

**SPECIAL MEETING
(Called by Mayor Baines)**

BOARD OF MAYOR AND ALDERMEN

February 29, 2000

**6:30 PM
Aldermanic Chambers, City Hall**

Mayor Baines called the meeting to order

The Clerk called the roll.

Present: Aldermen Wihby, Gatsas, Levasseur, Sysyn, Clancy, Pinard, O'Neil,
Lopez, Shea, Vaillancourt, Pariseau, Cashin, and Hirschmann

Absent: Alderman Thibault

Mayor Baines advised that the purpose of the meeting is to discuss the City's position relative to the proposed PSNH Restructuring: Settlement Agreement currently before the State PUC. We have had many discussions internally since I assumed office about this whole process. We have had some limited discussion publicly about this issue, but now this became a very time sensitive issue because of the date for filing of the final briefs regarding our position on this project and I felt that I needed the collective wisdom of this group before we decided to proceed. I have invited people representing the State and the Governor's Office to be with us this evening to present their rationale in terms of their position and I would like to ask Judy Reardon to come forward with the people with her and introduce them and give you some time to talk to the Board about the State's position. I would like to caution the Board that we would like to close this meeting on or about 8 PM this evening because there is a wake that many of us would like to go to.

Attorney Reardon stated thank you Mr. Mayor and members of the Board of Aldermen. My name is Judy Reardon and I am Governor Shaheen's legal counsel and I thank you for the opportunity to be able to come this evening and tell you a little bit about the settlement agreement that the Governor's Office and certain members of the staff of the Public Utilities Commission have entered into with Public Service Company of NH. As Mayor Baines indicated, this Friday briefs of the parties in the proceeding of the Public Utilities Commission are due. We have just gone through a lengthy hearing process and I have with me tonight three of the people who have worked on this issue for the Governor and the Public Utilities Commission. To my right is Deborah Schachter. She is the Director of the Governor's Office of Energy. Next to Deborah is Tom Getz who is the Executive Director of the Public Utilities Commission and to my far right is John Antonek who is a consultant to the State who works for Liberty Consulting. I will now turn it over to Tom Getz from the PUC.

Mr. Getz stated I am the Executive Director of the Public Utilities Commission and in the interest of full disclosure, I should mention a couple of things. One is that I am not speaking on behalf of the three Commissioners who will be hearing the case with the hearings to date and will be issuing the opinion. I have been involved for the past year in working on the settlement and pursuing the settlement through the Commission and the Legislature. Also in the interest of full disclosure, I am a Manchester resident and a member of the Planning Board so I have spent a fair amount of time in this room over the last four months. What I would like to do is give you a brief outline of the settlement and then be available to answer any questions that you might have. It will be three years and a couple of days from now when Public Service Company of NH filed suit against the State of New Hampshire in response to the Public Utilities Commission final plan on restructuring. There has been a contentious Federal lawsuit for the past three years with Public Service Company over the attempt to bring competition to the electric industry and to lower rates for customers. As a result, we have continued with the highest rates in the country for that period. Our efforts to resolve the lawsuit, however, took a positive turn last spring when we initiated settlement discussions with Public Service Company of NH and that was a group led by the Public Utilities Commission staff, the Governor's Energy Office, and the Attorney General's Office. Last June, we filed a detailed settlement agreement with the PUC, which if approved, will provide both near term and sustained rate relief and open the door to customer competition. The Commission established a procedural schedule and extensive hearings were held through November, December and January of this year. Briefs are now due this Friday. After Friday, the Commission will take the matter under advisement and it is hoped that the final order will be issued by the end of March. We believe the settlement is in the public interest because it ends costly litigation and brings about competition and lower rates far sooner than could otherwise reasonably be expected. Most important, the settlement agreement provides real savings, not the speculative savings that have been claimed by some. Specifically, if the Commission approves the settlement under the existing procedural schedule and the Legislature approves securitization legislation in this term, then by July 1 of this year, 2000, PSNH's 420,000 customers, including all of the residences, businesses and city facilities in Manchester, will see an immediate 18% reduction in rates and will be able to choose their electric supplier. In addition to the immediate rate reduction, in about seven years rates will decrease again in the neighborhood of 10% and finally 12 years after competition begins there will be another significant rate decrease. Over the term of the agreement, rates will be on average 15% or greater in savings. Those savings can increase depending on the vibrancy of the competitive market that will develop and that we are determined will develop. There are a number of elements of the settlement agreement that deserve special attention and that are the basis for the reduced rates. For instance, we were determined that PSNH and NU share with customers the burden of the past and consequently we obtained from PSNH a write-off of \$225 million of their stranded cost and because of the effect of reduced taxes, customers will see \$367 million in benefits. In addition, the agreement employs a financial tool called securitization. If approved by the Legislature, PSNH will be allowed to issue bonds in the amount of \$725 million pursuant to a statute that would give bondholders a priority on revenues collected by PSNH. The statute would reduce the risk to bond holders and, thereby, allow the bonds to be issued at rates lower than existing PSNH debt. The interest rate savings would be passed directly onto customers and

securitization would not be an obligation of the State. We also were determined that PSNH share in risks going forward. Accordingly, we devised a mechanism called, "the recovery end date", which ensures that securitized stranded costs cannot be recovered after a date which will occur sometime in the year 2007. In essence, PSNH has a set time to recover its costs, even if it is losing sales because of a downturn in the economy or they are losing sales through the technological changes in the electric industry. Similar to the restructuring settlement agreement that was reached with Granite State Electric Company and which was approved by the Commission last year, through the settlement agreement we provide customers with the opportunity of accepting transition rates for energy. Under this concept, customers who are unready or unwilling to choose a competitive supplier may take energy service arranged through PSNH. There are a number of other aspects of the settlement that may merit discussion and the issues that I have mentioned thus far could be discussed at greater length, but I am aware of the time pressures and I would just like to say that we believe the settlement is good for New Hampshire and it is good for Manchester because it will bring much needed rate relief to residential customers. It will make our existing businesses more competitive while encouraging new business growth and at last it will bring to a majority of NH citizens the benefits of deregulation and competition and we would be happy to answer any questions that you may have.

Alderman Pariseau stated I got this item from your office and are we comparing the settlement that the State got with the City's position and are we to chose between the State settlement and what the City wishes.

Mayor Baines replied this evening is just informational. It is an informational meeting unless somebody was so inclined to say that we side with the State on this issue, nothing would happen other than providing information to the Board this evening. If you take no action, for example, we will proceed with filing a brief.

Alderman Pariseau asked are we going to bring in the City people at a later date.

Mayor Baines answered we could. There was some background information provided and Mr. Thomas is here to talk also.

Alderman Pariseau stated under Item 2, Recovery of Stranded Costs, the \$1.9 billion and it says here that the City's position is that the City would save an additional \$15.8 million compared to the State agreement. Are we to chose? I don't know.

