

ELECTRIC DIVISION
DEPARTMENT OF PUBLIC UTILITIES

PROPOSED 1988 - 1989 BUDGET
OVERVIEW

The Electric Division is an Electric Utility owned and operated by the Town of Wallingford serving the needs of Wallingford itself and the Northford section of North Branford. Total number of customer accounts is approximately 20,000 contained within a service territory of approximately 50 square miles. Of this total number of customers, an approximate breakdown is 17,500 Residential, 2,365 Commercial, 35 Industrial and 100 Public Authority. The majority of the Northford customers are residential, totaling approximately 2,100 accounts (11%).

As a Publicly owned Municipal Electric Utility, we essentially belong to the people we service. As such, one of our primary purposes is to provide an essential service at the lowest possible cost. Aside from our endeavor to provide the lowest possible rates, we have local control of our energy future, strive for improved efficiencies and provide many local community services which many times are overlooked or taken for granted.

The Electric Division is a business; an enterprise owned by the people it serves. We are totally self-sustaining; operation, maintenance and capital improvements are totally funded by revenues generated through electricity sales and miscellaneous incomes.

The Division's Budget, similar to other Town Department Budgets falls under the purview and jurisdiction of local authorities, in our case, through the Public Utilities Commission, Mayor and yourselves the Town Council. Unlike other Town Departments; however, we are self-sufficient. Our Budget is autonomous from the Town's General Budget. Our Budget is designed to provide adequate income from our rates and rate payers (different from Town Taxpayers) to support the Utilities operations and return a substantial contribution to the Town, monetarily and otherwise. Included in the proposed Budget is a \$1 million appropriated contribution to the Town General Fund.

The Electric Division's Budget and accounting system, unlike other Town Depts, follows the State of Connecticut Uniform System of Accounts as prescribed for Electric Utilities. By far the largest difference (and most confusing) aspect of this accounting system is the fact that all expenses pertaining to a particular aspect of operations is expensed to a specific line item account number. Any account line, whether Operations, Maintenance or Capital is comprised of a varying mix of supplies, equipment and labor. Labor is expensed throughout most all of the accounts with the exception of the General Capital plant accounts. Budgeted line item amounts are estimated based upon historical experiences, tempered by exclusion of unusual circumstances (hurricanes, ice storms, etc.) an inclusion of known, specific projects or items.

INCOME: Division income Budgeted is primarily sales income based upon our best estimate of energy sales by class. We are projecting total sales of approximately 465 megawatt hours for the system. The only substantial change predicted is an increase in Municipal Sales, primarily due to the new Waste Treatment Plant, increased pumping requirements, and expanded Town services such as the new Town Hall. Sales figures are also based upon no change in electric rates during the Budget period.

EXPENSE: ON the expense side, 74.1% of the total operating expense is comprised of Purchased Power. This is followed by Customer Records, Collections, Administrative and General expense (7.4%); Taxes (essentially Ct. State Gross Earnings Tax)(4.8%); Production (4.5%); Transmission and Distribution (4.4%); Depreciation (4.2%); and balance other (0.6%).

Cost of Purchased Power is predicated on total system input of 490 megawatt hours with a peak system demand of 91.0 megawatt. A rough break down of energy supply sources is 92% CL&P base load and "Rider A" peaking energy; 5% Power Authority State of New York (PASNY); 2% So. Norwalk Electric Works and other peaking entitlements under Rider A, and 1% actual Pierce Station Generation.

Budgeted cost of Purchased Power from CL&P assumes Resolution of Current Rate issues and a Rate Settlement in place and firm for the Budget period.

Continuing on, the next largest expense category is what I call the "900" Account category which covers Customer Records, Collections, Customer Service, Administrative and General expenses. The bottom line Budget for this category shows a modest increase of approximately 6% over the current year. Details as to specific changes within these accounts can be addressed by staff present.

Taxes represent just shy of 5% of the total Operating Expense, and this is comprised almost entirely of Ct. State Gross Earnings Taxes.

"Production" Operation, Maintenance and Production Plant Capital Line Items provide the necessary funding for operation and maintenance of the Pierce Generating Station and the 24 hour per day manning of the Towns' Electrical "Switchboard". Relative to actual generation, allowance has been made for fuel and labor to operate the plant at full capacity for twelve (12) sixteen hour generation days. The balance of funds provide for ongoing switchboard manning, personnel training and a very substantial amount of maintenance of building and machinery. Under the current Purchased Power Tariff "Rider A" provisions the Station must be maintained and available to operate on a 24 hour advance notice to meet the needs of the New England Power Pool. Availability of this capacity is worth approximately \$1,384,000 per year in reduced power cost under the current wholesale rate. Compared to purchasing from Northeast Utilities.

