

**MINUTES
WORKSHOP
DOVER CITY COUNCIL
CITY COUNCIL CHAMBERS
WEDNESDAY
AUGUST 25, 1999
7:00 P.M.**

Members Present: Boc, Johnson, Landry, Rawding, Reese, Schmidt and Wilson.
(Councilor Berry in attendance at 8:00 p.m.)
Absent: Mayor Pro Tem Perry.

Mayor Boc opened the meeting and stated that Assistant City Manager, Mike Joyal, would be filling in for Mr. Beecher who was not feeling well.

1. DISCUSSION RE:

A. MUNICIPALIZATION

Joyal reviewed the background work of the Ad-Hoc Committee to Study Utility Alternatives resulting in the recommendation of EnerDev. He explained that EnerDev would take the up front risk of the initial process of education, cost studies, appraisals, and would recover its cost only after a referendum vote in the affirmative. If the vote was against, then they would walk away and absorb the loss themselves. He stated there is no commitment by the City at this point. He stated that after the June 16th Council workshop, the City Manager was directed to hold discussions with EnerDev to draft an agreement, which is still being refined. He explained that due to the confidentiality of the negotiations, Mr. Sweirzy will answer questions unless they are deemed confidential and suggested that a non-public session may be necessary.

Rawding stated he would like the representative from PSNH to clarify the proposed 18% rate savings for ratepayers if the governor's proposal is accepted.

Dave Bickford of PSNH stated that PSNH and the Governor have entered into an agreement of understanding to resolve the restructuring issue which will allow for municipalization, etc. but that nothing yet has been approved. He stated there are three steps yet to happen; first the PUC must approve the agreement, which should occur around February; secondly, legislation for securitization must be passed which would allow refinancing at a lower interest rate at a AAA rating; and finally they would write off the start up costs. He stated that all of these things combined would result in the 18% rate decrease.

He stated that he would like PSNH to have an opportunity to present the proposal to the Council at a separate workshop.

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Boc stated he has heard several things about the proposal and would also like a separate workshop held.

Rawding stated that this is not a done deal yet and asked if this really will happen? Mr. Bickford stated that the governor supports the agreement and feels that the public supports putting this issue to rest once and for all.

Reese stated that the Manager's memo stated that there is a confidentiality clause which prevents discussion of the agreement in public. He stated he is not happy about this.

Boc stated he is also concerned, but feels that since it is not a signed agreement, then the confidentiality clause doesn't apply. He stated he wants this to be a public process and feels the citizens have a right to know what is being proposed. He stated he doesn't want to disrespect Mr. Swierzy, but will ask questions, and if he doesn't want to answer then he won't.

(A revised draft of the Confidential agreement was distributed to the Council)

Reese stated that in Section 3.1 of the agreement, it doesn't sound like there is no risk to the City and that EnerDev will bear all costs. He also expressed that he doesn't appreciate being handed a revised document at 7:20 p.m. as he feels it is disrespectful to the Council.

Joyal explained the clause in question stating that if the Council follows through the agreement with a good faith effort then there would not be any charge to the City even if it didn't go through. He stated that if the Council subverts from the agreement, then the clause would apply.

Wilson asked Mr. Bickford about stranded costs to clarify that whichever way this goes, Dover would be responsible for its share of the stranded costs, but that it is now at a higher cost than it would be if the deal goes through.

Mr. Bickford stated that this was correct. He stated that the debt will go down as a result of the securitization legislation and by writing off 15% of the cost.

Wilson asked that if the PSNH plan goes through, and Dover privatizes, will it mean we will pay our costs or can it go to litigation?

Mr. Bickford stated that if Dover privatizes, PSNH will lose customers which would increase the debt and if Dover doesn't pay its share, it would go to litigation.

Joyal explained that this is not a part of the draft agreement. He stated that there is a provision in the governor's plan to impose an exit fee to customers who leave the system.

Wilson stated that this factor would be out of our control and should be considered as an additional outside burden when considering municipalization.

Mr. Bickford stated that this fact neither adds nor detracts from the current rights of municipalities anyway.

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Wilson asked for an approximate cost of the City of Dover's share.

Bickford stated the total PSNH debt is 2 billion, Dover is 4% of their customer base, and therefore it would be approximately 80 million, although this is not a firm figure to be publicized.

Schmidt asked for clarification that at the last workshop it was stated that if a power plant was constructed within the City limits, then the city would be exempt from stranded costs. He stated that this was represented as a major savings to the city.

Joyal stated yes, but at this point, a power plant is not a part of the equation for municipalization. He stated a power plant can be built in the city with or without the municipality. He stated these two issues are not tied together.

Bickford stated that there are still 2 agencies that have to rule on this issue; the FERC and the PUC. He stated that FERC has interpreted that if a municipality bypasses the host transmission, there may be a loophole. He stated that RSA 38 requires that after 1987 a municipality must provide a choice and doesn't see how Dover can avoid being a part of the PSNH grid.

Joyal stated that the City Attorney reviewed FERC Rule 888-A which states when a retailer turns wholesaler, PSNH can only get money by adding a charge to transmission costs.