Ms. Schachter replied I think your questions are excellent because they really go to the heart of what we are trying to convey in explaining the value of settlement over litigation, which is that positions can be framed, either before the Commission, the regulatory body, or before the Courts or before several courts and they can be framed now for two, three or four years in the absence of settlement and parties can argue for additional grabs from the company, but this is a bird in the hand and it is a bird in the hand that is the product of elaborate and extensive negotiations

and really one thing that Mr. Getz didn't mentioned is that that round of negotiations came after a prior round of negotiations where we had enlisted the help of a professional mediator who brought a bunch of folks in and really tried for another year, if you will, to reach closure. I guess what your question goes to the heart of is settlement, which is something that the company is willing to do and agree to and have signed on the dotted line and positions that may seek more but that ultimately may be unacceptable to the company and leave us litigating.

Alderman Pariseau asked so the City's position is in competition with the State settlement.

Mr. Getz answered in some respects, yes. I would say in this respect not really and there are two reasons. The difference in this area is based on the fact that the settlement includes a different, lower estimate of future energy prices than what the one reflects that the City has adopted. In fact, both of those estimates will actually be reconciled to what ultimately happens in the future. If that estimate that the City is relying on proves to be correct, then the savings in the settlement will increase substantially. If the estimate that we used turns out to be correct, then the savings to the City will be reduced. That difference is not particularly real. It is a matter of saying we think prices will be X in the future, but under either proposal if prices turn out to be Y, Y is the price upon which rates will be based either under the proposal that is reflected here or under the settlement. There is one other area that I think is maybe even more important. The City in this position as reflected on this page relies upon an analyst who says that Seabrook will be worth much more if it is kept by PSNH rather than if it is sold. That may be true. It may also be true that Seabrook will turn out to be much less than that. Under our proposal, the residents of the City and the rest of the ratepayers throughout New Hampshire are out from under the Seabrook risks, whatever happens to Seabrook in the future. Under this proposal, in contrast, if Seabrook turns out to work especially well in the future there may be more benefits to the residents of this City. There may also be more paying if Seabrook ends up having an experience much like the rest of these power plants in Connecticut which many of you probably know have suffered under several years of operating problems of significant severity.

Alderman Vaillancourt stated before we go into the specifics, I did read this document in detail and on every page of it is stamped the word Confidential. I know that there aren't many people here but are we to assume that by discussing this we are removing the Confidential seal.

Mayor Baines replied we reviewed that and we don't feel that there is anything confidential about that. We would not have sent out anything confidential. We reviewed it before the meeting and it is not confidential. It was confidential in the sense, initially, to get some reaction to it before it got out into the public purview. That was our discussion last week.

Alderman O'Neil stated I am not going to get into the specifics because I am not sure I understand everything, but what I am very concerned about is the fact that the City's position in most cases seems to contradict the position of the State. I have all the faith in the world that the Governor's Office and the other State agencies as well as their consultants are working not only for what is in the best interest of Berlin and Portsmouth and Keene, but what is in the best

interest of Manchester. I am just very concerned that I see a number of items City position and I don't remember any of those positions ever being brought before the Board of Aldermen. I am concerned about who has been making these decisions. Is that the consultant trying to earn themselves some extra money. I think it is important that we get on board with the Governor's settlement and if we continue to push our own agenda and I don't know whose agenda that is when I use the words "our own" that we may put some doubt that everybody is on the same page.

Mayor Baines stated as a point of clarification on those issues, that is one of the main reasons for bringing this to you this evening because I have literally spent...I can't tell you the number of hours that I have spent since assuming office talking to every possible person that I could think of in terms of trying to come to some basic understanding of all of the issues and the positions of the City. Having followed City government quite closely for a long period of time, as I got into this in more detail, I could not recall the City taking specific positions related to all of these items. Again, I am trying to figure out the decision-making process in City government and that is why I felt that before it went to this final step that we should at least have this opportunity for all of the Aldermen who have participated in this.

Alderman O'Neil asked so you would agree that there hasn't been an official City position on many of these items.

Mayor Baines answered I can't say that with 100% certainty, but I did have some questions about it. That does not mean that I have any negative feelings about the people involved in this because there has been some very conscientious and well positioned thought regarding this issue relating to the city of Manchester, but my feeling is that as Chief Executive of the City, in terms of presenting a City's position, we need the input from the entire Board of Mayor and Aldermen. I can have my own personal position, but when it needs the position of the Board of Mayor and Aldermen, I feel that every member of the Board must have the opportunity to weigh in on the official position before it gets finalized.

Alderman Cashin asked where is Randy Sherman this evening.

Mayor Baines answered Randy is on vacation this week.

Alderman Cashin asked well he was in charge of Aggregation, wasn't he.

Mayor Baines answered again, there is a history here in terms of Aggregation. I think originally it started out in Finance and then was finally brought to Frank's department. Kevin Clougherty, just to follow-up on your question, Kevin Clougherty is in the building this evening working on some matters related to the budget and could be brought up and Frank could also add to the discussion after we finish presenting questions to our guests.

Alderman Cashin stated Frank hasn't been involved in this from Day 1. He just took over a little while ago, so I really don't think that Frank can answer questions but Randy Sherman is the guy that put this package together and I voted against it at the time. I said that it wasn't going to work and I didn't believe in it and now we have spent \$1.5 million.

Mayor Baines replied \$1,525,742 to date.

Alderman Cashin stated I thought we were working in conjunction with the Governor's Office, but evidently we have been working on our own. Is that fair?

Mayor Baines asked does anyone want to respond. Have you been working with the City of Manchester at all in the past several years?

Mr. Getz answered when we undertook the settlement negotiation process, we made it a point to talk to all of the important interveners and we did spend time talking with the City of Manchester and we especially took steps to see if we could accommodate the City's interest in acquiring the Amoskeag Dam and we set-up a particular provision of the settlement agreement that would allow the City an opportunity to pursue the dam. Now there has been a difference of opinion over that on the state of the law and we have actually proposed that the settlement be amended to give the City a meaningful chance to acquire the dam. We did not obtain the agreement of City people to support the settlement agreement and they did not sign on to the settlement agreement.

Alderman Cashin stated to my knowledge that never came before this Board. Now that is where the rubber meets the road here. I don't know what is going on. I really don't and it is unfortunate that Randy is not here because you can't ask him. I am not going to put Frank on the spot because I don't think he was involved and I don't think it is fair to him. It seems to me that we have been duplicating a lot of the stuff that the State has been doing. We spent \$1.5 million. We know that we are not going to get reimbursed for it. We heard that a few weeks ago. That is out the window. What are we supposed to do here this evening? I don't know.

Alderman Gatsas stated I am a little lost and a newcomer to the street so maybe you can help me out. I assume that this is a different scenario than the Aggregation Program so we have Aggregation here and the Governor's Plan here. Do we have anybody to tell us which one we should look at or what the positives and negatives are for either one of them?

