

1 **DRAFT**

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4
5 PUBLIC UTILITIES COMMISSION
6 WALLINGFORD WATER AND SEWER DIVISIONS
7 377 SOUTH CHERRY STREET
8 WALLINGFORD, CT.
9

10 BUDGET WORKSHOP
11 MARCH 1, 2010
12

13
14 Meeting called to order at 3:04 p.m.
15

16
17 PRESENT: Chairman Robert Beaumont; Commissioners David Gessert (via telephone)
18 and Richard Nunn (arrived at 3:04 p.m.); Director George Adair; Electric Division
19 General Manager Richard Hendershot; Electric Division Office Manager Thomas
20 Sullivan; Water and Sewer Divisions General Manager Roger Dann; Water and Sewer
21 Divisions Office Manager William Phelen; Assistant Supt. Wastewater Treatment Plant,
22 Dan Sullivan; Water Supt. Rick Vanski; Recording Secretary Cynthia Kleist; Jesse
23 Buchanan, Meriden Record-Journal.
24

25 **WATER AND SEWER**
26

27 Mr. Dann said there has been a different approach to budgeting the consumptive revenues
28 than in the past in light of the unprecedented decline in consumption for the current year.
29 Mr. Dann noted that historically we have always utilized three year averages and that
30 tends to dampen out the fluctuations that occur year to year because of differing weather
31 conditions. Mr. Dann said because the current years consumptions have been so
32 consistently low, they are using the first two actual bill quarters of this fiscal year and
33 then the estimates of a final two billing quarters for this year to arrive at a projected fiscal
34 09/10 consumptive number which was used as a basis for the 10/11 consumptive
35 estimates.

36 Mr. Dann said budget consumption in the Water Division is down 15.7 percent vs .the
37 current year's budget and consumption in the Sewer Division is down 11.1 percent vs. the
38 current year's consumption. He said these were significant declines.

39 The Water Division's operating revenues are down by 6.9 percent and in the Sewer
40 Division revenues are up by 8.8 percent, but that is contingent upon adoption of a new
41 sewer rate effective June 1, 2010, which would raise approximately \$900,000 of
42 additional revenues.

43 Mr. Dann said in both Divisions, (Water and Sewer), non-operating revenues are down
44 which reflects almost no return on investments. The CMEEC load response program
45 payments are going away. We project less revenue from connection charges in both
46 divisions. Both divisions have some increase in operating expenses, with the single

1 largest impact coming from an increase in health benefits, particularly to the pension
2 contributions.

3 Mr. Dann said all of this amounts to a \$163,000 increase in Water and about \$144,000 in
4 Sewer.

5 Mr. Gessert asked how many employees this \$163,000 increase pertains to. Mr. Phelen
6 said it was 42.6 to be exact. Mr. Dann also noted this figure included the part-time
7 summer help, so the total full-time would be 37.4 employees. That increase does not
8 apply to the summer help.

9 Mr. Beaumont said this means the average cost increase comes out to an excess of \$4,000
10 per employee and asked where this was coming from.

11 Mr. Dann said an attributable portion of that cost was pension contributions which have
12 gone from current year 9.8 percent to next year's figure of 15.7 percent. Mr. Adair said
13 this figure is a make-up for lost stock market revenues.

14
15 Mr. Dann said there is also a projected 8.9 percent increase in health benefits.

16 Mr. Gessert asked about the Arc Flash Safety Program for \$33,000. Mr. Dann said this
17 program which came into effect in January 2010, actually affects both divisions and is a
18 new standard that the divisions need to come into compliance with. He said the \$33,000
19 is for both Water and Sewer and involves a new standard that we need to come into
20 compliance with that involves an individual coming into our facilities and performing an
21 evaluation. Based on this evaluation signage may have to be put up and the necessary
22 safety gear, mostly cotton clothing, may have to be purchased.

23
24 Mr. Dann said in order to stay within the adopted water rate the division will not be
25 replacing any water mains over the next year because of the projected reduction in
26 revenues. Mr. Dann said this will allow the Water Division to stay within the adopted rate
27 which we have in place through the end of May 2011. He noted this needs to go back into
28 the budget and into the rates that will be adopted in 2011 so that we can continue with
29 this long term maintenance program that we started. He stressed that nothing of an
30 immediate concern will be left out.

