bonds because in the year 2000 there are certain plant retirements which will take place and who knows what plant will be built in that time. It may be a windpowered generation and a 50 megawatt dam was looked at in Enfield--there are many things that the cooperative has looked at. They've not only looked at Seabrook as the only alternative at this point. They've committed to 6 megawatts of Quebec hydro. Their purpose is to go out and research what the alternatives are and options available to go back to their systems and analyze what fits with this particular group of customers and what is to our best advantage. What do we want to avoid? They don't want to put all the eggs in one basket. The people at Millstone would love you to buy 200 megawatts; they would love you to buy some. That much commitment in a plant is not for them and that is the intelligent approach to this thing. Hopefully, the people who continue on that board would use intelligence and determine what is and isn't good and that is what we are dealing with. The 50 year term is the basic core of CMEEC's existence. If that is destroyed with 10, 15 years, it will not exist and it must dissolve. The people in the other communities have already accepted that fact and are living with it today.

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Mr. Diana feels he supports the Electric Division 99% of the time but tonight you are looking at 1%. He realizes and appreciates that the PUC is only here for information tonight and not to jam anything down the Council's throats. Mr. Diana cares too much, frankly, about the planned growth of Wallingford and he cares too much about the citizens and he will vote against 50 years, against 45 years and he will go on record as saying he will have to vote against CMEEC no matter how it is presented. Mr. DeMaio thanked Mr. Diana and felt at least the PUC knows where he stands.

Mr. Killen wishes the answer were as simple as yes or no in reality. There are overpowering facts and if you say yes or no, you would want to know what the surrounding things are. He could take either the original R.W. Beck report or Vinnie's initial report or Ray's answer to that or Vinnie's answer to Ray and be here all night with any one of them and the questions they raise. The question of the 50 years being of prime importance becomes secondary--is it legal? We do have a section in our Charter that says you cannot enter into a contract for more than 10 years. Mr. Killen is very well aware of the 7-233W but whether or not that stands up remains to be seen. You have to remember that we did adopt our Charter under the Home Rule Act which was passed in 1957 which gives us certain powers. You have to remember that it was a special act that created the Electric Division back in the 1890's, Chapter 101 and all these things have their place in history. Just one little sentence of that 7-233W can wipe this out and say notwithstanding all the powers of the people. This is one of the things that bothers Mr. Killen when Mr. Smith kept reiterating that we have certain powers that can remove our people if they do certain things. Little things like this come along and we lose that power. It's tough enough signing a 1 year contract. In fact, putting that wedding ring on your finger, you wonder sometimes, am I doing the right thing?

It is Mr. Killen's opinion that we do not have the power to enter into it and on just that one question, he would say no until such time it is proven to him that we did have the power and then we could go on to further questions.

Mayor Dickinson felt it should be made clear on the record that whether or not it is possible for the PUC under the statute to enter into a 50 year contract, it is definitely a legal ability of the Council to do it and the Council obviously controls in this case. The question of whether the town can legally enter into a 50 year contract would have to be answered in the affirmative as long as the Council is voting on it which is the case here. Attorney McManus pointed out that it is true that the PUC cannot ignore the Charter of the Town of Wallingford. There was some controversy about that in the beginning and some indication in the Town Attorney's Office that someone had issued an opinion to the contrary but it has been researched and after reviewing several Supreme Court Cases, Attorney McManus is very confident of the opinion--the PUC cannot exceed the powers given to it under the Charter and there is no doubt about that in his mind.

Attorney McManus further stated that that limitation does apply to the PUC notwithstanding the provisions of 233W which would indicate that it repeals our Charter and he would argue before any court of law successfully about that section of the Charter that limits the PUC to a 10 year contract.