Ms. Schachter stated as I understand it, the Aggregation Program is designed to enable the City, if we can actually finally get a competition, to pool all of its demand for power and hopefully save money by pooling its buying power in that way. The same way you would perhaps join a food co-op to get lower prices, but Aggregation or any other strategy for buying power competitively can't go forward until we get out from under these legal tangles and the settlement is our proposal to resolve all of those legal issues that are tying us up in Federal court in Rhode Island and finally move ahead so the City can aggregate or make whatever other choices it elects

to do. I am not familiar with the Aggregation Program to the extent that it appears to have perhaps metamorphosed into some involvement in the PUC proceedings and some other activity and staking out positions that are different from the State's position on the settlement.

Alderman Gatsas stated so we have to first go through settlement and then Aggregation is another off shoot.

Mayor Baines asked Mr. Thomas to respond to that.

Mr. Thomas stated to try to give you a little history and again I don't have the background, as Alderman Cashin mentioned, however, there are actually four parts to the Aggregation Program. The deregulation restructuring issue is just one part of it. Back four years ago, consultants and attorneys were hired with the authorization of the Board of Mayor and Aldermen to look at various rate issues going back then. This was long before the Governor's settlement agreement was put on the table so a lot of these issues go back years. As mentioned, the settlement agreement was put on the table last spring/early summer. One of the first directives from the Aldermanic Special Energy Committee was to engage the services of these consultants in a continuation of what they were doing to evaluate the settlement because, again, nobody knew what was in it and we certainly didn't know at the staff level. Those early reviews evolved into a continuation of some of the issues that were again raised earlier on in some of the earlier cases. A lot of the issues that are in your packet have been raised by other groups also.

Alderman Shea asked what are the implications, in your opinion, of the City either accepting or not accepting the State settlement.

Attorney Reardon answered the status of the settlement right now is common and as Deb mentioned is before the Public Utilities Commission. The City is an intervener in that proceeding and the City in its role as an intervener has said various things like we would like more here and we would like more there. If the City, for example, was not involved, it would make no difference. Let me step back. If the settlement agreement is approved and rates go down 18%, you get that benefit whether you were an intervener or not. Your participation in this proceeding brings no greater benefit to the City itself or to the residents of the City than to anyplace else. Nashua, for example, is not an intervener and if the settlement agreement is approved, Nashua will get the same benefits that the city of Manchester will.

Alderman Shea asked in other words, the City does not have a say. If the State decides to settle, even though the Board of Mayor and Aldermen, hypothetically say we are going to reject the State settlement simply because it is not in our best interest, we have no say. We can't make a decision.

Attorney Reardon answered if you object, you can do what you are doing right now which is participating in the Public Utilities Commission proceeding and putting on witnesses, cross-

examining witnesses, filing different pleadings, hiring consultants and so forth and raising issues before the PUC like any other party to that proceeding.

Alderman Shea asked what I am saying is that if the settlement is agreed upon we can still present these, but the settlement has already been agreed upon if the State decides to settle.

Attorney Reardon answered the Public Utilities Commission has three choices. It can approve the settlement agreement as it was introduced by the settling parties, it can reject it or it can approve it with changes.

Alderman Shea stated let's assume that it accepts it without changes and we decide as a community here not to accept it. In other words, you are saying we can't.

Attorney Reardon replied that is correct.

Alderman Shea asked so all of the things that are listed here are after the fact.

Attorney Reardon answered they are not after the fact. They are being presented to the Public Utilities Commission and they may chose to reject the settlement agreement because of some of the things the City says or it may decide to incorporate some of those things.

Alderman Shea asked in other words these particular items are important only if Item 3, which you have outlined, is done by the PUC.

Attorney Reardon answered the other way they are important is if the PUC thinks that they should reject the settlement agreement because of what the City has been saying.

Alderman Hirschmann asked just so I understand this, this paperwork is from our consultants.

Mayor Baines answered that is correct.

Alderman Hirschmann stated I have a question for your (State) consultants. The assertion that the settlement agreement going forward...are the market rates since the transition service are those really lower than market rate or is that the City's assertion.

Mr. Antonek replied the City, according to this paper, believes that the range of market prices if 4.0 to 4.7. Under the settlement agreement they are, in fact, 3.7 to 3.9. If there is a difference between the two, I believe it lies at the low end of that 4.7 range, not at the high end and because of the way the settlement is structured, somewhat higher prices than we have proposed for energy, which is what this is, this is only part of the bill as those of you who pay PSNH bills well know. Even if those rates end up being somewhat higher than that there will be an offset from other factors of the settlement agreement that will keep the total rates and that is the 18% reduction that Tom Getz talked about essentially intact. It may be that the range of market

prices has moved somewhat from the 3.7 to 4.9 range, but I think the 4.7 number is off the scale. If the range is at all within what is set forth in the 4.0 to 4.7, I think the 4.0 number makes a lot more sense in terms of what has been happening in the marketplace.

Alderman Hirschmann stated it is almost, by us intervening, it is almost like we have a conflict of interest because we are trying to take these electric customers and trying to aggregate them ourselves. It seems like we have come up with our own position, but I think the State's position is fine myself.

Mayor Baines replied we could have saved a lot of money.

Alderman Hirschmann responded I voted consistently against doing this all along, your Honor.

Mayor Baines stated I will hold my comments until an appropriate time.

Alderman Wihby stated I guess I expected that we would have our consultants that did this paper and that we would hear from them and maybe we would have some other experts from the State side to put them back in line when they weren't.

Mayor Baines replied let me just comment on that. My feeling was that most of the members of this Board have sat through this since 1996 on this issue. My assumption is that these issues, without having the time to research it, have been brought consistently back to the Board to establish the City's position to go and enable us to go and consult with and hire lawyers, etc. to advance our cause. I didn't think that that dynamic was necessary.

Alderman Wihby responded as Chairman of that Committee, that hasn't happened. What happened was they came and told us what was going on and they said that they wanted to be an intervener and we said why and they said well because a lot of things can happen and we want to make sure that we protect our interest. That makes sense. Sometimes the State decides what is good for the State and not necessarily for one individual town or city so we said okay and they went forward. I can remember the comments that they made, and actually I spoke to one of the Attorney Generals that was on the case and he said I am glad you guys are in it because you have helped out and had some good ideas or whatever with what you have done and it has been good and we kept on allocating money just like the State did to try and get this solved. What happened was at that point the settlement came and then they turned to saying okay now we are going to evaluate the settlement and we are going to look at this. I guess we all probably figured that we were still an intervener and that we were working together to try and get the best done for everybody. Nobody has actually...they did come back and say yes we are meeting and yes we are going to testify and this and that, but nobody has come to us and said here is the State side and here is the City side and here is why we think that the City side is best and what it means in the future. That hasn't happened.