31
32 On line 6-14 "Maintenance of Wells and Springs," Mr. Gessert asked about the \$200
33 figure over seven months and \$13,000 for the year.

34 Mr. Dann explained this involves a couple of projects we need to do over at Well #1. The
35 flow meter is in need of replacement. When the electrical system in the pump was
36 replaced there were inaccuracies in the flow meter at a high flow rate. Improvements
37 must also be made to the sanitary sewer lateral connections.

38 Mr. Gessert asked about the power for pumping machine at \$140,000 for seven months
39 averaging \$20,000 a months at \$502,000 for the year.

40 Mr. Gessert wanted to know if this was a bid item.

41 Mr. Dann said the electric was not bid and that these numbers (electric) tend to lag quite a
42 bit behind from what is shown.

43 Mr. Dann said the way in which the electric numbers are calculated involves looking at
44 the last five years of actual KWH consumption and the last years' cost for KWH
45 (kilowatt hours). We then get from the Electric Division their indication as to what the
46 rates are going to do going forward. He said we are constantly adjusting from year to year

1 to reflect the most recent five years of history. He added that in the current year it is
2 likely we will have some excess funds.

3 Mr. Gessert asked about the fuel for power purchase. Mr. Dann said this includes fuel to
4 heat the water treatment plant and to run the emergency generator at the treatment plant
5 and to run the emergency generator at Oak Street.

6 On page 3, 642 account, Mr. Gessert asked about the increase. Mr. Dann said that
7 account gets hit with a lot of benefits and quite a bit of labor is charged to that account.
8 As benefits go up, that account gets increased substantially.

9 On 673 account, “maintenance of transmission and distribution mains, Mr. Gessert asked
10 if that was also labor expenses.

11 Mr. Dann said there is also quite a bit of labor that goes into this account as well, and
12 there was a slight increase in the number of people that were being charged to this
13 account this year.

14 Mr. Dann said in comparison, with the 675 account, the labor allocated there went down.
15 It does shift around from account to account each year.

16

17 On the 677 account, Mr. Gessert asked about the maintenance of hydrants and why the
18 budget went from \$142,000 last year to \$172,000 a \$30,000 or 20 percent increase.

19 Mr. Dann said again, there was an increase in labor and benefit charges to that account.
20 Mr. Gessert also asked about uncollectible account expenses. Mr. Dann said there were
21 two of these accounts. He explained one account goes back many years and involved
22 property the town foreclosed upon that had a substantial tax delinquency. He said the
23 town attempted to sell it once and received no interest. More recently, the town did sell
24 the property but the amount received was insufficient to cover the all of the taxes and
25 water and sewer on the account. We had to write off what we could not recover.

26 Mr. Dann said the other uncollectible account involved a customer where payment was
27 made by credit card that was determined to be fraudulent. We have exhausted avenues in
28 an attempt to recover from this individual so this also had to be written off.

29

30 Mr. Gessert asked about the “Outside Services” account going from \$219,000 last year to
31 \$270,000 this year. Mr. Dann explained this is where the bulk of the Arc Flash Safety
32 Program would be. We would need to hire someone to do the study at \$29,000. The other
33 things are funds we would pay to the Electric Division for meter readings should that
34 consolidation process proceed.

35

36 On the Capital Budget 344, page 10, Mr. Gessert asked about two vehicles being
37 replaced: a Chevrolet pickup and a Dodge Caravan, one appearing to have 109,000 miles
38 on it and the other 122,000 miles and asked that instead of paying \$26,000 to get a brand
39 new Chevy pickup, trying to find a two or three year old vehicle. He noted that in the
40 1970’s the Fire Department bought two used vehicles, one still in use by Public Works 25
41 years later.

42 Mr. Beaumont noted that the vehicles purchased were two tank trucks and one of them is
43 still in use thirty plus years later. He noted it is not a high use vehicle. He pointed out that
44 one of the vehicles slated to be replaced is only six to seven years old and the other is
45 approximately 10 years old and they have over 100,000 miles on them.

1 Mr. Dann said purchasing used vehicles that are a few years old has never been
2 considered. He said he doesn't know what the purchasing mechanism would be. He
3 doesn't see how we could go out to bid because every used vehicle is unique in terms of
4 its age, its condition, its mileage and features. He said it is easier for a private citizen to
5 do this than a public entity.

