

**SPECIAL COMMITTEE TO REVIEW ENERGY CONTRACTS
& RELATED PROJECTS**

May 10, 1999
Aldermen Wihby, Sysyn,
Pinard, Shea, Thibault

7:45 PM
Walter A. Stiles Conf. Room
City Hall (2nd Floor)

Chairman Wihby called the meeting to order.

The Clerk called the roll. There were five Aldermen present.

Chairman Wihby advised that the purpose of the meeting was to review and discuss energy contracts, the Aggregation Program and any related projects stating we have in front of us in the package the Gas Contract. There were two separate votes that were needed at the last meeting. One was going to be for the gas portion of it and the other one was going to be the electricity portion of it. The third from the pilot programs. We are only going to take up the first two today. What I did ask is that this be transferred to the Highway Department, so Frank Thomas is here to talk about that and how he would like to see it set up in the Highway Department, not just sent over there, but as a special division of the Highway Department to make sure it works fine.

Alderman Thibault asked Randy Sherman this has just come into it now, I have never heard about the gas thing before, I had heard about the electricity but what did we first hear about this gas thing?

Mr. Sherman stated the gas has actually been deregulated for a couple of years. There are a number of the industrial accounts in the city that are already doing this. They have already gone out and procuring it away from EnergyNorth. The way that the gas deregulated though, there is a problem bringing it down to the smaller accounts. They have requested, EnergyNorth has required and the Commission obviously went along with it, that there be telemeters put in place so that they can at any hour determine how much gas somebody is using. That way they can balance and know how much had been supplied through the EnergyNorth contract, how much would be coming from an Enron or Gus. So, because they have that meter charge on there, it is a very expensive meter charge, it is over two hundred dollars a month just for the meter charge. That eliminates the savings for a lot of the smaller accounts. But in going through the hearings and dealing with the people up in Concord, it has become very clear to us that obviously we are dealing with energy costs here, we are dealing with reducing your total load.

There are a number of ways of doing it. We obviously have focused a lot on the electricity because that is the big item. As we went out to EEM's, it can either reduce your cost or you can reduce your consumption. Then on the gas side again it is a cost issue. As part of the city's procurement code, we actually went out on all three items. We are bringing forward the two that we can do at this time. The electricity one is still in limbo and Attorney Grills will address that later on, but there is some significant dollar savings here and we have got some good response from the industrial accounts in the city. We have been able to find some municipal accounts that will qualify as well.

Alderman Thibault asked are we also going to get into heating oil and stuff like this?

Mr. Sherman responded we were asked about heating oil. To be honest with you we thought about it and we said let's back burner that one for awhile. The main reason we wanted to do that, or the thought process we had is that there are a lot of small heating oil suppliers out there and we did not think that was something we wanted to get into because you would put a lot of these people out-of-business. The city goes out and we do procure our fuel oil, we have to by rights. Once you start getting into the heating oils, you are going to start hitting all the small individuals. We kind of put that one off because some of the suppliers were interested in that. It is certainly something we can look at if the Board so chooses to do that, but at this point it was not part of our RFP and we would have to go through and develop that.

Alderman Thibault asked how much money has the city got into this right now and when is the expected turn around of getting our money back? Can you give me an estimate, it does not have to be exact, but do you have some idea?

Mr. Sherman responded I put this schedule together, maybe some people have had a hard time understanding, but if I can get you back to that schedule. It is in the package about ten pages up from the back, it is right before the Amoskeag letter. These numbers were put together right through the end of March which would be our four fifteen bills. At this point the program has lost both of its employees, they have taken other jobs. The only salaries that get charged to this going forward is those, if Tina, while she is over at the Highway Department, does do some work on this and that has been in agreement with Frank, that her hours would be charged to this. What we have spent through the end of March is this 1.6 million dollars.

Alderman Thibault asked that is the City of Manchester?

Mr. Sherman responded that is what all of the dollars out have come through the city. That does cover this four-year period that is from 96 through 99. It was in 1998 that the city actually adopted the Aggregation Program. That is why I have that divider line so this part of it is the Aggregation, part of it was the pre-Aggregation. The pre-Aggregation part, part of that was funded out of the Enterprise Funds. Part of it was funded out of the General Fund and part of it came from the cities of Nashua and Keene. Once we got into the Aggregation part, most of that money has not been recouped at this point, some of it has. The only dollars that have been recouped, back in 97, the city signed an intermunicipal agreement with both Nashua and the City of Keene. The agreement was is that the city would work on the restructuring process and Nashua and Keene would pay a portion of those dollars up to a certain maximum amount. The majority of those dollars are in 97, seventy-one thousand actually was paid in the 98-budget period. If you look down at the bottom of that schedule, again this is the four-year history of it, the top part breaks up the expenses, and the bottom part tells you where these dollars come from. The one hundred and ninety thousand dollars came out of the general fund, again it is mostly 96 and 97. The only part of that one hundred and ninety that has been paid out since the Aggregation Program started, if I can go back up to the second category there of the expenses, the very first line where it says the pilot program, that ninety-six hundred and the thirty-six hundred, which are the continuing cost of the pilot program Aggregation. Those are not eligible to come out of the Aggregation fee and the general fund still picks those up. At this point, we have two hundred and eighty participants in that program still.

Ms. Parsons stated what you are provided with as Alderman Pinard had asked me for the listing of the participants. Because they contain residential names with accounts and addresses and usage, there is a confidentiality issue to keeping that private. It really is no one's business not to say who is not in the program but the rest of it. I asked that I not provide that to him, but I did give him the names of the businesses. I just gave him a listing of those accounts that are in the current New Hampshire Public Utilities Program, that is easy to do so what I did was I had a listing and with all the account information I just took those names off that listing so that you could have them.

Alderman Thibault asked in the savings that you say we have accumulated, how did we accumulate that? Through the savings of getting into that program or...

Mr. Sherman stated if you want to flip the page, we can go over them one by one. What I tried to do here is through MAAP, through all of the years from 1996 forward, the city has really been involved in a number of areas having to do with energy. Some of these areas were here before MAAP, some of them will be here long after MAAP. There are things that either Tina or myself have worked on over this four-year period. What we did was we broke them down by category and

talked about the savings that we have realized. Set this up into two columns, the first column is what the City of Manchester has actually seen. The second is what the non-City of Manchester accounts...it has non-municipal, but Nashua is in that column as well. Those that I had shaded, we feel this is money in the bank you already have these. Maybe you have not collected every dollar of these, Alderman O'Neill pointed out you have not gotten all of those NORESKO dollars yet. That is an annual saving and the first year is not over yet. That contract is signed and that is what they have told us that we are going to be saving on those contracts. The pilot program...and it goes right down through the temporary rate case and the permanent rate case, restructuring, I do not know if you have a specific question on any of these or...

Alderman Thibault responds no I do not, that is what I wanted to know, where did those savings come from, they came from the fact that we are in this program and we have been buying energy at a lower rate.