Mayor Baines replied all I can say is that I think there are problems with that process when we are spending that amount of money from my perspective and looking at a City which is still struggling to meet its financial obligations. Again, there have been wonderful merits to it and I have read some of them, but I had assumed that at a certain point in time people said are we doing something different than the State, are we doing something in concert with the State, what advantage is there for Manchester.

Alderman Cashin responded we were told that we weren't cooperating with the State.

Mayor Baines asked would the State like to respond to that.

Mr. Getz answered I don't think I can say much more. As I mentioned before, we had a number of discussions with the representatives of the City and attempted to enlist their support in the settlement and we did not obtain that support.

Mayor Baines asked so you tried to get the City to join in with the State at some point in time to say let's consolidate our efforts here. Let's maximize the position. It might be advantageous to the State and the City. The other thing I have been intrigued by is that Manchester has been out on this by ourselves and I have asked in several meetings that I have had with staff trying to get to the bottom of this, why isn't Nashua in it now. Why isn't Concord? Why isn't Keene? I guess that Nashua expended about \$250,000 and said that is it for us and we went into it much deeper.

Alderman Clancy asked what if we do reach an agreement between 3.7 and 3.9. How long is that going to last? How many years?

Mr. Getz answered the 3.7 or 3.9 really isn't the issue. The settlement resolves a whole number of issues and what it would do is, through restructuring and through competition, rates are going to be unbundled. There will be transmission rates, delivery rates and energy rates. Rates will come down approximately 18% in the first year and the length of the agreement is 12 years. You will see rates go down in three steps. In the first year, the seventh year and the twelfth year and by that time, with the write-off that PSNH is taking in the first year and changes in the market, we will finally be on par with rates around the region and that has been one of the drivers, that our rates in NH have been so much higher than every place else. Through the settlement agreement, we are going to the goal of having rates like the rest of New England.

Alderman Clancy asked in the interim, what if Public Service sells out.

Mr. Getz answered if they sell out, then that does not affect the settlement agreement because actually there is a merger proposal before the Commission now. Con Edison of New York is proposing to buy Northeast Utilities. That will not affect the rates under the settlement agreement.

Alderman Clancy stated what I can't understand is why are they raising the interest much higher than down at the seacoast.

Mr. Getz asked it depends on where you are talking about.

Alderman Clancy answered Exeter.

Mr. Getz stated Exeter and Hampton have a different utility that doesn't own Seabrook.

Alderman Lopez stated I just want to make clear in my mind if we were to reject our particular settlement here, we go forward and file a petition, it might cost us more money to go before the Commission and the Commission analyzes that and can make the determination to settle anyway.

Ms. Schachter replied in essence that has already occurred. The City has sponsored witnesses. They have had their lawyer there to cross-examine witnesses and have been raising issues in the course of weeks of hearings and through filings at the Commission. We now have one last filing which is the legal brief, the argument in the case which is due Friday as has been discussed. After that, the Commission will make a decision but I think in answer to your question and the prior question from Alderman Shea that there is another level of decision-making. If the Commission approves the settlement, with or without conditions, assuming those conditions are acceptable to the company because of course they can walk away if they don't like the conditions but if we get to yes here and we have approval from the Commission, the Legislature needs to act and in that context the City support or opposition, I think, will be important. So bringing the City's voice to bear and saying yes we want those kind of savings and we don't want to litigate this for another three years plus before we have some relief, I think, will make a big difference.

Mr. Antonek stated in practical terms, if the settlement is not approved then three major cases will be to be litigated and probably about a half a dozen other cases. So, to bring all of these issues to a close, it will take probably somewhere in the order of 10-12 proceedings before the Commission and ultimately whatever appeals have to follow from that. So anyone who wants to follow all of these matters through to a final conclusion in the absence of a settlement is facing probably significantly greater litigation efforts than have already taken place to date.

Mayor Baines asked in your opinion, can Manchester joining with the State enhance the chances of a favorable opinion from the PUC regarding this settlement.

Mr. Getz answered I think at this point that the support of the City would be a boon to the settlement at the Commission, but I think where the greatest impact as Ms. Schachter pointed out would be at the Legislature.

Alderman Vaillancourt stated for once, with all modesty aside, I feel like I am the most important person in this room because I am the only person who is going to get to vote on this and not as an Alderman, but as a State Representative. To me, this is a tremendous waste of \$1.5 million. I do appreciate this document. I have read it with great interest, but I haven't read it with great interest as an Alderman who paid the \$1.5 million for it. I have read it with great interest as a State Representative and I assume that if this Board can do anything, what you could do is take a position asking the delegation to support one side or the other. I am not sure if that would be effective. I don't think this Board would have a great influence on me as a State Representative. Perhaps not as great an influence as the Governor and her people or the PUC or Representative Jebb Bradley for example. Having made that statement, I think I am in another world thinking how the City could have wasted another \$1.5 million getting something that should have been done at the State level together. I do have a question. This document seems to refer to several instances when the PUC is at odds with the negotiating position of the Governor and is on the side of the City. Am I wrong in that?

Mr. Getz answered I have read the document and let me explain. It gets a little complicated at the PUC and I had alluded earlier that I do not speak for the Commission. It is an unusual role where I was involved in the negotiation of this deal. What we had to do at the Commission was bifurcate so there is a group of people at staff who are independent and work on the settlement. Just as any party who would be before the Commission, we are subject to ex-parte rules. I cannot talk to the Commissioners about the PSNH settlement. There are different references to different people. There are other staff who are advising the Commissioners on this case who have appeared as witnesses in the proceeding and there is even a former staff member who I think is mentioned in here, not by name, and it misleadingly refers to him as speaking for the Commission when he really does not. That is a position that he took in a previous case. He left the Commission and was hired as a consultant to put certain testimony into the docket to make sure that there was a complete and full review of all of the issues. I think it is somewhat misleading the way that is referred to in here.

Alderman Vaillancourt stated as a State Representative having read this document, I would be less likely to vote for the settlement than having not read it. Might I make a suggestion that perhaps the Board of Mayor and Aldermen would like to take a position whether or not they would like to recommend to the delegation that they support the settlement assuming it passes.

Mayor Baines stated if there were a motion, then that would be considered like anything else that comes before the Board.

Alderman Cashin stated it appears to me that we have to go to the PUC and get this settled before we do anything, right.

Attorney Reardon replied we have to get a settlement that is approved by first the Commission and then the Legislature to move forward. In the absence of that, we all trundle back to court and fight it out for some long time to come.

Alderman Cashin stated by the State coming in with their proposal and the City of Manchester coming in with their proposal, that is muddying the waters a little bit, isn't it. It must be.