Mayor Dickinson indicated a question was raised about what happens in the event of an emergency, say an ice storm. If it affects a number of the members of CMEEC, does CMEEC assign the crews or is the town responsible for its own area and the usual arrangement between utility companies as far as sharing goes for crews for repairs. Mr. Smith replied that the Electric Division is totally responsible for this system and would retain control. CMEEC is only in the business to buy and resell electric power, to buy its members needs with the resources they are able to acquire. There is no control over the individual line construction or anything to that effect. In fact, one of the covenants called for is "the participant agrees and shall at all times operate or cause to operate its municipal utility properly and in an efficient and economical manner." They want to make sure that whoever is operating that utility maintains it in a stable

condition so they are able to pay; they don't want some utility to be drained so badly so that there is no provision for them to operate. If a utility goes out of existence, they are affected too. If Wallingford all of a sudden let its system go to disrepair and all of a sudden the rates are not maintained sufficient to cover replacement, what effect will that have on the ability to pay the wholesaler? If you can't pay your bills for other means, you can't pay your bills for the power you are buying. Northeast does not dictate that to us today; they don't care if our customers don't get power restored since that is our own embarrassment. 617:

Mr. Walters asked to comment at this point. It seems to him that this comes down not to the kind of thing you look at in marriage but more like owning or renting your house. Most people go into a long-term commitment for housing because it is the cheaper alternative or have something more to show for it somewhere down the road than renting. It would be that this is more in that light and certainly the question that seems to keep popping up or a conception is that CMEEC is going to come in and start dictating how to run our local operations. As Ray just said, I don't see any more reason or expectation that CMEEC would tell us how to run our day-to-day operations that we come to the Council for than CL&P or NU does today. Mr. Walters does not know if this explanation has muddied or cleared anything.

Mr. Gessert felt if he bought a home and took out a 30 year mortgage and the bank said there was no way to get out of this mortgage and I must live in that house for the next 30 years, I'd have more than one house at a time. You can get out of a mortgage since you can pay it off and leave.

Mr. Walters arranged for the Council to receive the APPA Newsletter and 2 or 3 weeks back, there was an announcement that two cooperatives in the State of Michigan or Minnesota who undoubtedly had the same kinds of agreements that the Wallingford Electric Division is considering merged because they saw that as a better thing to do. We may not be able to back out of this but as participants on the board, if there is a better arrangement, Mr. Walters would certainly expect that it would be for the benefit of all the members of CMEEC, say if they join with Massachusetts or all of New England. Anything that would be for the betterment of everyone he is sure would be mutually agreeable and he believes that is provided for in this document.

Mr. Krupp observed that you can buy out of a 30 year mortgage but the heavens and earth may pass but the contract shall not. Is WHOOPS a cooperative and if so, the same nature as this was? Mr. Smith indicated that WHOOPS was a different type of cooperative, a take or pay arrangement. They had no basic assets when the cooperative was formed. They got all the communities together to join together to sign long-term contracts, predicated on their ability to build 5 nuclear plants. The only power they were going to supply was going to be from those 5 nuclear plants. CMEEC is a take and pay arrangement and they already have life of unit contracts, entitlements, whatever to build from so there is security in there that they can go back to these plants that are operating or have the ability to be operating and utilize them to sell energy to make money to pay off their debts.

In the spirit of brevity, Mr. Nunn just polled the rest of the Commission. If the purpose of this meeting is to get the input from the Council to the Commission so that we could have that as another facet of a recommendation back to you as to action that we would take, Mr. Nunn will conclude that we have that direction from you, voiced in 8 different ways perhaps, but we have that direction and he thinks that the PUC has found the information they are seeking. At the next PUC meeting, the recommendation to be made to the Council will be discussed and at that time, the PUC is prepared to make a recommendation based on the facts they now have. Based on the input obtained from the Council this evening, a recommendation will be made. Mr. Gessert assumed by that statement the PUC was not making a formal recommendation tonight to accept the proposal and Mr. Nunn stated they were not making a recommendation to accept or reject it at this point. Mr. Gessert did not know about the rest of the Council but felt that one member feels like somebody is trying to do their best to tell the Council that this is the greatest thing since the invention of the light bulb. Mr. Nunn asked if Mr. Gessert would like to direct this to someone or just throw it out. Mr. Gessert told him that the correspondence received