Mr. Sherman responded that is a pilot program. The pilot program is a low rate and if you go down under the natural gas, I have it shaded, that would be because we are going to be able to procure the natural gas at a cheaper rate. The energy efficiencies, that is because we took out inefficient equipment and we brought in more efficient energy equipment and that is where you are going to get those savings from. Once a reduction of the consumption, the other one is the actual commodity price, is cheaper.

Alderman Shea stated the Virginia Electric and Power, the annual savings for Manchester, this is a program that the aggregation is trying to introduce, that has not been...

Mr. Sherman responded this is one of the contracts that you have in front of you.

Alderman Shea stated the annual savings for Manchester would be five hundred and four thousand dollars and the annual energy audit for Manchester would be one forty three.

Mr. Sherman responded the energy audit would be a one-time cost.

Alderman Shea asked would it be a cost to the program or would it be a cost to Manchester that is shaded as if it were savings.

Mr. Sherman responded it is actually a service that is provided to us by Virginia Electric and that is the value of that service that they are giving us at no cost. If you want to get into the...

Alderman Shea stated I did not know whether you wanted to dictate this one separate, Frank...

Chairman Wihby stated Frank is going to talk about switching it over.

Ms. Parsons stated I would like to see the questions get answered.

Alderman Thibault stated as much as possible.

Ms. Parsons stated if there questions and concerns, I just assume address them.

Mr. Grills, with the firm of O'Neill, Grills & O'Neill stated:

I have represented the City of Manchester and Nashua over the course of the last three years in terms of restructuring electric industry. Mr. Chair and Committee Members, what I thought might be useful, but certainly will take your lead, I was going to tonight give a little background at the risk of being a little bit redundant in terms of what I spoke to at our past Board of Mayor and Aldermen meeting. Go to the gas contract and go through the contract with you and how it is structured and how it is set up and what the process was that we used, what the savings will be associated with the gas contract. Then I thought we would do the same thing with the design and installation contract for the energy efficiency measures. We discussed the process, what process we used and how the contract is set up so that you are comfortable with how the contract and the city is going to approach under the contract, and then talk a little bit about the savings. If you wanted we could go further into the restructuring proceedings.

Alderman Wihby asked do you want to do that or do you want to ask questions first and then do that?

Mr. Grills stated as I explained last year, at the last full Board meeting, New Hampshire is light-years ahead of other areas of the country in terms of retail competition and the restructuring industry and that is because you folks pay out twice what we do in the mid-west for electric power. You pay thirteen cents and we pay five or six. That is not only an imposition on your fixed income residents but it has a tremendous impact on economic development and your small businesses and your ability to track business. That is why the State of New Hampshire took an early lead here back in 96 and acted to restructuring law. There is about fourteen or fifteen states that have enacted restructuring law, most of them are in the New England area. Illinois has done it and California. To show you where you are relative to where I live is, I have been doing this for the last three years and I have been in literally the bowels of the restructuring proceedings before the Public Utilities Commission and hopefully the city has made an impact,

I believe it has, on those proceedings. In Minnesota, the local utility just made their first proposal to have an experimental aggregation program where they are going to let six institutions, school districts or customers pick, consolidate or aggregate ten of their accounts. That is where they are at. In other words, they are probably three to four years behind where you are at in terms of aggregation and what you are doing in preparing yourself to meet competition when it comes. The industry has been rapidly preparing itself. As I mentioned at our other meeting, you just pick up the business pages and you see that the investor owned utilities are having these mea-mergers and you are seeing the gas companies merge with electric companies. EVANTAG which we are recommending the award of the energy efficiency contract to them. Their parent company, Dominion Resources who owns Virginia Power, they are just merging with a very large natural gas company out of Pittsburgh. One of the biggest mergers in the industry. The whole industry has been preparing itself and to Manchester's credit, during this time the City of Manchester and Nashua have also been preparing themselves for competition, when retail competition occurs in the electric industry. That preparation is very important in terms of being an effective player and realizing the benefits of competition because there is a very substantial amount of lead-time that is necessary. The City of Manchester developed a pilot program back in 96 and it was one of the most successful pilot program in terms of savings and in terms of administrative structures in the country. I do not think anybody will every attempt to dispute that, it is. The City of Manchester and its staff and personnel learned a lot from that. Learned that it is going to pay off and that in fact is a return. It will pay off in terms of your knowledge and your ability to effectively compete and get the best price when we do get retail competition. They went on beyond the pilot program and developed the Manchester Aggregation Program MAAP, and which was a unique joint effort between two very large cities to pool their electric loads and try to get the best price for electricity in the market. I do this work all over the country for about twenty-five years and I have never seen this done at such a level. They did some rather unique things, they not only aggregated load and the benefits of aggregating your electricity loads is guys like you and me, we have our little houses and we have a small load. If we take our loads and we pool it together, just like anything else, when you go out in a procurement, whether it is staplers or telephone systems or anything else. The greater the volume, the more interested the suppliers in the market place will be interested in you. Not only in volume but with electricity, you have different kinds of loads so if you pool your loads, you have the more diverse load you get by pooling devised electricity, the more attractive you are to suppliers in the market place. MAAP is unique in the respect that it has this joint cooperation with the second largest city, but also in terms of allowing the residential rate payers and the small commercial accounts to participate because you give them a lot of strength, not only do they get to pool their power with yours and get a better rate, but they are able to take advantage of the expertise of the city

in designing that procurement and executing on that procurement because that is a very significant and important benefit to those people who participate. The other unique thing that MAAP has done, the City of Manchester and Nashua has not sat around, they are preparing themselves, they are developing a strategic approach to a new energy market. One of the interesting things that they did, I have not seen done yet, on an institutional basis, is they tried to key on what is happening in the market place. There are a lot of mergers and we no longer have an electric company and a gas company, but we have an energy company. It is companies like Craig's company Advantage, they are going out there and they are marketing themselves as we want to be your long-term energy partner, we just do not want to sell you electricity, we want to help you buy your gas. We have expertise and we have large portfolios of gas that we manage and we can do a better job in purchasing your gas and reduce your cost. They also want to help you, looking at your other older buildings, they want to go in and show you how you can reduce your consumption through new lighting systems or window systems or new boilers or new motors and pumps and things that are more energy efficient. They can, and they are very large savings, but the point that I want to make is that it is unique that an institution or a municipality like Manchester has gone to the market on a comprehensive basis where they are going for an energy partner. They are looking at all of their energy needs and not just pieces of their energy and they are going with a cohesive focused strategy incorporating electricity, gas and the energy conservation and efficiency. Now in this process has evolved over a period of three years and you are about to enter into the contracts, you have made an investment. The savings will come back to you from the two contracts that I will talk to you about tonight in the form of what is relatively speaking, significant savings in terms of the cost of your natural gas. In addition to that, the Department of Finance has structured this so as to take the structuring cost, the cost that you are concerned about now and recover those over a period of time from those participants in the aggregation program. You are not only getting return in terms of the cost savings associated with the better price you are getting, but you are going to recover your structuring cost due to aggregation fees that will be assessed to the participants. The greater participation, you have more participants to spread that cost over and it is not such an imposition. In terms of the gas contract, it was kind of interesting putting this together, as Randy mentioned; you use gas from two different perspectives, you do them for space heating you use natural gas to heat your house or manufacturers will use it in the manufacturing process and they are very large users of gas. When they are using it on a manufacturing process, it is an even usage, it is not just up and down like a residential space-heating customer. The current tariffs that EnergyNorth has right now provides that if a customer wants to buy their gas from somebody other than EnergyNorth, they can do that but there is going to be a customer charge and it is for metering, you have to install these fancy meters and it is about two hundred and thirty dollars a month. For a small user, it is not economical to do it at this