Attorney Reardon replied obviously we would like everyone to be supporting what we are doing and having parties oppose different parts of it...I don't know if it was Deborah or Tom who said that the PUC may well approve the settlement agreement with conditions. Then the question will be, if they do that, are the conditions acceptable to PSNH. If they are and the PUC gets another pound of flesh if you will out of PSNH and that is acceptable to PSNH, great. If it is not and what PSNH says is we were doing pretty darn well down at the Federal District Court in Rhode Island and we do pretty well under business as usual, see you later, that is the risk benefit analysis. When we decided to enter into the settlement agreement, what we looked at was imagine we litigate this out and we win. That all of the things that the City of Manchester and various interveners say should happen actually happen and the Federal District Court sides with the State of NH and the order is favorable and then PSNH appeals it to the First Circuit Court of Appeals, etc. We compared a best result in litigation to the settlement agreement and still decided that the settlement agreement was better for NH ratepayers because it will take so long to continue the litigation so even assuming that we ultimately prevailed on every point, we still thought the settlement agreement made more sense because of the cost of delay.

Alderman Levasseur stated I would like to warn my fellow Aldermen here today that since 1996 you guys have been working on this and for the last four years we have been going forward with this. Obviously this has gone through with the unanimous consent of the Board, well not the unanimous consent but obviously it had to move forward with a majority vote of the Board and the people who have been representing us, I think, have had Manchester's interests at heart and the best interest at heart. I have read this report. I have read it from beginning to end. I read it thoroughly and thought it was one of the best reports I have ever read. I thought it was thorough. When I started my restaurant in 1985, I was paying \$250/month for electricity and six or seven years later I was paying over \$675/month and I was using the same amount of wattage. If there is anybody here who feels...as far as PSNH goes they are at the very bottom of my favorite list. I think they have taken us to the hilt. They have taken advantage of the citizens of this State and especially Manchester because of the amount of business we do in this City. I also want to remind you that we are in an election year this year and that it is in the best interest of the Governor's Office to settle this as quickly as possible. I also believe that if you read this report and understand it, it does protect Manchester and Manchester is the biggest City in the State and our voice should be heard. We should be represented and we should go forward with this because we have come this far. To allow them to settle this agreement the way it is now, I don't think is in the best interest of Manchester. If these people that are working for us have put these numbers together and if you read it the PUC has agreed with our consultants much of the time, that we should be going forward with these guys and have these guys represent us. I think if we settle now we are getting the bad end of the stick.

Attorney Reardon stated as Tom Getz, the Executive Director of the PUC pointed out, the document prepared for you by your consultant in a number of places refers to the agreement with the City's position of someone from the PUC and as Mr. Getz pointed out, that person does not work for the PUC and is not a Commissioner. The Commissioners have not acted on this yet. The Commissioners have not said that they agree with the City or they agree with the State or they agree with anyone. The Commissioners are acting as a quasi-judicial body. They are hearing the evidence and they will make their decision based on all of the evidence and if I may, we entered into settlement negotiations with PSNH back in 1997. We were in negotiations with them for about five months. PSNH made a number of proposals. We made a number of proposals and we could not reach an agreement that we thought was in the best interest of the people of NH and the Governor was facing re-election in 1998, Mr. Levasseur and walked away from the agreement.

Alderman Levasseur stated the issue is that I voted for Governor Shaheen twice and I have no problem with that situation, but PSNH has done nothing but play hardball with this State.

Attorney Reardon replied that is right. PSNH has played hardball and when you are in litigation what you have to decide is is it better to continue to litigate and take your chances and see what happens or if you can reach a reasonable settlement agreement you make that choice. We are no big fans of PSNH. We didn't enter into a settlement agreement with them because suddenly we like them. The other thing people have to remember and I think a lot of people forget, they are not a charitable organization. They are a for profit organization so they are not going to do anything that they don't think is in their interest. So when people say oh you should have gotten them to write off more stranded costs or you should have gotten them to write off more than \$267 million, we couldn't and they won't.

Alderman Levasseur stated but our consultants are telling us that you guys are giving in too easily and I think that they might be right. By looking at the numbers that they have in there, I think that these guys are watching out for our best interests and I think the State may be selling us short. It is not that it is your fault because PSNH has us...you know it is a monopoly and we can't do anything about it, but we have to fight these guys and we have to win.

Mr. Antonek stated we have worked on restructuring matters for 12 commissions, from the northeast to the southeast to the mountain states. In no case has restructuring ever brought as much financial pain to the shareowners of a facility. In no case has restructuring ever produced rate savings of the level we are talking about. There is, as Judy mentioned, the potential that PSNH will settle for more, will take more pain but I think what you have to keep in mind, whether you are the City of Manchester, whether you are a ratepayer in the north end of the State or whether you are the Governor or the staff of the PUC is that if you have already got an arrangement whose characteristics are more than competitive, how much more do you want to ask for and how much of a risk do you want to take if PSNH's final answer will be no we are leaving. In which case we are not going to get an answer to restructuring for three or four more years and in the meantime we are not going to get the 18% and the shareowners are going to

continue to keep the equity that otherwise is going to be taken from them. I am not making a prediction here about what is going to happen. All I am telling you is that I think you have got to take a look at how competitive this settlement is in terms of what I have seen in probably now 20 different states and say how much more do you really think we have a chance at getting. That is the tough question.

Alderman Gatsas stated the briefs are due March 3. I guess that is three days away. When was the confidential report submitted?

Mayor Baines replied I asked, well over a week ago because I was aware that this was coming up and I was asking questions about what is the City's position because as Mayor I had never been asked what my position was so I asked for that. I think that towards the beginning of last week or the end of the week prior to that I requested this and then we received it last Thursday. I have been asking for some clarification for some time.

Alderman Gatsas asked, Frank, maybe you can help me out and I am obviously not even close to being up to speed on this Aggregation Program. It is an awful lot of money being spent. Is Nashua a participant in this Aggregation Program with us?

Mr. Thomas answered not directly. If Aggregation goes ahead and we start selling power and Nashua opts to continue to be part of our power base, it would be added on as a service charge.

Alderman Gatsas asked so they are watching our lead. My next question is at this point they are not an intervener or they are on board with the Governor's plan.

Attorney Reardon answered Nashua is not an intervener.

Alderman Gatsas asked could you give me a reason why they might not be.

Attorney Reardon answered I don't know why Nashua or any other community besides the city of Manchester has chosen not to intervene. It is not the usual case that a city or town intervenes in a matter like this at the PUC.

Alderman Gatsas asked are they in favor of the Governor's settlement.

Attorney Reardon answered we have not sought the support of any community that is not an intervener.

Mayor Baines stated that is one of the questions that I asked through this process to, Alderman, to try to ascertain how Manchester got out in this position and why it wasn't an effort combined with other communities or it might have been an effort through the NH Municipal Association which we pay substantial dues to every year in terms of combining resources or positions and I

wasn't able to get any real clarity on that. I asked questions at some time well is a community like Nashua saying boy I wish we were still in it and I wasn't able to get a clear answer.