618 does not seem to be an accurate portrayal of the pros and cons-- it seems to be a very heavy concentration of pros with very limited addressing of the cons involved. The Town Attorney brought up many points to weigh on the other side so it may be looked at from two different directions. Mr. Gessert saw nothing in any of the correspondence coming from the PUC or R.W. Beck to say this looks good, however, you have to weigh it against this and this. Mr. Gessert felt it was all pushing in the same direction and was the greatest thing going, not an evaluation of the pros and cons and it did not look like an independent consultant's study with the plusses and minuses, item by item. The Council awaits the formal recommendation from the Public Utilities Commission and is sure the PUC will look at the terms of the contract, length of the contract, legal ramifications, etc. before making a recommendation.

Mr. Killen asked if the Council was standing fast, no matter what, come hell or high water, that they are voting against this simply because of the 45 years and if not, it means we will have to go through this whole routine again so while the PUC is here, if there are any questions and if somebody is going to change their mind, now is the time to ask the questions. There is too much here to try to remember to keep up with it. Mr. Killen got the feeling that most of the members of the Council are going against this because of the 45 years and asked to be corrected if he was wrong.

Mrs. Bergamini felt the Council is not happy with the 45 years and Mr. Krupp and Mr. Diana both made firm statements that they are against it, period. She ended up by saying she did not know. While there is a problem with the 45 years, Mrs. Bergamini is not prepared tonight to say yes or no.

Mr. Killen asked if anyone was going to go through all the information they have available and let that help them make a decision, not just because 3 members of the PUC decide. Regardless of how the vote is, the point is you have the information and if you have questions, now is the time to ask them, and not just base this on a recommendation.

Mayor Dickinson felt that the importance of the 50 year concept is whether the next step will be taken. Ray has alluded to it and everyone should keep it clearly in mind. If people are willing to entertain the idea of a 50 year commitment, then we enter into this memorandum of agreement in order to negotiate what our entitlements will cost to CL&P. Depending upon the wording of that memorandum of agreement, it may mean that we would definitely have to commit ourselves for 50 years and it may not but until we know what the entitlements will cost from CL&P and the Beck report, there is no way to know at this point whether it is in the interest of the town or not. The Mayor asked Ray if he was misstating it and Mr. Smith felt he was not misstating it but again, if you cannot live with making a 50 year commitment, the point is moot and there is no sense in going forward. Mr. Smith gets the same impression that Bert stated that it was moot because everybody was against the 45 years. Marie was questionable and Iris did not make up her mind but with the consensus here, Mr. Smith would be glad to get off the subject and abandon it and he has no problems with that.

Mayor Dickinson asked if the memorandum of understanding would state that if CL&P entitlement provisions came in in line with the Beck report if we would then be obligated to sign a 50 year agreement--would the memorandum state that or would it say are you willing to entertain the thought of 50 years; in other words, are we committing ourselves to anything with a memorandum of understanding or is it merely a willingness to negotiate? Mr. Smith stated it's a willingness to negotiate but in the back of your mind a commitment that there's a long-term agreement involved. Again, if you can't accept that premise, it's foolish to spend the \$50,000 or \$60,000 to go ahead on this with negotiations or whatever that amount is. This negotiation process is not going to occur overnight and will take most of a year. There will be several sessions and professional people will be brought in or we will give CMEEC the authority to have professional people represent us.

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Mayor Dickinson stated that it is also true that signing a memorandum of agreement is not the power purchase agreement and it does nothing other than say we will find out what kind of power purchase provisions we'll get from CL&P. Mr. Smith added that we will go farther and see if the economics are justified. But again, if you can't accept those two basic premises--the cooperative spirit and the long-term commitment, then Mr. Smith would not recommend that \$50,000 or \$60,000 be wasted.