point. That does not mean that things are not going to change in the future. We did an analysis of the number of municipal accounts that would benefit for whom it would be economic. In addition to that, we went and spoke with a number of industrial customers who were introduced to us by Jay. Surprisingly we thought that the industrial customers probably would be very sophisticated in terms of purchasing their natural gas. They are very interested in the aggregation program, and wanted we have looked at their current cost relative to this contract and we are finding out that there are some very substantial savings for the large industrial customers. What that does to you is all of a sudden you are building a portfolio of not only your municipal accounts, but you have some major users and the market is going to look at you as very attractive and they are going to give you very attractive rates. The larger you building on over the years, you go back out to market in two years if you do this contract, if you have a mature aggregation program where you have not only aggregated the municipal accounts, but you have your industrials involved, you are going to be a very attractive customer and there are some very substantial savings involved. The way the contract is set up, in the gas, Gus Romos is here if I start tripping myself on the technical parts of it, please join in. The way we purchase gas is through EnergyNorth now and EnergyNorth gets the gas from the producers for us and they transport it over interstate lines to their local distribution system which is called City Gate and then they transport it over their local distribution system into Burner Tip where the gas is used. For the larger accounts, what we can do now is we can unbundle those services. The services we are buying, if we actually buy our gas, we are proposing that it be bought from AGF instead of EnergyNorth. AGF will get it from the supplier or the producer and they will transport it over the interstate pipelines and they will bring it to City Gate. The people who are participating in the program will still have to pay local distribution costs to EnergyNorth for transportation of that gas from City Gate to the burner tip. The way the rate is structured under this agreement is that the participant, the city, there will either be a municipal account or it will be a non-municipal account. They have the option of either purchasing on spot market, what that would be is the current, only the supply component, just the gas itself, the commodity itself. If you buy it on spot market, they have NYNEX, if you are going to purchase gas in June, there is trading on NYNEX for June contracts and they have a closing price every day for June contracts. What you do is simply take average daily closing price, average that up for the month and that would be the price for your gas in June, that is if you purchase it and you have the option to do that on spot market. The other option would be to take a future's index. If you saw the prices for June, you went back to if you would have to elect to do this thirty days before you take delivery in June. If you saw the prices in April that look really and really low and they were, they were a ten-year low back this Spring. If you want to lock in until June or I want to lock in from June until December, or I want to lock in from June until the end of the term of the contract. That is another option under the AGF contract that we have. The rate is

structured for the commodity, we can either purchase it on the spot or purchase it on a future basis. Then the next component of the rate is AGF's cost of transporting that over interstate pipelines and their administrative costs, their overheads, their margins. That is where the competition comes in. That is where the bidders sharpen their pencil. AGF has proposed a slide and scale rate that says we will give you this which was by far the best rate that we saw, but we will even get it...if you increase the volumes and you bring these industrial customers in, we are going to give you an even better rate. As the volumes increase, the rate increases, that is an interesting feature to this contract. What we will do is spread that aggregation cost over the units, the MBTU's units and recovers the cost of putting together that gas program. There is some pretty...the analysis that was done, there is some significant savings in the range from thirteen to almost twenty-percent savings. For instance, Manchester's airport would save about thirteen thousand dollars a year, that is about a sixteen and a quarter percent savings under what they are currently have at EnergyNorth. The high school would see about a seven thousand-dollar year savings and that is about twelve and one-half percent under the current rate they are paying with EnergyNorth. Nashua had more accounts, they had larger accounts. If you throw the three industrials that we talked to and we calculated the savings using the EnergyNorth rates right now as to the rates we have under the AGF contract, you would see about two hundred thousand dollars a year savings.

Alderman Thibault stated there are no doubt many accounts now that have even been contacted and open the door completely. My son-in-law is an engineer for a major gas company out of Worcester and they have just been bought out by a large company in Chicago that is also in the water power, so I know that that is coming down the pike, I can see that. My son-in-law spends as much time in Chicago as he does in Massachusetts.

Mr. Grills continued stating it is a very dynamic industry right now and that is why I think it is so important to step back and look at what happened and prepare yourself. I go home to my home state and I do more of this work out of state than I do in state. When I go home and I represent the largest county in Minnesota, it is about a quarter of the population, Hanford County. I am telling these guys that this is coming, they do not want it to come because they think their five cent per kilowatt hours is going to go...because they are going to be exporting the power out to New England somewhere. I tell them you do not get it, you can sit back and whine about it all you want but it is going to happen and you better prepare yourself.

Chairman Wihby asked why does EnergyNorth, who is bigger than AGF I assume, why do they allow AGF to underbid them and take over an account?

Mr. Grills responded they have to now...I should say under the new rules, they deregulated the natural gas industry a number of years ago. That actually was prior to the move to competition in the electric industry. EnergyNorth of course was asked to bid, but EnergyNorth is...I am speaking out of school here, the margins on the commodity are not all that great and EnergyNorth's interest in their core business is transporting that gas. Gus, you might want to add onto that.

Chairman Wihby stated we talked about economies of scale and if you are bigger, you get cheaper, why doesn't...obviously we are losing quite a bit by this.

Mr. Romos stated the restructuring system that the commission engineered a couple of years ago, to make it attractive to EnergyNorth, to induce them to do this cheerfully they set up a program where they allowed EnergyNorth to make a healthy margin on the activity of redelivering third-party gas. They shifted the financial weight away from the actual sales of gas, which they can only mark up to a certain extent, to redistributing third-party gas to the suppliers and then give a much greater margin on that to induce them to help this parade of change come along. That is one step that motivated them to do this in a way that this accelerated a change to some extent. Secondly, if EnergyNorth were to offer and reduce rates to try and compete with the AGF's of the world, because of the way their tariff is designed, it would be required to offer that same rate to every customer who met the same conditions. They were rather not do that, they would rather lose a bit of blue which of course they pick up on the redelivery side, than to go across the board and cut their rates for every office building or every facility the size of the jail or the police department, which is what they would be forced to do. If they change rate for one party, they would have to do it for another party.

Chairman Wihby stated that they really do not care.

Mr. Romos stated if they were here tonight, they would say that they welcome this, they view as sort of a step into the future of what their business consists of. We are looking at trying to hook up new accounts, not to try and freeze us out of the ones that we are delivering to because they get a healthy revenue margin for delivering AGF gas.

Alderman Shea if I can put this in perspective, your company is from where?

Mr. Romos stated Manchester, New Hampshire.

Alderman Shea responded okay so you are located in the city.