Alderman Gatsas asked, Frank, maybe you can give me the answer and maybe you can't but let's assume that we go through the Aggregation Program and we are successful. Nashua then just piggybacks with us?

Mr. Thomas answered that is correct.

Attorney Reardon stated the issue before the PUC right now and the docket in which the City has intervened is not the Aggregation docket.

Alderman Gatsas replied I understand that. I am just trying to understand where Nashua is coming from and at that point if we are successful on the Aggregation Program with our testimony and our hearings and everything else and the PUC comes back in favor of what we have done or am I on the wrong street.

Mr. Thomas responded as I mentioned before, the Aggregation Program has four parts to it. One part of it is being an intervener in this whole rate case restructuring and now the settlement portion of it. As you mentioned, I don't know why we are at the point that we are at. I don't know why Manchester made the decisions over the last four years to spend \$1.5 million other than during the course of the last four years someone thought it was important to invest that money. You are right. Nashua and anybody else that is in this service area will benefit from any modifications that may result from us being an intervener.

Attorney Reardon stated right now because we have a regulated monopoly and we pay one price for electricity that includes the price of power and the price of the transmission lines and so forth so there is no such thing as Aggregation. The day we get the competition whether it is the result of a settlement agreement that gets approved or litigation five years from now and there is competition then you can aggregate if you want to and Nashua can aggregate if it wants to and Keene can aggregate if it wants to so your position in this restructuring docket that has to do with how do we get to competition does not relate to whether you can aggregate and how you aggregate or whether Nashua can aggregate and how it aggregates. Aggregation is not the discussion at the PUC right now.

Alderman Gatsas stated I certainly appreciate all of the wisdom and knowledge that they brought forth, but I don't know whether I sit on this Board alone and these other 13 understand where everyone is coming from, but I think we need somebody to come in here whether it our people, not our people or anybody else's people that can sit down and tell us intelligently or maybe so we can understand it because I think you have done it very intelligently, but to a layman so that we know who is on first and who is going to get to second and how we are getting home.

Mayor Baines stated I am glad you said that because it sort of vindicates some of the feelings that I have had in trying to get an understanding of this issue that is an extremely complex issue for people who are not talking this language and I have made a concerted effort but I am glad that I at least have one comrade in all of this.

Alderman Shea asked under delivery service there is a phrase that is included in the brief that we received. On Page 4, it says that if the targeted capital structure ratios has been used, the delivery service charge would have been lower. Would you please explain what is meant by the targeted capital structured ratios?

Mr. Antonek answered there was a great deal of confusion at the hearing at which a number of people thought that the rate was set on the basis of PSNH having a lot of equity versus debt in its capital structure. Some people made corrections to that structure thinking that had been the structured used to set 2.8 when, in fact, it was not. The structure that was used to set the 2.8 was already the structure that the people who wanted to make the structure were changing. So, in fact, this error does not, at all, undercut the 2.8 set rate, it supports it. The higher equity structure...equity costs more than debt. Stockholders demand a higher return than bondholders. The higher capital structure had actually been used by PSNH to support a rate of 3.1 cents. So, the correct capital structure had always been used to set the 2.8. That problem plagued a lot of people and I know specifically it was one of the sources of confusion for the City too because I was the one who was cross-examined about it at the hearing. I think that is a false issue.

Alderman Shea stated they claim that if you were to reduce it two-tenths of a percent it would save \$1.34 million. So their assumption is incorrect?

Mr. Antonek replied it is incorrect. It saves \$1.4 million from a rate of 3 cents, but since the rate is already at 2.8 cents, that savings is already built in. In effect, they are taking it twice because of a misunderstanding of how the 2.8-cent rate was calculated.

Ms. Schachter stated if I might just supplement his answer as someone who tries to stay as far away from terms like targeted capital structure ratios whenever possible, my understanding of this issue is that there is considerable debate in the course of trying to negotiate this settlement about what we would pay for the wires and poles part of the business, which is the delivery rate. Mr. Antonek and the Chief Engineer at the Commission, Mike Conada who was part of the team, worked very, very hard from the bottom up to figure out what that rate ought to be based on the company's actual cost. That rate was negotiated and negotiated hard and we were able to get the company down from a higher rate that they wanted to this 2.8. Again, I guess I would urge that in looking at this you understand the context, which is that we were negotiating. We negotiated down to a rate that we thought was a fair rate based on cost and a lower rate than what the company wanted. The company was not agreed to 2.6, nor do we think they would agree to 2.6. Again, if someone can get them to agree to give an extra dollar back to the ratepayer, we are not going to stand in the way, but absent their agreement, the 2.6 is somebody's theory, but it is not a bird in the hand. We don't have agreement on those terms.

Alderman Shea stated another point of contention between both your explanation and the securitization on Page 5 it says, "the settlement agreement proposes to securitize gross of tax and only provide a rate base offset with a return equivalent to the securitization rate." Would you explain what settlement agreement proposes to do? In other words to securitize gross of tax and only provide a rate base offset with a return equivalent to the securitization rate because there is a difference of about \$5.1 million in what we are told and what the agreement of the State might be.

Mr. Antonek replied I think that is another area that results from a misunderstanding of what was done. What happens in the utility business is that basically you calculate tax payments as though you are paying without accelerated depreciation. Utilities, like most people, can use accelerated depreciation. Therefore, they are deferring some tax payments because you assume that ratepayers have paid those tax payments. Effectively, you are lending the utility that money until it actually pays those taxes so this issue relates to how much of an interest rate you should credit the ratepayers. In fact, the traditional way of doing those credits is exactly how the settlement agreement continues to do it. So, we have continued to argue that this difference is, in fact, mythical. It does not exist. In addition, the other thing you have to keep in mind about the settlement agreement is that if lowered, all of the returns on equity and on securitized debt are over what the Commission would normally allow so we already got substantial rate concessions from PSNH as a part of the settlement agreement. As a result, the proper way from our perspective to look at the settlement agreement is not that it gives away interest rates to its customers, but it gets customers very competitive interest rates compared to what would happen in the absence of the settlement. By the way, you have stumbled on what is one of the most arcane parts of the utility regulations. I have trouble explaining it and I have been at it for a long time.

Alderman Shea stated what I am trying to get at is we are given a certain amount of information, which again is predicated upon the thinking of people that we have paid an exorbitant amount of money to do this particular work and what you are saying, in essence, is that what we are getting back here is data that doesn't concur with what you folks tend to note to be the fact or there is serious disagreement between what your contention might be and what our so-called experts have been telling us.

Mr. Antonek stated I believe that this point and the one we previously discussed are cases in which your information is not in accord with mainstream thinking with respect to regulating utility rates. I hate to sort of leave you with that, but that is all I can tell you because that is what I believe. That is why the Commission is there. These are hard issues and they have to look at them, but these are issues where I have a clear difference of opinion, the State Team has a clear difference of opinion and I believe that there is not a substantial question that our position is in error on this.