"Distribution" Operation, Maintenance and Capital Plant fund the necessary operations to distribute the electricity to the customer. Again, the Division has 20,000 customers to service within a 50 square mile area. The Distribution System is comprised of 2 bulk power delivery substations at East Street and North Wallingford Substation, and 10 sub-distribution substations scattered throughout our territory. These base substation facilities feed approximately 400 miles of pole line, 1,600 miles of overhead wire & cable circuits and 31 miles of underground cable systems. Costs of operation, maintenance and capital plant construction for improvement and expansion are expensed by line item in accordance with the Utility System of accounts. Generally speaking the operation and maintenance areas are more labor and supply oriented carrying approximately 60% of all Line Department, Meter Department and support personnel wages. On the other hand, the Distribution Capital Plant accounts carry the remaining 40% of labor and are more material intensive. The Distribution Capital accounts provide for all new facilities for reconstruction and/or new service extensions. Beyond this, the Distribution accounts address increasing requirements in varied areas such as local, state and federal record keeping, safety and training, environmental and compliance regulations, etc. We further address increased expectations for continuity and quality of service, and customer service.

Relative to Personnel, the Division's proposed 1988-1989 Budget reflects the addition of four (4) personnel. Our preliminary budget reflected six new positions, but this was pared back internally to what we consider essential at this time. Two (2) of the four recommended additions were requested in our 1987-1988 Budget, but were not approved at that time; these being reinstatement of the Pierce Station Power Plant Superintendent and the addition of a 5th meter reader.

Reinstatement of the managerial, supervisory position at Pierce Station is considered paramount and essential for the continued management of the plant and plant personnel. Pierce Station requires a high degree of Supervision relative to ongoing equipment maintenance, operation, safety, regulatory compliance and personnel management. The past superintendent of the Station, Einar J. Anderson retired in June 1983. Since that time, the General Manager of the Division has carried the primary burden of this responsibility in conjunction with special arrangements made with an existing Chief of Shift at the Plant. Also since that time, it has become increasingly important to maintain the station in operating condition to realize continued savings in Power Plant capacity. Reinstatement of this position is considered essential to properly address the needs of the plant and to protect our investment. Through reinstatement of this position, the Division will likewise benefit through release of the General Managers' valuable time to attend to General Division operations.

The hiring of a 5th meter reader is highly recommended in order to insure timely, accurate reading of customer meters in relation to the influx of new customers on our system. Growth, coupled with training and increasing need to inspect for tampering and energy diversion, more than justifies the need for this additional meter reader position.

An additional maintenance electrician is recommended to address expanded operations in substation maintenance and Pierce Station maintenance. Electrical staff duties have been expanded further to include transformer maintenance and testing, instrument maintenance, calibration and testing, and many other diverse activities such as fire alarm and signal systems repair, substation SCADA systems installation and maintenance, and general miscellaneous building maintenance.

The addition of an Accountant I position in our Business Office is requested in accordance with recommendations by the Town Independent Auditors. This position is needed to insure proper continuity of Division Accounting functions in supplement to and/or the absence of the Business Office Manager.

In closing the foregoing is an overview of the general requirements, allowances and recommendations of the Electric Division as incorporated within its' proposed 1988-1989 Budget request. Division Staff is available to address any questions you may have in this regard.

Michael C. Holmes
Asst. General Manager

MCH/irc

Mr. Holmes pointed out that their predicted sales for 1988-1989 are slightly less than the 1987-1988 appropriation. Mr. Smith explained that what they have seen in the past few months, is a drop off in the system input. Mr. Smith added that he believes it is in the Commercial area or Industrial area.

Regarding street lights on state roads, Mrs. Papale asked who pays the electricity bill. Mr. Smith explained that the lights are billed to the state.

Mr. Zandri asked what the current figures for actual were for Sales. Mr. Lee explained that as of April 30th, it was \$31,600,000 for 10 months.

Mr. Beaumont explained that one thing that might have an effect on that is if there is an outage of the nuclear plants that Northeast Utilities has. They might have to bring other plants on line to provide that same amount of electricity and the unit cost for production might be at a higher rate than what it would be at the nuclear plant.