Mr. Romos stated yes I am.

Alderman Shea continued what you are doing, this company is buying slot gasoline, in other words, they are going down like the oil companies do and they buy on the market, so much gas at a price that is reducible, is that correct, so as to make it profitable for your company to operate but you then have to find ways of transporting this gas through distribution...

Mr. Romos responded we rent the space on the pipes that are coming up here.

Alderman Shea asked the pipes are owned by EnergyNorth, so they are part of that process and then you supply it and then the people who buy it pay both you and EnergyNorth?

Mr. Grills stated that is exactly right.

Chairman Wihby asked that is the savings you have now are after you have paid both, that is the savings after they have paid both.

Mr. Romos stated that is correct.

Alderman Thibault stated it is almost like going from wholesale to retail in a larger sense.

Alderman Shea asked Randy how did the city benefit from this?

Mr. Sherman responded Manchester right now had three municipal accounts. Nashua six, I believe. We benefit one by getting our reduced low. We have not had enough time to look at City Hall, the new McDonough School. There will be other accounts. MacIntyre is converting over to gas, there are other opportunities out there. The city gets its greatest benefit from helping the industrial accounts and its economic development and it is keeping these businesses here. They are not going to go down to North Carolina or Minnesota because the power is cheaper, they will stay here. I am sure you all remember the big deal we had with JacPac, help us reduce our cost or we need to leave, we just cannot do business here at those costs. That is where your real benefit is.

Alderman Thibault stated that is a big economic...

Chairman Wihby stated go out there and sell Manchester as being the gas capital of the world.

Mr. Sherman stated when he goes up town and tries to market Hackett Hill it is a lot easier to market Hackett Hill.

Alderman Shea asked let us assume that there is an international crisis and the price of gasoline shoots up like the price of oil did in 72, 73; what happens then?

Mr. Grills stated but your city has leverage to go with this spot purchase program or buying on the spot, so the price will travel northward, but I must point out to you that in last several instances where there has been international crisis which you described, crude oil has shot through the roof and so does heating oil, but natural gas is really being at a reasonable stability, we have not tracked and not reacted.

Alderman Shea asked are there any options available if the city permits to the spot buying, is there any way of...

Mr. Grills responded if the city chooses, figure a two-year term, when drawing the transaction, you can either elect to go month to month or they can lock in the balance of the term.

Alderman Shea stated I locked into oil at seventy nine, nine and it sold for fifty nine, nine, what happens if the price of gas goes down, does the city benefit or do you benefit as buying it on a spot basis?

Mr. Grills responded the city benefits with every drop in price they gain because they waited to make that purchase decision until they needed the gas is kind of a jest in time looking for a principle.

Alderman Shea asked they continue to pay that spot price even though it may drop?

Mr. Grills responded the point is if they did not lock in on the rate we talked about a moment ago, if you chose to go on spot, then they would benefit each month as they postpone that decision until just before the first day of the delivery month, they would get that spot price whatever it turns out to be.

Chairman Wihby stated as prices go up, you better be on the long-term.

Mr. Sherman stated we also have a protection on the prices going up. We have a guaranteed five percent savings built into this contract that you are going to get.

Mr. Grills stated what they look at, if you are on spot every year they will look at what you would have paid under EnergyNorth's rate and they will guarantee that you will pay no more than five percent below that. That was not easy for AGF, this is some horse-trading and it is a new provision in the gas contracts that I have seen.

Alderman Thibault stated that the one thing we should make clear, that we are not talking gasoline it is natural gas.

Mr. Grills stated that as time goes by you are going to see new municipal accounts. We just did not have time to really look at it and so your savings are going to increase and then if the industrials do become interested you are going to see very substantial savings. That is the gas contract...before I move from that gas, in connection with talking with the industrials, they said you have this select aggregation program, we would be more interested in that. These three industrials alone were paying more than two million dollars a year for electric costs. If we were able to get them involved in your electric program, that is going to add a whole different...if they start throwing those electric loads because they are not only big volumes but they use it all the time, all year around.

Alderman Thibault stated I do not see why they would not if you are going to give them the savings they are going to jump on it.

Mr. Grills responded they were very interested in that plus the experience they will have had with the gas in the interim is a prelude to that, will help build confidence so they will understand the system, they will be willing to come on board much easier. Once they come on that is going to have success feeds itself.

Chairman Wihby asked if there were any further questions on the gas portion.

Alderman Pinard asked you are marketing, how are you going to go about marketing to these big industries? Do you have a plan in place here?

Mr. Grills responded no we put thirty days, we put a short fuse on just to force the issue like you are suggesting. The company and the City have to sit down within thirty days and develop a joint marketing plan where we divide up the responsibilities and hopefully the City's credibility and the presence of the City will be a marketing benefit to our Marketer AGF. We will benefit from AGF's extensive experience and background in marketing natural gas. It is public-private partnership here and in since energies will both benefit from that relationship. I think it is thirty days they have from signing the agreement that they have to

formally...we have tried to make it action forcing in terms, you have to actually attach it as an appendix to the contract.

Alderman Thibault asked at that point what are talking about for our...how many people will we need to do this, will we have to hire new people, is that what you are saying?

Mr. Grills responded no I do not think so, we will talk that through with the marketer, they have...I do not know, how many market people do you have?

Alderman Thibault stated it would not be people that we hire, it would be people that you would be marketing, okay.

Mr. Sherman stated that depending on the extent and the interest, keep in mind MAAP has no employees right now. It is being held together by a shoestring. You would probably have to add a person on. Level and grade and all of that all depends on the private...and the demand. What we can get from AGF, what type of assistance we might be able to get from the Chamber of Commerce. All of those things are going to have to be considered. If all you end up with are the municipal accounts and the industrials do not end up coming on then you do not need to get help. Keep in mind, it is Manchester and Nashua, so you have a large potential. We had talked about...we think if something like this goes the other communities are out there watching. If I am up at the airport and I say how come I cannot join, we say well you are in Londonderry. Now Londonderry has to join in order to get their industrial customers in. You never know what volume you are going to get.

Alderman Thibault stated you have a new office, there is no reason why you cannot use it.

Mr. Grills stated there may be also, Peter C has a proceeding right now just looking at the cost based nature of the natural gas rates. At least our folks suspect that this two hundred thirty dollars a month for metering it is way inflated. Once that comes down it will be much more economic and you will see more accounts come into the program.

Alderman Thibault moved to approve the gas contract. Alderman Pinard duly seconded the motion. Chairman Wihby called for a vote on the motion. There being none opposed, the motion.

Chairman Wihby stated next is the electricity.