Alderman Hirschmann stated with regard to energy expenses, I have been playing like a broken record for four years, me personally and this is not with the State's case, it is with our case. Internal housekeeping wise, every year when the budget has come up I have always thoroughly questioned the budget being hundreds of thousands of dollars appropriated and I have been frustrated seeing us appropriate this money. Now tonight hearing that the State can settle and get the taxpayers an 18% energy decrease without us even spending \$1.5 million, it is really discerning to me. Alderman O'Neil and myself in the last term sitting on the audit committee that we sit on, started seeing \$40,000 a month payments going to consultants so both sides of the Board, Republicans and Democrats, unified and said something is wrong here. It is troubling because I have sat here with all of my colleagues many times through presentations by certain individuals like Tina Parsons, SVBK Consulting, Randy Sherman and all along the way I swear that somewhere in there they were saying that we have to do this in conjunction with the State. I am sure that was said at some time and now we find that we are really not in conjunction with the State but we are entangled and spending money. It just looks to me like what I have been saying all along was right. We didn't have to spend this money.

Alderman Cashin stated I think it has all been covered but I am going to say this. I think somebody ought to be held accountable for this. Some of us on this Board, four years ago, and you made the statement a couple of times here tonight that you had wished that some of these discussions had come up four years ago. Well, some of us tried to bring up these discussions and we were shut down and told that we were being political and abstinent and the whole nine yards. The reason we are here is because a lot of people didn't listen to us.

Alderman O'Neil stated to begin with, the current package that we are all talking about if you look up at the corner it is faxed from the consultants. Nobody on City staff knows what our position is. The consultant. One of the things, and Alderman Hirschmann touched on it, the consultants have done very, very well representing the City of Manchester. We paid money to have them fly in and sit up there and listen to testimony. I believe we were led to support Aggregation, not Aggregation/Deregulation and Restructuring. That is not what I supported when this thing began. I have a question for our guests tonight. These legal briefs that will be presented on Friday, is the City scheduled to appear or are they not involved in this at all?

Mayor Baines replied I can answer that question. The City is done appearing. All we would be doing is filing unless we are instructed not to. We will file a brief on Friday that will contain the arguments herein. Am I correct on that, Mr. Thomas?

Mr. Thomas responded yes.

Alderman O'Neil asked so we are continuing to take the position that is in this document here.

Mayor Baines answered unless this Board, and I am sure Frank can respond to that and as Mayor I am going to tell you that I am not going to proceed on a policy matter that is contrary to this Board unless instructed otherwise.

Alderman O'Neil moved that the City does not file a legal brief to the PUC on Friday.
Alderman Cashin duly seconded the motion.

Alderman O'Neil stated in my opinion, the City should support the State settlement agreement and not spend one more dime on consultants for another position.

Mayor Baines stated let me make some comments before we deal with the issue of the motion. The Board was on record clearly at the time I took office that no more money would be spent. I was at that meeting and that was very, very clear and when I got into office and started to try and figure out all aspects of this issue and I cannot overstate the time that was spent trying to do that, it was clear that no more money would be spent. You should understand that if, in fact, this brief is filed, no more money will be billed to the City as a result of this effort. Frank, do you have any clarification on what I have said there?

Mr. Thomas replied no, that is 100% correct. There is no more money allocated to this program. The last action by the Board was to take us through the testimony and the filing of the brief if the Board so desires.

Alderman O'Neil stated my motion was that we do not file with the PUC on Friday. We have already muddied this settlement agreement. I don't think we need to confuse the issue anymore.

Mayor Baines stated we will now discuss the motion that is on the floor so your arguments should be directed as to whether we should support that motion or oppose that motion.

Alderman Pariseau stated before I vote on that motion, I would like to get the ideas of the City people. They have been there representing us for all these months and I think that before we go and make this rash judgment, they ought to be given a chance whether it is next Monday night or next Tuesday night.

Mayor Baines replied to respond to that, if that is the wish of the Board then we can do that next week. Just for a point of clarification, then that brief still would be filed just so you know that.

Alderman Gatsas stated I certainly can understand where Alderman O'Neil is coming from because he has been participating in this process for awhile, but I think that if we have already spent \$1.5 million an intelligent business decision would certainly be to look at both avenues and have somebody tell us where we are coming from because the money has already been spent. Now it makes no sense just to hastily make a decision tonight because we got a document this week that says this is where we are at. I think the briefs are being filed on March 3 anyway, whether we vote tonight one way or the other. I don't know if that has an impact on the PUC's decision, but I don't think that a week's difference from this Board getting the proper information to make an intelligent decision on which way to go is a lot.

Mayor Baines stated just for clarification, if this motion did pass, that brief would not be filed and that would indicate, I guess in some way...it would make a statement before the PUC and I am not sure what it would be.

Alderman Gatsas asked can they answer that question.

Mr. Getz stated not filing a brief would not be...I can't say that the Commission would read that as you no longer support it. It is not uncommon for parties not to spend the extra monies to file a brief.

Alderman Gatsas replied obviously and somebody can correct me if I am wrong, but I think Alderman Vaillancourt said that the delegation still has to vote to carry some weight in this. Even our vote really doesn't make a difference, does it?

Mr. Getz stated whether the City of Manchester decides to put in it's brief or not put in its brief, the deadline is on Friday. The Commission is going to take all of the material that is there, all of the briefs, all of the testimony that Manchester has put in to date and will put that into the package of things it considers.

Mayor Baines asked so the only thing from your perspective that would be helpful if, in fact, the Board made a commitment that we support the settlement, that would be the only thing that would have any weight at that particular point. Not filing a brief would not, but a statement that we supported the settlement would be the only thing that might have an impact at this point or is that an overstatement too?

Attorney Reardon answered filing a brief that is critical of the settlement has an impact.

Alderman Cashin asked isn't that what we are doing.

Attorney Reardon answered that is the course you are on.

Attorney Vaillancourt stated I want to explain the reason why I will be voting for this. If the motion were to either support or not support the settlement I would abstain because as a Representative I would feel that I should maintain that flexibility but since the motion is not to file a brief, I will be voting on that motion because I have a very strong feeling whether or not Manchester should be involved in this and I don't think they should be so I will be voting. If the motion were otherwise, I would abstain.

Alderman Levasseur stated I agree with Alderman Gatsas. We have spent this much money, the brief has already been paid for, we already said we were going to file the brief and it is not going to cost us anymore money. We must not let PSNH or anybody think that they have us with our backs against the wall. It is a battle of attrition. Do not let them think now that we are getting weary and tired. Let's keep forward with this. File the brief and let the PUC get this stuff in

their heads and let's see how this goes forward. It does not hurt us to file this brief. It does nothing against us except send a message that we are tired and we don't want to let PSNH know that we are starting to get worn down by these big bullies.

Alderman Cashin stated I don't want to belabor this but my understanding is if we file a negative brief it could have an adverse affect on what you people are requesting from the PUC. Is that fair?