Mr. Zandri commented that he does not understand how they are using less electricity than they used in previous years. Mr. Smith added that all it takes is one major customer to cut back and 1,000 homes will not make up for that. Three of their largest customers use 25% of their total sales for the year. The other 19,997 only represent 3/4 of it.

Mr. Bradley asked to have the Net Income explained (requested). Mr. Smith explained that the first factor is, generally in March, that is the peak for the Net Income for the year, and then you begin to taper off quickly and May and June are losers. You also have the compounding problem of the collection in the fuel adjustment, that a lot of dollars are being collected from now, that forgot to be returned. Mr. Holmes added that they are looking at budgeting \$1,290,000 bottom line at the end of the year, because of the poor sales months.

Production, lines 500-506-2, moved by Mrs. Papale and seconded by Mr. Adams.

Mr. Holmes explained that in the production operation accounts, that is primarily associated with actual operation at Pierce Station and they have allowed the largest amount (fuel oil and labor) for 12 full days of generation at 16 hours a day. If they do not generate, they will not be burning the oil and it will fall down to the bottom line. They will be purchasing instead of generating.

Line 500, Supervision & Eng, Mr. Zandri asked to have this line explained. Mr. Holmes explained that they are budgeting $\frac{1}{2}$ of the year for reinstatement of the management position at Pierce Station. In this line item, a portion of that goes into account 500 and 510, Supervision & Eng (Maintenance). There is approximately \$9,700 included in that account, which is specifically for that, which is 50% of the half year. The other major item in there that was allocated for is \$50,000 for a Missions Compliance related work, labor, equipment and outside consulting if necessary.

Regarding fuel, Mr. Smith explained that they have \$822,000 and if they don't expect to burn anymore fuel this year, you take off

\$240,000 which will give you about \$580,000 of which \$441,000 has already been spent, which will leave \$120,000. Mr. Killen commented that he believes that they are talking the same dollars, just moving them around. Mr. Killen added that they should be ending up with a surplus because the dollars are available to them and they are not going to be expending them.

Mr. Lee explained, starting with \$1,300,000, the actual expenses as of April 29th, were \$756,000 but, they also have an incumbrance of \$365,000 which is roughly over \$1,000,000 vs. \$1,300,000 so, they have spent \$1,000,000 of the \$1,200,000, which was appropriated for the balance of the year.

Maintenance, lines 510-513-3, moved by Mrs. Papale and seconded by Mr. Solinsky.

Mr. Bradley pointed out the substantial increase in line 511, Maint of Structure. Mr. Holmes explained that the largest item is \$50,000 for removal of coal handling apparatus (in the rear of the station), which has been deteriorating over the course of the years and hasn't been used for 10-15 years since converting to oil. Mr. Zandri asked if the area where the coal equipment is be marked off so people will not hurt themselves and can be protected by fencing to keep the general public out. Mr. Holmes explained that he believes it is a safety hazard and it should be removed. Mr. Beaumont agreed with Mr. Holmes and added that it is a matter of time before something happens. Mr. Holmes added that this work will have to be contracted out. Mr. Zandri added that he can justify having this in the budget if it is a matter of safety. But, he cannot justify transferring that out for any other reason and he can't justify it not being done in the fiscal year that it is allocated for, especially if it is put in there for safety reasons.

Mr. Doherty asked Mr. Smith if he thought they would ever go back to using coal and Mr. Smith explained that there are a lot of environmental problems associated with coal.

Regarding the coal handling apparatus, Mr. Smith explained that maybe this year is not the year that it has to be removed but, it has to be removed eventually, so we put it in this year's budget. At this stage, if we do not get a General Manager and a couple of other people, we probably won't get to that item.

Referring to the boilers, Mr. Smith explained that 2 of the 3 boilers have been done to date and Mr. Holmes added that contract work is being done presently and has been for months.

Mr. Killen, Mr. Zandri and Mrs. Papale all agreed with the fact that, if the money is put into a line and approved, the work should be done within that fiscal year.

Mr. Smith explained that Mr. Holmes has outline a budget and if all of his assumptions are right, as far as personnel is concerned, then this is what can be accomplished.

Mr. Zandri pointed out that he would not do it this way. He would figure out the amount of money needed to do the project and then he would check to see if he had the personnel to do the spec to get that project done, which should be the type of approach for all maintenance work.