Mr. Grills stated the next one is the design and installation agreement for energy efficiency measures. You have your commodity cost, you have to pay for electricity and natural gas and if you can get it cheaper, you reduce your cost. If you can reduce your demands and your consumption of those commodities, you can also achieve substantial savings. Probably more so because the margins are already pretty slim on the electric and the natural gas commodities. What the companies are doing today, the energy services companies, they know this, it is their core expertise, they come to the city and they want to look at your buildings and show you how to reduce your energy consumption with the new technologies that are evolving. We picked ten buildings between Nashua and Manchester, and said we would like you to look at those buildings and come in and you be the expert and you use your creativity and you tell us what energy efficiency measures we can take and what the estimated savings and energy is going to be and the associated reduction in cost or energy savings. There were three bidders, it was EVANTAG, which is Parent Corporation of Virginia Power and Select Energy, which is owned by Northeast Utilities, which is the Parent Corporation of PSNH and then Energy Vision. Energy Vision's proposal was eventually found to be non-responsive because they did not guarantee capital cost, and they did not detail what they were supposed to with respect to the proposed energy efficiency measures. The proposals were evaluated by an engineering firm, which made a recommendation that we enter into negotiations with Select Energy and EVANTAG, which we did. This is another kind of approach that we took, rather than try to base an award on a proposal, if you do that once you sit down at the table with the other parties, you find out that they view that proposal much differently than you view that proposal in terms of the ultimate allocation of business risk. We develop the contracts ahead of time and we sent them to Select Energy and EVANTAG, we had them mark those contracts up and say what can you accept and if you cannot accept something, what do you propose as an alternative. They set the agenda for the negotiations. We knew in advance what each other's respective positions were going to be. We spent a little longer than a morning and hammered this out with each of the two suppliers with this technology. Once you do have a contract where their chief executive officer signs on the bottom line that you have very clear allocation of business risk. We had an engineering firm evaluate the two contracts and they were of the belief that the EVANTAG proposal was better in terms of the depth and the breath of the analysis and the technologies that were being proposed. Select, which was pretty much a lighting program, where EVANTAG went into some other more sophisticated technologies in terms of energy savings. They proposed for only six buildings, they selected the same six buildings out of the ten. The way it is going to work, how the contract reads, as soon as we sign that contract and have a consultation. EVANTAG they are first going to do an investment grade audit, a

construction audit to get all the details necessary to start construction. After this contract, they will give us a schedule for the buildings for this audit. They will tell us when we need to get in there and coordinate with the city and they will give us that schedule and tell us what kind of requirements, how many people they are going to have in a building. What we are trying to do is avoid disrupting use of the building. Once that schedule is in place, we give a notice to proceed with the audit. They come back and they do a detail construction audit where they do all the pricing and get equipment suppliers in, and they actually bid. They put a whole package together in terms of an audit report and then they will make a report back to the city. They will make recommendations consistent with their proposal. If the audit demonstrates that the project can be done for the guaranteed maximum price that they had in their proposal, and if they can demonstrate the actual savings that they said would occur in the proposal, then if the city does not go forward with the project then we end up paying for the audit. The cost of the audits are specified in the contract. If the city does go forward, then there is no additional cost for the audit. Once the audit report comes out, it will have preliminary plans and specifications, it will have a construction draw down schedule, and it will lay out the performance criteria for each piece of equipment. Then if the city is satisfied, they give a notice to proceed with preparation of final plans and specs, which is about ninety days. They finalize those plans and specs, they are reviewed by your engineers. If they are approved, you issue a notice to proceed for construction and installation. They go into the building and install these facilities, if the item is less than one half of a million dollars, what happens is they have to install them and then they acceptance test them. They have to demonstrate that they meet the performance criteria and then the city will accept them and make payment at that time. If there is only two items that exceed five hundred thousand dollars, for those items there will be a construction schedule and a construction drawn out where they can get periodic payments with a retainage because the capital items are so large. This is to be completed in two years, all of them have to be completed. Under the contract they also will look at other municipal facilities and do a preliminary audit like they did with their proposal. They will use the same framework for other municipal buildings, if they find that they can achieve savings, they will make a proposal. If we want them to, we will go through a construction grade audit and use that same framework to achieve greater savings.

Alderman Thibault asked in the guaranteed price range improvement, the estimated...the Manchester total will be three million three hundred and twenty eight thousand dollars and it would take us six point six years to recover that money. That is a total saving of approximately five hundred and four thousand dollars a year.

Mr. Sherman responded that installed cost is a maximum guaranteed cost. If they come back in and do the audit and it is less than that, that goes to the city, that is to the city's benefit. The savings are more than that to the city's benefit. If they cannot meet these numbers when they come back with their final audit, we can walk away from it and we have no obligation to even pay for the audit. The only time we would pay for the audit is if they meet or beat these numbers and we decide not to do it. We have met with every one of these departments on all of these projects, we did not even want to get to this point if there was something that they did not want to do. The only one that is still questionable are at the water treatment plant, they think they are all good projects but they may want to do them themselves. They are still looking at those.

Mr. Grills responded the Wastewater Treatment Plant has committed capacity not to withstand the average daily flow of part of the load. There is a lot of abstention of the treatment plant's schedule down the road.

Alderman Thibault stated I would think that as these things proceed, some of these changes could be done at that time.

Mr. Thomas responded we had already been looking at some energy saving measures. I think the decision would become a part of this program.

Mr. Grills stated the other features to the contract are, we are trying to bring benefit not only to the city itself in terms of municipal building, but we are trying to bring some benefit to the businesses here as well. What we asked them to do is, they have proposed and for those industries and businesses that are greater than five hundred thousand square feet, they will do these audits at a cost of six cents per square foot. Our engineers tell us that is an extremely good price for an audit. For those that are less, the groceries and the smaller areas, what they have to do is in groups of five, they will do these audits and it will cost the businesses three hundred dollars an audit. They can also take advantage of the city's preferred provider for significantly discounted rates. If they are interested in better managing their energy needs. Then we would similarly have another market program, they have to sit down with us and put together a marketing program so we can take this out into the community. EVANTAGE suprisingly, it is Virginia Power but it has quite a presence here in this local community and has had for some time. You might speak to that, Craig.

Mr. Meadows who works for EVANTAG, which is a division of Virginia Power, stated that he is from Amherst, Massachusetts. I spend a considerable amount of my time here in Manchester. I spend time at Velcro, Jac Pac and Nyltech also. We have a full time person on staff over at Velcro who reports to me and we work with Velcro to assist them in finding energy projects and also to help them with

their environmental resource. We are working similarly with Jac Pac and have been for some time. We do not have full time person there but we have a number of people who have gone through the facility and are making recommendations that are working towards helping them with improvements to reduce their energy costs.

Mr. Grills stated and I will say that when we met with Jac Pac they had lots of nice things to say about their relationship with EVANTAG. Mr. Chair and Committee Members that is the design and installation contract for the Energy Efficiency Measures.

Alderman Shea asked just by way of structuring the expense, it is three point three million how is that...

Mr. Sherman responded of these expenses, except for the first two, which are Police, headquarters and the Library are your enterprise funds. The chillers and the lighting over at West Side also come from Parks. You have Wastewater Treatment Plant and then water. What we have talked to these people about is most of them are going to wait until the audits are done. They are going to go through the audits, make sure they want the projects. It probably will fall right in line with the water department's budgeting process, which is still on a calendar year basis. If Parks wants to go forward or EPD, and they wanted to go out and bond these projects, they would have to come back to the Board and go through the CIP process.