6 Mr. Gessert said we would have to get approval from the Town Council to waive the bid
7 and that the NADA book could be used in determining the market. He said it would be
8 worthwhile to try to find something that would shave \$5,000 to \$8,000 off the price.

9
10 Mr. Adair said for budgeting purposes, he would like to discuss this at staff level and
11 provide a written feedback on this suggestion.

12
13 Mr. Gessert asked about the possibility of eliminating one part-time summer position in
14 both the Water and Sewer Divisions. Mr. Dann said the summer positions don't cost that
15 much and they allow us to get some things done. He said we probably be all of our
16 painting done, i.e. hydrants or painting at the sewer treatment plant. He said for what it
17 costs us it is money worth spending.

18
19 On Sewers, page 1 Mr. Dann said the credits for nitrogen expenses increased. In the final
20 version it looks like it will come down approximately \$10,000. In the 651 account, there
21 is \$50,000 appropriated to replace HVAC units at the wastewater treatment plant, the
22 personnel building and the office area. He explained they are 20 year old heat pump units
23 that have become unreliable.

24
25 In the 633 account, Mr. Dann said that at some of the pump stations the manufacturer is
26 no longer supporting the pumps we have so new pumps need to be purchased so we can
27 cycle through. Purchase Power in the Sewer Division is going up a little bit. It is the
28 same process of estimation performed in the Water Division, but in this case it results in
29 an increase. The consumption did not increase much but the price went up. We are
30 showing a \$30,000 power cost increase.

31 Mr. Dann said there are going to be minor changes we are already aware of in the Water
32 and Sewer Division budgets. He said the biggest change is the decrease in the nitrogen
33 credit figure. Both divisions net out in a slight decrease overall.

34
35 Mr. Gessert asked about the maintenance in the collection system. Mr. Dann explained
36 this is our routine maintenance program. In the Sewer Division, in lieu of replacing pipe
37 through open trench replacement we have more typically done lining work. We only have
38 done replacement when there is a capacity issue that can only be resolved by putting in a
39 larger diameter pipe. There is \$500,000 in this account for lining work, \$30,000 for
40 manhole repairs and \$30,000 for point repairs. Mr. Dann said this account will not be
41 fully extended this year because of the difficulties we are facing with consumption. Mr.
42 Dann said he has put a freeze on \$250,000 of lining work this year.

43
44 On page 4 under "Miscellaneous Operating Income," Mr. Gessert asked about the
45 \$38,000 from a few years ago which is now down to \$15,300. Mr. Dann explained this is

1 the ISO New England through CMEEC load response program is being eliminated so that
2 was a significant decline.

3
4 THE WATER, SEWER AND PUC BUDGET WORKSHOP ENDED AT 4:15 p.m.

5 Mr. Hendershot and Mr. Sullivan arrived for the Electric Division Budget Workshop at
6 4:27 p.m.

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8 **ELECTRIC**

9
10 Mr. Hendershot said the big differences between last year and this year is that sales are
11 down while expenses have risen resulting in negative net income instead of positive.
12 There are no dramatically different initiatives and changes in operation. The number of
13 budgeted personnel remains the same. There will be no rate increase in this budget but
14 there are funds for the consulting firm that would do our next cost of service study and
15 financial forecast.

16 Mr. Hendershot said they have done a better job of assigning labor for the coming year
17 and more our of own time is going to go to capital. Also in 10-11, there is a single
18 \$500,000 item to cover the yet as known cost of either refurbishing or replacing the No. 1
19 transformer at 13M.

20 Mr. Gessert asked if it would be advisable with a capital item that large to put the funding
21 in for multiple years.

22 Mr. Hendershot said the \$500,000 may be more than enough to cover what comes up.
23 Given our cash reserve situation and also given that we sort of hold or target capital to
24 more or less match depreciation, the funds are there from a capital funding standpoint.
25 Mr. Hendershot noted the transformer is giving some signs now that we ought to take a
26 look at it. He explained this was the transformer that saw the big fault last year where
27 they discovered the bolts were not in the buss work. He said they do not want to put off
28 looking at this unit.