Mr. Bradley asked if the Electric Division customer of Wallingford, across a period of 12 months, still make out better with the Electric Division than CL & P. Mr. Smith told Mr. Bradley that they have an unusual circumstance with the fuel adjustment, that they are over-collecting at this point because we are being over-charged. Some of that will go back in and straighten out that rate picture, and they will enjoy that 10% differential once it shakes out.

Regarding the Total Production Operation & Maintenance, Mr. Bradley pointed out the \$1,000,000 increase from the year 1986. Mr. Beaumont explained that something in excess of \$250,000 was taken out of that for other purposes in 1986/1987 and in fact, was deferred to 1987/1988, to take care of some of the tubing. It was 1985/1986 that the first boiler was done. They had intended to do the second boiler in 1986/1987, but were not able to do so. This is just one major project that was not done as it was expected that it would.

Mrs. Papale pointed out the increase in line 512-3, Boiler Apparatus. Mr. Holmes explained that the major part of that is \$120,000 for re-tubing of the #3 boiler air heater, which is for 1 this year. This will not be attempted in-house, it will be contracted out.

Production, line 555, Purchased Power, Power Adjustment, moved by Mrs. Papale and seconded by Mr. Zandri.

Distribution Expense-Operation, lines 580-588, page 135, moved by Mrs. Papale and seconded by Mr. Zandri.

Distribution-Maintenance, lines 590-598, page 135, moved by Mrs. Papale and seconded by Mr. Zandri.

Mr. Bradley questioned line 597, Meters, and Mr. Holmes explained that this is an expansion (creation) of a new aspect in maintenance. Over the last year, we have been fortunate in getting some staff on board who are highly skilled in meter and instrument maintenance. We are going to be repairing meters instead of replacing them.

Transmission Expense, lines 570 & 571, page 135, moved by Mrs. Papale and seconded by Mr. Zandri.

Customer Records & Collection Expense, lines 901-904, page 135, moved by Mrs. Papale and seconded by Mr. Zandri.

Mr. Holmes asked what the uncollectible accounts consist of. Mr. Lee explained that the vast majority are people that skip town, and this is an estimate of what it might be. The average bill could run about \$300-\$500, (for 3 months). Mr. Zandri suggested that there should be some way (such as increasing the deposit) to keep these people from skipping out without paying.

Customer Service & Information, lines 908 & 909, page 135, moved by Mrs. Papale and seconded by Mr. Zandri.

Administrative & General Expense, lines 920-1 (page 135) to 932 (page 136, moved by Mrs. Papale and seconded by Mr. Zandri.

Mr. Killen asked who they collect rents from and Mr. Beaumont explained that that rent is being paid to the town for the new Town Hall.

Depreciation, lines 403 & 403-1, page 136, moved by Mrs. Papale and seconded by Mr. Zandri.

Taxes, lines 408 & 408-1, page 136, moved by Mrs. Papale and seconded by Mr. Zandri.

Mr. Zandri asked what the Town of Wallingford pays taxes on in North Branford. Mr. Smith explained that it is a sub-station. Mr. Lee added that we are only charged on personal property. Mr. Zandri added that he considers this a business and he wants to know why this Electric Division is not paying property taxes to the Town of Wallingford. Mr. Smith explained that the town is the owner. Mr. Zandri then asked if this would reflect in the rates by not paying taxes to the Town of Wallingford. Mr. Smith said that it could. If taxes were to be paid, the rates would have to go up. Mr. Zandri then asked if the people in North Branford are being forced to buy their electricity from the Town of Wallingford. Mr. Zandri added that he feels that the town is subsidizing their electrical rates by not paying taxes to the town and it is reflected in those rates. There are also people within the town who are purchasing power within the town who don't pay taxes to the Town of Wallingford, so therefore, the owner of this business, is subsidizing those people as well. If another utility set up the same operation in this town, we'd be charging them taxes. The owners of this investment, still has a right to a return on their investment.

Mayor Dickinson commented that the town would be paying more in their rates, than what someone outside would be charged.

Mr. Zandri added that they are very close to CL&P rates and the town is not treating themselves on an equal basis, that they would with them, which is what concerns Mr. Zandri. We are hiding the true cost of electricity, in this town, by the tax dollars.

Mr. Smith commented that he does not agree with Mr. Zandri.