Alderman Shea asked it would be money used through the enterprise funds?

Mr. Sherman answered yes, the money would be used for the enterprise funds and in these cases, the paybacks would be going to the enterprise funds. Once this is set and we get these projects going, we then now turn over ten more buildings to them. Some will be from Nashua, some will be from Manchester and they are going to go through ten more buildings and keep the process rotating around to go through. We had two schools in the initial ten, maybe it was only Central. They went through Central and they said you guys are all up to date, there is nothing in here for us to do, which is good news. With the Noresco deal and with all the age draft work that has been going, it has been going through with the Skippy Committee, I think your schools are in good shape. We will go through and hit the fire stations and City Hall and whatever buildings are out there.

Alderman Shea asked there is over one half a million annual savings on additional projects. We will pay them three point three, how is that to be paid to them. I realize that some are waiting for audit, is that paid on a yearly basis or is that money going to be...

Mr. Sherman responded the three point three paid on the projects that are less than five hundred thousand is paid at the end of the project when we have accepted all of the work. There is no cash up front until they are done. On those projects that are over five hundred thousand dollars, just because of the magnitude there will be construction drawdowns on those projects. When they are done twenty percent, we withhold ten percent of that. That will be paid out as the construction is in process.

Alderman Shea asked the entire amount is due in six point six years is that correct?

Mr. Sherman responded what the six point six years is that what is called simple payback. You take that three point three million and divide it by the five hundred and four thousand that we will be saving, that gives you your six point six. Back on that Schedule C that Alderman Thibault was on, some projects have a much shorter pay back than other projects. The lighting project at the Police is one and a half year, but the lighting project at West Side Arena is three point six years. The ones that tend to bring up the costs are those projects that are going to have a longer life. The chiller at West Side has eleven point eight year payback, but chillers last twenty-five or thirty years. You get down to the Cogen plant for the Water Treatment Plant, that is a pretty good payback five point six. With the sewerage pumps up at the Wastewater Treatment Plant are ten point seven. That may be where maybe Tom Segal and Frank can sit down and say that is really much too long of a payback, we think technology is going to change and we are going to do some additions. We retain the ability to not do these projects. The only that could possibly be out on these, if you have them do the audit and then decide not to do it. That is why one of them lists what the cost of the audits are in each one of these projects. When we sat down with the departments, they would know what their exposure was on these jobs.

Alderman Pinard moved to accept the energy contracts. Alderman Sysyn duly seconded the motion. Chairman Wihby called for a vote. The motion carried with Alderman Shea being duly recorded in opposition.

Chairman Wihby commented the last meeting when Randy had spoken, Pete had spoken about Manchester being a player. I spoke to the Attorney General's office and they said almost the same words when I was talking to them when they were looking for additional funding of a million and a half. They were sorry to hear that Manchester was almost ready to throw the aggregation program out the window because they think that we will get something good we are going to get somewhere with it and that it was a good thing that Manchester was involved. I asked them to write a letter, they used the same words that we were a major player. I did work far ahead in accomplishing where we want to be when other

people have talked about electricity costs and complained about them, Manchester is doing something about it and I think it has a lot to do with the Finance Committee and the Finance Department. I personally do not think it should be moved but Aldermen on the Board felt that it was better moved somewhere else and so I asked Frank to come along and see where it should be in order to move the project along we can transfer it there and everybody will be happy.

Mr. Thomas stated when the proposal came down to for me to look into the feasibility of my taking over, I had to ask myself why do I want it? Of course I have heard the debates that have been going on at the Board level and I asked the question first of all has the Board been taking actions over the years. In reviewing the subject with Tina I can see a fairly detailed paper trail of actions that have been taken. The Board of Mayor and Aldermen has committed to play an active role in deregulation and part of that is to develop this aggregation program ultimately selling power. I see it as a benefit to the City as Alderman Wihby mentioned, I cannot see the Board of Mayor and Aldermen walking away from it now because of the investment it has made to date. We are on the verge of starting to reap the benefits of the investments that have been made to date. I asked why the Highway Department? To me, it made a lot of sense being in the Finance Department. It makes a lot of sense to be a separate department. However, looking down the road, I cannot see the City setting up a new department. I see more pressure being placed on me to have it folded into Public Works. If it is going to be folded into Public Works, how should it be done? Looking at the fact that deregulation most likely will be a reality in the next year and these projects moving forward that you have acted favorably on tonight, as a minimum starting almost immediately I see that is a full-time position. If you look over the past, you have seen that there has been two, two and one half people almost working full-time when it was at the Finance Department depending on how much time Randy throws in there. Now it is down to two part-time people but that is because things have been tied up in Federal Court. I see that all changing over the next few months. So, if it were going to come into the Highway Department, I would strongly propose that it would be a separate division/section of the Highway Department/Public Works. That division be headed up by a division head. Tina came down to the Highway Department as the Public Works Administrator, if she is going to shift into this role of heading up MAAP division, I would be looking at replacing her position on the Public Works side. If things take off as I envision, the staffing that she has identified in the budget that has been prepared calls for six people, that is a minimum staffing. That can be looked at as the program develops. Another reason why I think it make sense to be an altogether separate division and not intermingled with Public Works administrative division is that once this gets up and running, this is going to be a customer based operation. There may be a need to have an aggregation office in the downtown area close to City Hall where there can be a lot of walk-in traffic off the street. Having a separate division with a

division head such as Tina makes a lot of sense to me. If it is the desire of the Board to fold it under Public Works then I would strongly recommend that it be set up as a division or a section with a division head and the budget is an enterprise fund budget makes sense that it can be controlled better and administered by that division head.

Chairman Wihby asked the budget we saw, is the budget in Finance, where is it? Does it have a separate number that we saw...that separate number you would agree with is the right number that would be sent over to some sub-division of Public Works?

Mr. Thomas responded that is correct.

Mr. Sherman stated the budget includes six people including the division head.

Chairman Wihby asked can you tell us why we should do this Frank? Do you believe it is something we should do. I know you just stated that but...there a few Board Members against it altogether because they have not seen any benefits right now. They think we are getting deeper into this and something is not going to happen. What are the chances of something not happening?