29 Mr. Adair noted the regular capital had only increased by \$163,000 and that included the
30 \$500,000 for the transformer. Mr. Adair said Mr. Hendershot had been pretty
31 conservative in terms of the capital programs for this year.

32
33 Mr. Gessert asked about a 144 percent increase in overhead lines. Mr. Hendershot
34 explained this was only a \$16,500 increase and that was from moving a little bit of labor
35 around. The \$16,500 came out of somewhere else and is also a refining of what should be
36 operations and what should be maintenance.

37 Under Maintenance on 596, Streetlights and Signals Mr. Gessert noted this was reduced
38 by 50 percent. Mr. Hendershot to date, nothing has been spent. He said the replacing of
39 bulbs is actually an operations expense. He said the division had under spent so they were
40 budgeting less next year in 585.

41
42 Mr. Gessert asked about 9-26, Employee Benefit and Pensions and the increase in the
43 pension fund and in healthcare. Mr. Beaumont said it was \$262,000 for pension
44 contributions and health insurance costs. He said the total budget is \$1.48 million and is
45 increasing to \$1.7 million.

1 On page 6, item 393, Mr. Beaumont asked about Stores/Equipment. Mr. Hendershot said
2 the division is purchasing a new forklift for \$40,000.

3 Also, under item 396, Power Operator Equipment, Mr. Hendershot explained the scissors
4 lift will be retired and a LULL type of cherry picker lift would be purchased. He said the
5 forklift is categorized under Stores/Equipment and the LULL is under Power Equipment.
6 Mr. Gessert asked what the \$55,000 expenditure was being used for. Mr. Hendershot said
7 \$50,000 of this would be used to purchase the LULL and \$5,000 would be used to
8 purchase miscellaneous tools, such as chain saws, air compressors and hydraulic tools.

9
10 Mr. Beaumont commented there were a number of items that showed significant
11 differences in the 360 and 370 series. Mr. Hendershot said that everything else is coming
12 down except for underground conduits. He explained he wanted to do two underground
13 replacement jobs this coming year.

14 He the vast majority of this work will be the excavation and the conduit and the
15 structures, the backfilling and restoration of the land.

16 He noted that on item 366 there is \$80,000 in the budget which is a high end of our
17 estimate for engineering work to prepare for in the following budget year for either slip
18 trenching or boring under the Quinipiac and Merritt. He said there were three
19 distribution circuits out of 13M which go down through which is essentially an
20 inaccessible right of way. He said what we are looking to do is replace three circuits
21 underground. He said he has spoken to the firm that has given the budgetary estimates
22 and this is the high end to the estimates.

23
24 Under Item 923 Operating Expense, Consultant, Mr. Hendershot said there was a bit
25 more money in the budget.

26 Proportionate charges went down, but the difference was eaten up with some additional
27 monies for consultants for two things, one of them being the Cost of Service Study.

28 He said he hopes to use the RFP process instead of going out to bid.

29
30 Mr. Hendershot said this budget shows negative net income in spite of the things we
31 have done. He noted there is no overhead contractor and no change in the number of
32 personnel and no line trucks in this budget. He said we are still at this kind of negative
33 because the volume is down. He said they use calendar 08 to model 09/10. So on a
34 month to month basis, the January of that model was January 08 vs. January 10. For two
35 years out we had decent cold weather with three percent less sales than two years ago. So
36 anyway you slice it the volumes are headed down and the expenses are what they are.
37 Except for the fact that we are a little overstaffed in anticipation of retirements, there is
38 no fat left to trim, that won't start affecting the quality of service by some quantitative or
39 qualitative measurement.

40
41 Mr Hendershot said the good news is that cash positions are in good shape, and that will
42 be taken into account when we do a fresh financial forecast and marry it with a cost of
43 service study.

44 He said he was sure the purchasing patterns of customers have changed over the past
45 couple of years and need to make sure each sector is paying its fair share. He said he did
46 not know who may have drifted too far afield, commercial volumes are probably down

1 more than residential and there are fixed costs in the infrastructure so maybe that infers
2 they need more of a rate hike than residential to make up the difference.

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4 **THE BUDGET WORKSHOP WAS ADJOURNED AT 5:36 P.M.**

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7 **Respectfully submitted,**

Respectfully submitted,

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11 **Cynthia Kleist**
12 **Recording Secretary**

Richard A. Nunn
PUC Secretary