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**DRAFT**

**Special Meeting**  
Public Utilities Commission  
100 John Street  
Wallingford, CT

September 20, 2011  
5:30 p.m.

MINUTES

**PRESENT:** Chairman Robert Beaumont; Commissioners David Gessert and Richard Nunn; Director George Adair; Electric Division General Manager Richard Hendershot; Water and Sewer Divisions General Manager Roger Dann; Office Manager Thomas Sullivan; Recording Secretary Cynthia Kleist; Bruce Leymaster BH Leymaster, Inc.; Steve Gale; Wes Lube.

**1. Public Hearing: Proposed Electric Tariffs.**

Mr. Hendershot said late in 2009 the Division secured the services of Mr. Leymaster to prepare for the Division, a cost of service study, including a financial forecast and out of that would come any recommendations for revised electric rates. He said any changes would be two fold; one to adjust revenues as might be necessary to ensure the proper operation of the Division; and to adjust the rates to move ever closer to full actual cost-of service for each class of customer.

Mr. Hendershot said Mr. Leymaster completed this effort with a lot of input from staff in the form of his final report in July, which included draft rates. He said since then, the report has been presented to the Public Utilities Commission which discussed it at some length. Mr. Hendershot said the report contains two versions of the proposed rates which resulted in Option Two being adopted. He said Option Two provides, based on a 6% return on investment, for all four years which falls between a statutory requirement of earning between a 5 % and 8% return on investment; insures all of the obligations of the Electric Division are met and over the course of the four years we in some manner add to reserves to keep them above the minimum threshold per the formula that Mr. Leymaster developed and included in the report.

Mr. Hendershot highlighted the impact these proposed revised electric rates would have on the residential customer. He said the first years' proposed rates, if adopted, would go into effect November 1, 2011.

Mr. Lube asked why the charts start at 750 kilowatt hours and how was that arrived at. Mr. Hendershot said this is a round number, the median usage by residential customers. He said half of the bills sent out are for less than that (750 kWh) usage per month, and half of the bills sent out are for more than 750 kWh per month. He said the average kWh usage is more like 850 to 870 kWh, but because of the impact the changes on the customer charge can have which are amplified for a smaller user, we kept it at the 750

1 kWh. Mr. Hendershot said that effect November 1, 2011, the 2012 rates would have  
2 exactly a 70 cents per month in the residential customer's fixed customer charge each  
3 month. He noted the next three July 1sts, the exact annual average monthly impact for  
4 a customer using 750 kWh per month would be \$1.63 a month in 2013; \$1.07 a month  
5 in 2014 and 78 cents per month in 2015. He said percentage wise, those four increases  
6 are respectively .67%; 1.55%; exactly 1%; and 0.72%.

7  
8 Mr. Adair said this is assuming the Power Cost Adjustment (PCA) remains constant. He  
9 said if the wholesale cost for power were to move even modestly, it could well mask or  
10 exceed in either direction the magnitude of these changes.

11  
12 Mr. Gale said that between 2009 and 2011, the customer service charge went up  
13 approximately 25% from \$9 to \$11. He said the proposed customer service charges  
14 would increase 60% between now and the next four years. He said this seems out of  
15 whack with previous increases.

16  
17 Mr. Hendershot said the rationale is to take out the uncertainty of the operating revenue  
18 that the Division needs to operate. He said the Divisions' costs are fixed in that it is  
19 based on number of employees and the amount of facilities we have to take care of. He  
20 said the amount of energy delivered on the wires has almost no impact on operating  
21 costs.

22  
23 Mr. Beaumont said that four years ago when we went through this process, there was  
24 somewhat of a discussion as to the customer charge and the growth of it. He said there  
25 is a basic cost to maintain a customer whether they have any electricity usage or not.  
26 He said this is where this draws from.

27  
28 Mr. Leymaster said the Cost of Service Study said that the cost of service customer  
29 charge in 2012 was \$16.42, not the \$11.70 that is here. He said basically, the costs are  
30 not going up that much for the Cost of Service, the \$11 reflected what was done four or  
31 five years ago, the number was too low and so basically, over the period of the study, it  
32 was raised up to what it really should it be and the customer charge is being increased  
33 instead of playing around with all of the other charges. He said all of the increases going  
34 into the Customer Charges are where revenue is required.

35  
36 Mr. Leymaster said basically, the bill is going up \$1. He said there are not a lot of  
37 changes in any of the energy charges so all you are looking at is an increase of \$1 in  
38 2015 over 2014.

39  
40 Mr. Gessert asked what effect these proposed electric rate changes would have on the  
41 Divisions large industrial customers.

42  
43 Mr. Hendershot said the proposed rate changes would have a modest impact. He said  
44 the Cost of Service Study indicated that on Rates 3 or higher, the customer charges  
45 need not be as high as they are, but for the same logic of not wanting to have anymore  
46 variable income than necessary, and given that the Commercial/Industrial customers are  
47 used to the customer charges at those levels, those in essence stay the same across the  
48 entire four year period.

1 Mr. Adair stressed this change doesn't affect what happens in this first iteration; it will  
2 be next July that this comes into play. He said this is an area the Division will be doing  
3 outreach on to educate people on the costs.

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6 **2. Discussion and Action: Adoption of Proposed Electric Tariffs. Mr.**  
7 **Gessert made a motion to adopt the Proposed Rates as presented in**  
8 **Rate Classes 1 through 14 inclusive, to become effective November 1,**  
9 **2011; July 1, 2012; July 1, 2013 and July 1, 2014. Mr. Nunn seconded**  
10 **the motion.**

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12 **Vote: 3 ayes.**

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14 **Chairman Beaumont declared the Public Hearing closed at 6:19 p.m.**

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17 Respectfully submitted,

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19 Cynthia A. Kleist  
20 Recording Secretary

Respectfully submitted,

Richard A. Nunn  
Secretary