Rawding asked Mr. Swierzy if he feels that the 18% rate decrease will come through.

Sylvester stated he agrees that the first 2 steps will happen; He stated that the FERC will continue to hear evidence on cost recovery docket and base rate case. He stated that PSNH and the governor don't want these reviewed concurrently because it would be seen as the smoke and mirrors that it is. He went on to explain that the stranded cost amount is not a fixed amount and that after deregulation, PSNH will no longer be an energy company and will go out to bid from suppliers and as a result, if the bids come back higher than the estimates, it will be added to the stranded costs and no risk to PSNH. He stated that when PSNH filed their settlement agreement, there was a 3rd volume of rates which shows that residential users pay the highest rates for electricity and large industrial users pay the lowest rate. He stated that Dover is primarily residential users, and therefore will bear a larger burden.

Rawding stated that the PSNH deal is like a low rate credit card which entices you to sign on and then increases the rate down the road.

Swierzy stated that all of the consumer groups in the state are opposed to this deal because it is bad and is political. He stated that the comment made by Mr. Bickford of the PUC imposing the cost is incorrect because they will not have the jurisdiction. He stated that FERC has it per 888 A, B, and C. He stated the PUC won't have a say in municipalization, only the citizens of Dover and City Council will. He stated that the citizens should be allowed to vote which will then facilitate the process to inform.

Boc stated that the Beck Report recommended educating the public on the issue first and then voting.

Wes Tator, Ad Hoc Committee member, stated that the Beck Report also assumed that the city would do this on its own. He stated that he feels the technical portion of the Beck Report should be followed, but feels that the public should not be expected to know what types of questions to ask on such a broad subject. He stated the committee feels that they should be presented with a specific course of action and be allowed to choose and to be informed that there is a potential 30-50% savings in the long run.

Boc asked for clarification that the committee doesn't recommend the Council follow the very first recommendation of Beck Report?

Tator stated that there is a distinction between the technical points and the political points, and that the committee does not recommend going to the public first.

Johnson stated he shares Reese's concerns about airing the details of the contract in public because he doesn't feel he can ask a question without revealing the confidentiality. Joyal stated that the negotiations can be confidential but not the actual agreement.

Landry stated he has some general information questions he can ask in public, but also agrees that the details should be held in a non-public session.

He then clarified that when all is said and done, if Dover does or doesn't stay with PSNH, we still have to pay our share of stranded costs.

Joyal explained the difference between municipalization and aggregation.

Discussion ensued.

Dave Bickford stated he would like PSNH to have the opportunity to present the settlement agreement to the Council in their own workshop session. He then explained that the 18% rate decrease will apply to all 3 classes of ratepayers. He stated that of the 2 billion dollar debt, 1 billion is mandated costs which will expire in 2006. At that point there will be a 10-20% decrease in 2007 and then after the agreement expires after 26 years, there will be another 10% decrease.

Sylvester reiterated the differences in rates and stated that this agreement doesn't even bring the rate to 10 cents per kilowatt, whereas other communities are already at 8 cents or less.

Wilson asked if the city enters into bonding, is the cost paid by taxes.

Joyal stated the money is raised by revenue bonds and paid back by ratepayers which is the same as the State with securitization and would be built into the rate.

Sylvester stated that RSA38 specifically states that revenue bonds shall be the instrument of choice for getting money back.

Wilson asked what the mechanism will be to run this; whether it will be subcontracted out to different entities or a city commission or department formed.

Sylvester stated that the decision rests with the city. He stated EnerDev would hire Granite State Electric to run the operation and maintain the wires and facilities.

Candace Weeks, a Dover resident, stated she still doesn't understand after listening to the discussion, but feels she can't ask questions because of the confidentiality. She asked if EnerDev cost is above and beyond the rest?

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Joyal stated that it is all inclusive and would be the same whether we were to municipalize or not.

Ms. Weeks stated that PSNH has presented their numbers and would like the City to do the same. She stated that if it comes out less than 10.6% per kilowatt, then o.k., if not, including hidden costs, then no.

Erv Sparkman stated he doesn't understand how municipalization has a potential savings to the ratepayers of 30-50% over PSNH continuing as is without competition and using the existing wires and poles. He stated he feels this is one of many key issues that needs to be explored and explained to the public.

Boc stated that the Beck report doesn't address aggregation or deregulation.

Landry stated the question is, no matter what we do, where will the savings come from? Joyal stated that the savings comes from the city controlling the operations and going out to bid as a wholesale buyer. He stated we could also avoid the stranded costs if we build a power plant within city limits. He stated the financing will be allowed to be spread out over time. He stated that by being a wholesaler we have to allow customers a choice, and we won't get locked into fixed costs.

Sparkman stated that he feels we are over projecting our potential savings based on an old report with old information.

Johnson moved to go into a Non-public Session, seconded by Wilson.

Discussion ensued regarding the non-public session.

Motion failed on a 5-3 roll call vote, Johnson, Schmidt and Wilson in favor.

2. Adjournment

Schmidt moved to adjourn, seconded by Reese.

Motion passed 7-1, Berry opposed.

Valerie A. French
Deputy City Clerk