Attorney Reardon replied the Commission will be weighing all the views of all the interveners and so we can't tell you what the judges in the case will do and whose words will be most influential but certainly we would prefer, because we think the settlement is the right course, not to have interveners like the City criticizing it or with a brief that is critical.

Alderman Clancy stated I would like to get the people that represent the City, next Tuesday night, in here to ask them some questions before we vote one way or the other. That is my opinion. Get them in here and we can ask them the questions.

Alderman Hirschmann stated, your Honor, we have never come into this room and had a big panel like this. We have always had the City Finance Officer, his deputy or the next in command, Joanne Shaffer. Somebody should be sitting in that seat over there. We are at a definite disadvantage to vote on this issue.

Mayor Baines replied that is a legitimate point.

Alderman Wihby stated I guess I feel the same way. I would like to hear why they came up with what they did on the document that we have in front of us.

Alderman Shea asked, Mr. Thomas, if we file a brief how much more is it going to cost.

Mr. Thomas answered the brief is already prepared. You can't prepare a 100-page document over night. It is pretty much all prepared.

Alderman Shea asked so we have already paid for a brief to be submitted.

Mr. Thomas answered it has already been paid for; that is correct.

Mayor Baines stated just to clarify, it is the position outlined here. This is what we will be arguing as the City's position on this issue.

Alderman Pariseau stated can the Mayor's Office request an extension on the City's position until next Wednesday or Thursday.

Mr. Getz replied you can do that. I can't speak for the Commission as to whether they would give you extra time. They certainly would not, at this juncture, push out the date for everybody. I think that would be fair to say but I don't know what they would decide for one party.

Alderman Pariseau asked when was this Friday date determined. Three weeks ago? A month ago?

Mr. Getz answered it has been a matter of months. I don't recall.

Alderman Pariseau stated and we just hear about it tonight. That is not fair.

Mayor Baines stated that is not their fault.

Alderman Pariseau replied but we can use that as leverage to the PUC.

Mayor Baines responded this has been a months long process and the education has been consistent and methodical, yet slow and you can understand why.

Alderman Lopez stated I just want to make sure that I fully understand that the brief cannot be filed after Friday. Am I hearing that correctly?

Mr. Getz replied that is the deadline set by the Commission.

Alderman Lopez asked so if we vote on Alderman O'Neil's motion that is supporting the settlement of the State.

Mayor Baines answered no. What happens is if Alderman O'Neil's motion carries and his motion is not to proceed with filing a brief, it would simply say that we are not going to file the brief. We would instruct our attorney not to file this brief and unless we followed that up with another motion, which said that the official position of the City of Manchester is to support the settlement, that message would not be delivered.

Alderman Wihby stated I understand what you are saying, but if you look at it the other way, if the brief is done and it is paid for why not...if we are voting not to send the brief you are never going to be able to file it and they are not going to see the side of the City. We should have a meeting and have the State and City here together to go over the document. Is it too late?

Ms. Schachter stated it is not too late from the perspective that this matter will go to the Legislature and if the Commission approves the settlement with or without conditions based on any of the arguments raised by the City or any other party, the City's position, the City's public position in support of the settlement would be very helpful in the Legislature.

Alderman Shea stated in other words the PUC is going to take into consideration all of the arguments brought forth, all of the interveners and also any kind of statements that are made by the City of Manchester, but they are going to make that decision. Whether we like their decision or not, they are going to make it predicated upon their judgment so if we paid for this, I don't see why we shouldn't just go along with it. I don't think it is going to prolong the agony too long myself. I think the PUC is going to decide quickly.

Alderman O'Neil stated my concern on the other hand is that we could adversely affect and I think that it would reflect poorly on the City for us to submit a brief saying that we are in opposition to the settlement agreement and then a month later send something to the PUC saying well we were wrong on that and we agree with the State's settlement agreement.

Alderman Sysyn asked are we really disagreeing with the settlement itself.

Mayor Baines answered this documentation basically states that we are in opposition to the position of the State in the settlement that has been agreed to by the State and the PUC. If we file the brief, that will be the official position of this Board. The other part of it, which is an interesting part of it, maybe I should insist on a motion that this be forwarded because we have not received any authorization for this to be sent and that might be a point of clarification. No one has authorized this to be sent, is that correct Deputy Solicitor Arnold?

Deputy Solicitor Arnold replied as far as I know. There has obviously been some involvement before the PUC that I haven't been party to in that I have either been at the proceedings or read transcripts or anything, but I am not aware of any specific authorization coming from the City saying yes, file a brief.

Mr. Thomas responded that is correct. The brief would not be submitted unless authorized here tonight.

Alderman Gatsas asked, Frank, if we submit the brief on Friday can we withdraw it on Tuesday.

Mr. Thomas answered I don't believe you can withdraw it, however, you can change your position at any time.

Alderman Gatsas stated so we are only penalizing ourselves if we don't file a brief. We can get the consultants and the State together to look at both scenarios to come up with an intelligent answer and we can then modify that brief.

Mr. Thomas replied one problem is that I don't have any money to bring the consultant up here to talk to you.

Alderman Gatsas responded I think that if we are into it for \$1.5 million, we ought to get an intelligent answer as to what direction we should go in.

Mayor Baines stated let me just read this. It is from our lawyer in Minnesota. His letter says the Board of Mayor and Aldermen should be aware that it is not necessary to make a final decision as to whether the City will support the settlement agreement tomorrow night, meaning tonight. Briefs are due by the close of business on Friday, March 3, however, the BMA can certainly consult with its own experts and legal counsel and if they choose to do so with the City's legislative delegation and then make its decision. If it is decided to support the agreement, the City can simply advise the Commission of its intention prior to issuance of a final order. Would that be your position or does that confuse it even further?

Mr. Getz replied I have never seen that particular procedural device, but I guess if you take a position in a brief you can always say we don't support that any longer.

Alderman Vaillancourt stated to me it is just unconscionable if you are not going to agree with the brief you submit, you shouldn't be submitting it.

Mayor Baines called for a vote on the motion to not file the legal brief to the PUC on Friday.

Alderman O'Neil withdrew his motion.

Alderman Levasseur moved to have the City file the legal brief to the PUC on Friday, March 3. Alderman Gatsas duly seconded the motion. Mayor Baines called for a vote. Alderman Levasseur requested a roll call. Aldermen Levasseur, Sysyn, Clancy, Pinard, Shea, Pariseau, Hirschmann, Wihby, and Gatsas voted yea. Aldermen O'Neil, Lopez, Vaillancourt, and Cashin voted nay. Alderman Thibault was absent. The motion carried.

This being a special meeting of the Board, no further business shall be presented except by unanimous consent, and on motion of Alderman Pinard, duly seconded by Alderman Levasseur, it was voted to adjourn.

A True Record. Attest.

City Clerk