Mr. Gessert asked if the Electric Division received any input from Northeast Utilities on the projections and Mr. Smith stated he received a letter from Mr. Leo McLaughlin on 8/27/84 and Mr. McLaughlin stated, "Most significantly, I do not believe you should simply assume that any of the life of unit contracts for the CMEGA group will be virtually identical to the CMEEC existing capacity commitments. As you are well aware, economic conditions are quite different today than in 1980 and that all characteristics of the two groups are certainly not identical. On our part, of course, we would also have to be sure that any such contracts do not negatively impact our ratepayers. As Beck pointed out, a wide range of possible outcomes could result from CMEEC's negotiations with CL&P." That is not a revelation or a secret and if Mr. Smith were sitting in their position, I would use exactly the same words. We're not going to tell you what we are going to give you today--you've got to come and fight for it, come and seek it out. There would have been no reason to go forward with the Beck report if the information could have been obtained from CL&P. Mr. Smith assured the Council that he tried on several occasions and if you wish to speak to Mr. McLaughlin, you can have him verify that. Northeast Utilities received a copy of the R.W. Beck report and they did not agree with the assumptions.

Mr. Killen pointed out that a letter from the Town Attorney's Office read, "in further discussion with Mr. McLaughlin, he stated he read the R.W. Beck report and did not find its evaluations credible." Mr. Smith did not think Mr. McLaughlin said it was not credible and he asked Mr. McLaughlin this afternoon and he said he told Mr. McManus exactly what he wrote to Mr. Smith in the letter of 8/27/84 and there is no reason to doubt that but Mr. Smith did not think Mr. McLaughlin wanted to be in the middle of a controversy. Mr. Killen felt if we are going further, each of these reports go deeper and deeper and we could sit here all night asking questions.

Mr. Smith responded to Mr. Gessert's remark earlier and took personal offense to it. If the Council feels that Mr. Smith is trying to shove this down their throat and he feels that that remark was pointed at him, there is no attempt to shove this down your throat. Mr. Smith is proposing something to the Council that has been asked by the PUC Commission to come up with an alternative and he sees this as a very viable option. Mr. Smith is not 100% convinced that we should be in there today; he is 95% convinced of the long-term benefits, some intangible benefits. The fact that the six communities are again together working, they can do other things but Mr. Smith can't put a price tag on that. That is Mr. Smith's opinion but he never attempted to shield any of the pros and cons from any of you. He disseminated a great deal of information and doesn't agree with the opinions of the Town Attorney and he thinks he spelled that out very clearly in his 9 page response. I think there are a lot of misrepresentations in that report. I tried to stick with the facts in my report and I hope that you understand that. I have nothing to gain personally whether we join or don't join the coop. I just feel it is an obligation to our ratepayers that we should investigate it and I'm willing to spend the additional money but if you people can't accept the long-term commitment and the other ideas, we'll abandon it--beyond question, we'll abandon it.

620 Attorney McManus wanted to suggest that there were no mis-
representations in his report and suggested further that the
Beck report and the recommendation of the PUC at no time ever
considered us on our own going out without a 50 year contract
with these people who are already \$90,000,000 in debt. Nobody
ever said, "why don't we go to Canada and buy from Canadian
companies?" It wasn't even considered--why? This group has
troubles and Groton was not able to pay their municipality
back any money in the second year and they have had 30% and
larger increases over two years and we have not had the same
increases and our rates are not the same; their consumers pay
more than our consumers. One huge alternative was never looked
at--we join New England Power Plant and we go shopping on our
own and we are not owing anybody anything and we're not jumping
into a 50 year deal and we're not jumping into \$90,000,000 of
debt to do it. Nobody even talks about this--let's not talk
about we're giving you all the facts because you haven't got
all the facts. If you want all the facts, you go out and get
them on your own because you're not getting them over here.

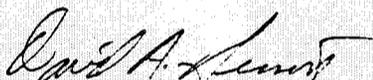
Mr. Smith stated he never received a phone call from the Town At-
torney's Office directly from the Town Attorney asking him for any
information.

Mr. Nunn asked the Chairman to be excused from the meeting and
stated he had another meeting to attend and he really thinks
this meeting is concluded as far as he is concerned.

A motion to adjourn was duly made, seconded and carried and
the meeting adjourned at 9:30 p.m.

Mr. Gessert thanked everyone for coming.

Delores B. Fetta
Council Secretary

Approved 
David A. Gessert, Council Chairman

November 13, 1984