Mr. Grills responded there is always that chance that something is not happening. From the last hearing that we had we came dramatically close together because the Governor sponsored a witness that got on the stand and took the same exact approach that the City took. The development of the stranded costs met the rate agreement straight on. All that they were recommending is exactly what the City's witness was to extend periods and tweak with levels of returns. The Governor's office came very close in following the City's position. The company said that we were no longer going to oppose required divestiture and they are very much along in terms of packaging their portfolio. They are going to sell all their generation assets. That sent a whole host of issues out the window when they agreed with that. Then the commission issued an order following those re-hearings which did a couple of things, it said that number one: we are going to do what the City of Manchester suggested in the beginning and that is the basis on cost, we will go to cost-based rates. We have urged the commission to look at before what they did. They have now come around to our position on that and we learn to deal with the accounting issued. The commission rescinded the stranded cost order that is subject to that Federal Court case. And then sent up the questions to the Supreme Court and then the Supreme Court came down with answer and they attempted to reinstate the re-hearing proceedings so the Federal Court would have some sort of contact, right now they do not even have a stranded cost recovery approach about the budget commission that has been rescinded. The Federal Court agreed and just issued its written order yesterday, agreed to allow

these re-hearings to go forward. This is more instinctive than it is based on facts but given the fact that Northeast Utilities is bubbling up its portfolio and it is going to sell its assets and getting out of the generation business at least from a standpoint of owning its assets and given the fact that we were so close last time that if we did have the opportunity to go back to the re-hearings, which we will over the course of the next month or two, that the law jamb will break. The parties will come to some sort of resolution, I am hopeful that they will. I do not think Northeast Utilities wants to be involved in this litigation anymore than we do. It is very costly to them and their interest is to position themselves to be a prime competitor in this market and that litigation does not help them. I am confident that this thing will come around, when they do come around you have your programs set up on the electric side. Whether you re-issue an RFP to get people all jacked up about it or how you will do it, you have already made your investment. The electric side will go very quickly.

Chairman Wihby asked when all of this is done, how much do you think the consumer is going to save, the percentage, do we know that?

Mr. Grills responded they have always targeted the twenty-percent that is where the Governor has said we want twenty-percent savings.

Chairman Wihby asked the numbers we presented and everything else, you think that is legitimate that could be a...

Mr. Sherman responded the numbers said the testimony that the city has supported is actually closer to twenty-five to thirty percent. The companies coming in with his twelve to fifteen percent. There certainly is a middle ground there to...

Chairman Wihby asked this is an actual saving? Take your bill and take twenty percent off?

Mr. Sherman responded yes.

Mr. Grills stated just in terms of the interim strain of cost that is for two years. Public Service one point two billion dollars to recover from the rate payers here over two years. That is since our testimony has been filed and these proceedings evolved, that has come down substantially, especially in terms of what has caused it is the proposal to secure ties, the financing; and that does result in substantial savings. The city's testimony still, we have no internal commission and enters its final orders. But the cities probably three hundred million dollars away from Public Service of New Hampshire. If the commission should adopt the city's approach the savings in terms of strain of cost alone will be hundreds of millions of dollars. That is why it is always difficult in my business, I do a lot of rate cases,

I represent almost exclusively public parties. To get them to understand, they say you are going to spend a half-a-million dollars on a rate case. If you get that commission to adjust that return on equity but twenty-five basis points, you have just saved tens of millions of dollars on one issue alone. It is hard to understand, how the investment is so significant in terms of lawyers and expert witnesses in trying a case like that. The outcome in terms the dollar savings that you will realize out into the future, it is just staggering. It is a very hard thing to explain and have people understand.

Alderman Thibault asked these six people for this department, when is that going to be needed?

Mr. Thomas responded no those people would not need to come on until the program actually gets up and running. Initially it would be the division head, maybe clerical, maybe some type of administrative, financial analyst along the line. Depending on when and how fast the program moves. The regulations are there in eight months then you would want to staff up because you are talking about lining up the customers and getting notices out to everybody so there is a staffing up time.

Alderman Thibault stated I was not here at the beginning of all of this a couple of years ago, it would only be right to commend that the Finance Department for bringing it to this point. I know that there has been a lot of big hills and a little of small hills just since I have been on the Board. These things happen all the time, I am sure you realize that in the positions you have also. I think you guys deserve some credit for bringing it to this point.

Alderman Shea asked Peter the Judge down in Rhode Island has proven to be rather difficult from our point of view to deal with, what is his role in this?

Mr. Grills responded his role in this is a very good question because you have said very diplomatically, I have to as a lawyer you do not have to. He has been pretty tough on the State so what happens now is a question of the extent to which the stranded cost for...to the extent to which they allow stranded costs will constitute an impairment on the contract i.e. a rate increase. We will have to see how that comes out. If the commission comes out with a position and the City of Manchester is advocated from day one to at least meet the obligations under the rate agreement and extend amortization periods or level of returns on some of those deferred assets. If they come out with something like that, the Federal Court may go away. You may take all of those issues away from them and I think there will be a resolution. However, if they come out with something that is not satisfactory and they want to pursue this, then what that role will be is you will have a final order and then it will go back to the Judge and they will try a case, so

I have a trial. What they are seeking is declaratory judgement that New Hampshire Statute is unconstitutional and that New Hampshire Statute as implemented by the Public Utilities Commission is unconstitutional. They will want a declaration of the court to them, and then they will want the court to join New Hampshire from implementing the law. That could conceivably continue, if we do not achieve a satisfactory resolution at the times of re-hearing that case could go back to Federal Court to be tried.

Alderman Shea stated if there is an agreement made between Public Service and the State of New Hampshire concerning the amount of extended costs and restructuring etc. does that still have to receive the approval of the Judge or is that taken out of his hands? Does he have the final say or is there some type of way that he does not have to become involved?

Mr. Grills responded if we achieve a negotiated resolution, if we go back to re-hearing and we say that the parties are not too far apart and we could actually get an agreement with Public Service of New Hampshire, part of that agreement will be their agreement to dismiss that lawsuit. They would have to dismiss that lawsuit and then the Judge would rule we would not be involved. They have some leverage right now because they all are in a favorable ruling. Going back to re-hearing is so critically important because if the commission does it right, they can take away all these issues. Just join what the City told them to do at the outbreak.

Alderman Shea asked contrary to your dissertation has been about, my understanding of the issue is that at least at the present time, Northeast Utilities is not making money except for Public Service, the company here. It is to their benefit, the parent company, to retain the Public Service situation because they are making money at the expense of the amount of cost that they had incurred in the purchasing of it. In a sense, logically why is it not to their advantage to drag this out?

Mr. Grills responded I have heard that same argument, and you may be right. It certainly came out hearing that PSNH was one of the more profitable subsidiaries that they had and they did not have the whole mills building headaches and all of the other problems that they might have. I step back and try to put myself in the shoes of Northeast Utilities, retail competition has moved so fast and they want to be a player that I do not see their long-term interest to delay this but the concern you have raised is well taken, I have heard this expressed many times before.

Mr. Sherman asked doesn't everything going to be reconcilable back to certain dates. That to me is what makes the rate case so important. The rate case is going to be reconciled all the way back to July of 97. At some point when you have a competition day, it is going to be reconciled back to the end of the rate case. To

keep dragging it out, the rate case may not be in their best interest either. They want to compete which they certainly made it clear that they do not want any RFP that the City has put out. They want to be a player.

Alderman Shea asked if their company is sold like Central Maine Power was sold, does the company that purchases their company...do they incur that particular rate problem or is that sort of negated because of the sale?

Mr. Sherman responded CMP, I think they just sold their generating assets. I do not think the company itself sold.

Mr. Grills responded all the new company does is totally unregulated company, it has just purchased a bunch of power plants, they sold out. They tried to wiggle out of that one but they got stuck with it so they purchased all of these power plants and they are totally unregulated and they can go out to sell that power on the market.