Other Expense, lines 426 - 431-2, page 136, moved by Mrs. Papale and seconded by Mr. Zandri.

Production Plant, lines 311-316, page 136, moved by Mrs. Papale and seconded by Mr. Zandri.

Distribution Plant, lines 360-373, pages 136-137, moved by Mrs. Papale and seconded by Mr. Zandri.

General Plant, lines 390-398, page 137, moved by Mrs. papale and seconded by Mr. Zandri.

Mr. Solinsky asked if they had a plan to refurbish truck #25. Mr. Denison explained that they are planning to refurbish truck #25. Mr. Holmes pointed out a change in the submitted request to the Mayor vs. Mayor approved, which is \$20,000 less. A transfer was made between 2 different accounts. Basically, we have allocated today, a net total of \$30,000 for refurbishment for the air-lift truck. Mr. Solinsky then asked how many years they would get out of the refurbished truck. Mr. Holmes replied, about 7 or 8 years.

Mr. Solinsky asked what the total value of the vehicle would be and Mr. Holmes explained that a new truck would cost about \$125,000 and \$20,000 on a trade-in, for the present truck.

Personnel Detail and Salary Calculations, pages 184-189, moved by Mrs. Papale and seconded by Mr. Parisi.

Mr. Parisi asked what the Chief of Shift does and Mr. Holmes explained that he filled in temporarily for the Plant Superintendent, and the major bulk of \$33,446 is overtime.

A motion was made by Mr. Holmes to replace the amount of \$28,392, with the amount of \$33,446 for Utility Operator-Chief of Shift, page 189, seconded by Mrs. Papale.

A motion was made by Mr. Holmes to move the bottom line in the amount of \$314,578 (page 189), seconded by Mr. Parisi.

Tax Equiv Elec Div (Revenue), page 14, line 1300, moved by Mrs. Papale and seconded by Mr. Holmes.

Mr. Zandri commented that being that this is a business for the town, he does not think that \$1,000,000 is a good enough return on investment for the taxpayers. Mr. Steve Holmes pointed out that as it stands today, it is enough because they don't have the whole picture. Mr. Holmes agreed that the potential is there for a better return, while Mr. Parisi agreed and added that next year, there should be more. Mr. Bradley also agreed.

Mr. Smith added that what the utility needs is, to get a good goal for the Electric Division, what are it's ultimate goals...is it rates foremost or is it tax contributions or a combination of the two.

Because this is big business, Mrs. Papale commented that she would like to wait another year before making a decision that big and she added that she agrees with what Mr. Zandri was commenting on before.

Mr. Adams commented that he would like to wait until the study is done before making any decisions because to make a decision before knowing all of the facts would be foolish.

Mr. Myers pointed out that they have never used any utility money to cut tax rates or to infiltrate into the tax rate. This is a consideration that is going to have to be made if the contribution line is changed.

Mayor Dickinson commented that if the town is going to have a utility, they should have the lowest rate that they can. If we want a return on investments, then we sell the utility and get the return on the investment. Mayor Dickinson added that he does not think that the two can be balanced in the same picture.

Mr. Killen feels that money can be taken from this budget without affecting the electric rates.

A motion was made by Mr. Doherty to increase line 1300, Tax Equiv Elec Div to \$1,500,000. NO SECOND WITHDRAWN

A motion was made by Mr. Doherty to increase line 1300, Tax Equiv Elec Div to \$1,100,000, seconded by Mr. Bradley.

VOTE: Bradley, Doherty, Zandri and Killen voted yes; all other Council Members voted no; motion did not carry.

A motion was made by Mr. Holmes to approve pages as presented with the exception of the change in the Chief of Shift, as amended, seconded by Mr. Adams.

VOTE: Unanimous ayes; motion duly carried.

WATER DIVISION-Personnel, pages 189-193, moved by Mr. Adams and seconded by Mr. Parisi.

VOTE: Holmes not present for the vote; all other ayes; motion duly carried.

SEWER DIVISION-Personnel, pages 193-197, moved by Mr. Parisi and seconded by Mr. Solinsky.

VOTE: Holmes not present for vote; all other ayes; motion duly carried.

A motion to adjourn was duly made, seconded and carried. The seventh budget workshop adjourned at 1:21 a.m.

Meeting recorded by Delores B. Fetta,
Council Secretary.

Meeting transcribed by Susan M. Baron,
Council Secretary.