Chairman Wihby stated what I am looking for today is some sort of direction for the next meeting. Some sort of a motion to tell you some of the projects that we are looking to do; continue the aggregation program, move to Highway under a separate division, okay the existing budget with the hiring of a division head, a clerical and a financial analyst, and phase in the other program developers and all of the other help once the program is up and running. Frank would report to the Board as far as what is going on. He is going to be responsible to the whole Board.

Alderman Shea asked are those three positions going to come at once or...

Everyone responded no. It will be phased in as needed.

Mr. Thomas stated he assumes Tina would post the position and head up the aggregation division.

Alderman Shea asked as time goes on then the other people...

Mr. Thomas responded right as things move forward, if there is a need for a clerical person that may be the first that comes on. I look at it as a building process and that is why...

Alderman Shea asked you are not looking for someone other than Tina tonight?

Mr. Thomas responded no. But keep in mind that I would want the flexibility where it is built in the budget to be able to justify to the Board or the HR Committee that there is a need for this clerical when events take place.

On a motion by Alderman Pinard seconded by Alderman Sysyn...

Deputy Clerk Johnson asked for clarification as to how many positions Mr. Thomas was asking for approval.

Tina stated anybody asking my opinion, I would say a clerical person is very necessary.

Chairman Wihby stated it seems like you are going to need at least two.

Mr. Sherman stated as soon as she would start bringing out some of those industrial customers, you are going to have a choice, you can either do their calculations in-house or you can turn around and pay a consultant to keep doing those calculations and working with those industrial customers. As soon as you start getting some industrials in, you do not need a financial person for the municipal accounts, but as soon as you start getting some industrials in, they need some help. They are coming to the City for expertise and you are better off having it in-house in contingent to pay outside.

Chairman Wihby stated we are looking at the two positions and the opinions of their positions, Frank will have to come back.

Alderman Shea asked can we refer this to one of the other committees for approval?

Chairman Wihby responded this is going to the full Board.

Deputy Clerk Johnson stated the recommendation would be two positions now and then report to the BMA to add on additional positions as necessary is really not approved recommending that...

Chairman Wihby responded I had all three but...

Mr. Thomas stated I do not think we need them on day number one.

Deputy Clerk Johnson stated because you are dealing with the aggregation program as a whole and moving it from one department to another, the report will go to the Board. If he is putting on additional staff, it could be to approve the three positions and recommend that the HR Committee look at it at that time as he adds them on.

Mr. Clougherty stated so the Board is aware of what is happening, we are at a very delicate stage in the court case, we have put a lot of money in. The way this thing works, you may recall when this whole thing started it was the City Solicitor, Tom Clark, Jay Taylor and myself that acted as a Committee to try to get this approved. Then they needed a place for this to be housed and it came to Finance. Then we had to be very involved giving him direction on a day to day basis of how to proceed with the court case and Tom has spent innumerable hours on conference calls with us and our staff. As we get near the end he is going to have that same level of direction. Now that it has been moved over to Frank, there is a steep learning curve on some of these things in terms of providing direction. I would ask that you recognize what the role has been. Certainly, once the regulation is done and you get into the actual mechanics of running the program, going out, that is stuff that Highway will be all over. In the meantime, over the next several months, making sure that we do not get off track in terms of the strategy, there will be questions that need answers that we will have to discuss. I would hope that it is the opinion of this group that we would continue to be involved to provide that direction and that the Solicitor's role in that sense, and Jay's role would not change so that we can keep on track here and get back. We should probably report more frequently to the Board what passed through this Committee, keep you up-to-date on what is happening.

Chairman Wihby stated I am sure that Frank is going to turn to you guys when there is something that is going to be done right away. Does he need the financial person right away or can he still use your office for additional time?

Mr. Clougherty stated no I think he needs the position to do the mechanical stuff in terms of discussions about the case, that is where we really can provide some expertise. I do not want Frank to get into the position where there is a misconception that it has gone over to him and now if he is speaking to us about the issue...

Chairman Wihby stated I do not want a misconception on what we are doing tonight, so I do not want to say it is two and then have him say it is three. Let's okay the three, because we all trust Frank enough that if he needs somebody, he can use the person, if he does not need the person, he is not going to hire the person. We are okaying the aggregation program, we are moving forward taking this big step but give them the tools to do it with.

Mr. Thomas stated first of all, by adopting the budget, you are actually adopting six potential positions. We are saying we need two maybe three to get up and running come July 1st when the budget goes into effect. Obviously, we would work with the HR Committee when and if we added on staff. Even if it is at Public Works, the Highway we would still need to call on the expertise of the Finance Department, people like Jay Taylor. However, if it is put under the Highway Department, then I would be the one that's responsible and I will be the one that takes the hits. We will use them for their expertise but we will be reporting to you. Part of what we proposing to do once it is turned over to us, maybe something like a monthly report to either a committee or to the Board to keep the Board informed of the actions that are going on on a regular basis.

Alderman Shea responded nobody objects to the aggregate fund, but it is the process, if people are not made aware of what is going on then there is concern about what the process is all about. That is really what the main issue is, if this Committee or if there is another committee formed, it would be reported to and kept updated that something that comes about would not be asked.

Chairman Wihby stated there is a motion on the floor to...I will not accept that so we will send it to the full Board also. There will be of the recommendation to continue. We have a motion for three positions now, okay the full budget but three positions.

Alderman Shea asked are these three positions defined in terms of the salaries of these positions?

Deputy Clerk Johnson responded my understanding is a division head, a clerical position and a financial analyst position, those are the three proposed positions that in essence Mr. Thomas would have the authority to fill as needed. The additional three positions that are in the budget would remain in the budget during the budget process but he would get permission either through HR or this Committee.

Alderman Shea stated but I am wondering about what the cost would be?

Deputy Clerk Johnson clarified if I am understanding what is coming after this, you may want to tie it together so I am just going to suggest that you are basically making a recommendation to the Board that the Aggregation Program continue, that it moved to the Highway Department, that three positions be approved at this time to be filled at the discretion of the Public Works Director, that additional positions be phased in through report to this Committee which is recommended to continue. If you do that, you will get it all in one motion and that is the

recommendation that would go to the Board. One, withdraw what you did before and go forward with that motion, it covers it all.

Chairman Wihby stated the motion is withdrawn. On motion of Alderman Pinard, duly seconded by Alderman Sysyn, it was voted to approve recommendations as outlined by the Clerk.

Chairman Wihby stated the only thing is that it is a division. I want to make sure that it notes that it is a new sub-section of the Highway. Is there anything more you want to put in there because it is an ongoing Committee where they will report to us and then report to the full Board.

Chairman Wihby asked could I have a vote on the hydroelectric plant even though we have not discussed it?

Alderman Thibault stated I think for the Board's consumption, they probably have a full plate right now. Let's wait.

Mr. Sherman stated I would have to check with the consultant to make sure he can be here.

It was unanimously agreed to leave it as a tabled item.

There being no further business, on motion of Alderman Thibault, duly seconded by Alderman Pinard, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee