



Board of Aldermen Shelton, Connecticut

TUESDAY, FEBRUARY 27, 2007

Call to Order / Pledge of Allegiance

Aldermanic President John Anglace called the special meeting of the Board of Aldermen to order at 6:30 p.m. All those present rose and pledged allegiance to the flag.

Roll Call

Alderman John F. Anglace, Jr., President - present
Alderman John "Jack" Finn - present
Alderman Stanley Kudej - present
Alderman Kenneth Olin - absent
Alderman Christopher Panek - present
Alderman John P. Papa - present
Alderman Jason Perillo - present
Alderman Randy York - present

Administration:

Corporation Counsel Tom Welch

There was a quorum of 7 present, 1 absent.

1. Approval of Electrical Energy Contract

Alderman Papa moved to waive bids pursuant to Charter Section 7.14(c) relative to a contract with Constellation New Energy; and further,

MOVED to authorize the Mayor to sign a contract in a form substantially similar to that attached and subject to the approval of the Corporation Counsel between the City of Shelton and Constellation New Energy for the purchase of electrical generation services from the April 2007 meter reading cycle through the September 2008 meter reading cycle;
SECONDED by Alderman Perillo.

Alderman Anglace called upon the Committee members, Mr. Marusic and Mr. Cameron, to make a presentation to the Board.

Finance Director Louis Marusic stated, we have a report of the Electrical Generation Subcommittee, it's being passed out now to everyone. There are only eight paragraphs on here - it's like a smart sheet that's worth a thousand words. I'm going to talk to this report.

This gives you the basis to why we're doing what we're doing. We are trying to save some of the huge run up of costs that we're all facing. This indicates the savings that we're able to incur by joining a consortium. I would like to say that if you do nothing - I think the major question is, what would happen if we didn't do anything or if you didn't give us the authorization to sign the contract.

Doing nothing, staying with UI, their standard offer is expensive. It would cost the Board of Education almost \$1,000 per day in additional costs.

By joining the consortium, we would save \$1,000 a day for the Board of Education. The saving is not quite as great for the City, but for the City the daily saving would be approximately \$250 savings a day. You can multiply that times 365 days to get the savings for the City. Between the two of us, the Board of Education and the City, there is \$1,250 savings by joining the consortium in this particular effort to save energy. I think that is a pretty decent impact for the savings for the City.

The consortium involves 120 Boards of Education, and some cities have banded together to increase their purchasing power. The proposed contracts are 18 months in duration, which follows a typical contract length followed by Sikorsky, GE and others.

The final rates to the City, purchasing from UI – the last paragraph – the Board of Education is currently paying 19.47 cents per kilowatt hour for generation at Shelton High School and Shelton Intermediate School. The City and the Board of Education are paying approximately 13.9 cents per kilowatt hour for the rest of the facilities. So the big ones for the Board of Education and the City appear to be Shelton High School and the Shelton Intermediate School. And of course, the Sewage Treatment Plant for the City would probably be up around there somewhere.

The proposed contract with Constellation New Energy would fix the rate for generation at 9.2 cents approximately per kilowatt hour, plus an estimated 2.5 cents in pass-through charges, saving the amounts indicated, which I just referenced, on a daily basis.

I would like to thank Al Cameron, because he's been on top of the situation keeping us apprised and letting us know what the window of opportunity would be for the City. Without his cooperation, we might have missed this opportunity and have to join months later, incurring our additional costs as we went along and foregoing the savings. So Al, with that I would like to thank you on behalf of everybody here present for your time and identifying the issue and the opportunity for us.

Board of Education Finance Director Al Cameron stated, I would like to add to what Lou said.

This has been publicly bid. The consortium put together a bid spec, they went out. The DPUC had 11 generators that you could go to. The consortium went to all of them. Six of them responded. The contract that we're proposing is with the low bidder that had the best contract terms.

The best contract terms meant that they allowed us to have either 10 percent over our usage last year, or 10 percent under. The 10 percent under becomes important because hopefully, when you see these kind of bills, we'll start taking some other steps toward energy conservation. We won't be locked into buying electricity that we won't need.

Alderman Papa stated, on the last paragraph, why is there a difference? The rest of the facilities are paying like 1.3 presently.

Mr. Cameron stated, the difference is because the demand at the High School and Intermediate School have both exceeded 500 KW and the legislature passed a law in their last session that said that where the demand exceeded 500 KW, they were going to impose what they called a punitive rate structure to cause the people that had that kind of demand

to move off of the standard offer. The High School and the Intermediate School have that kind of demand. It's a penalty.

Alderman Anglace stated, Lou and Al investigated this, got the contract, and Counsel reviewed the contract.

Corporation Counsel Welch explained, the proposed contract that you have has nothing to do with the City of Shelton – it's basically a form - and that is why the motion is written in a way that says substantially in compliance or conformity with what you have attached, because it's based upon another City, etc. So we still need to insert the proper language but the rates are there and I don't have any objection to that. It just needs to conform to the City's requirements.

As to the issue about the bid waiver, as you know your Charter requires the City to go out to bid and it doesn't provide for this consortium type of thing. Even though it went out to bid, you still need to waive your bidding requirements in order to enter into this type of agreement.

Mr. Cameron stated, the only thing I could add, and I think, Tom, you may be aware of this, we should have the contracts in the right form tomorrow. There was some exchange of information about the number of active meters. There was a disagreement between the information that UI had provided and the information we had provided about the number of active meters that we had – that had to get resolved today. Once that's resolved we will have the final contract.

Corporation Counsel Welch stated, I think the agreement that the Board has in their possession was an example.

Mr. Cameron stated, it was. Actually, it was the consortium contract.

Alderman Perillo stated, Al, you mentioned the flexibility and the +/- 10 percent. Is that +/- 10 percent adequate do you think given past experience, year to year? My guess would be yes, but I'm just asking.

Mr. Cameron replied, I think it's barely adequate. Yes, it is, and it's a whole lot better than what the alternative was. The other bidder, the prices were the same but the contract terms weren't. The other one was Old Dominion, and they made you guarantee that you would have at least as many kilowatt hours in each of the contract years as you had in the year previous to the contract. If you were going to do any kind of energy things at all, you'd be buying energy you don't need.

Alderman Panek asked, going back to Alderman Papa's question, the 500 KW demand – that is out the door with this new contract and we won't be paying the higher amounts for those two buildings?

Mr. Cameron replied, that's correct, we'll pay the same rate at all the buildings.

Alderman Anglace stated, before we take a vote and bring this to conclusion, I'd like to comment that it's refreshing, and I'm sure all my fellow Aldermen agree with me, to see the Board of Education and Board of Aldermen working together for solutions that benefit our taxpayers. This is one and there will be many more. There have been many in the past; there will be more in the future. On behalf of the Board, I want to thank Lou Marusic and Al Cameron for their efforts in this regard.

You put this together in record time and it certainly is a very valid and cost effective proposal. I thank you both for your efforts.

A voice vote was taken and the MOTION PASSED 7-0.

Adjournment

Alderman Kudej MOVED to adjourn; SECONDED by Alderman York. A voice vote was taken and the MOTION PASSED 7-0.

The meeting adjourned at approximately 6:44 p.m.

Respectfully submitted,

Patricia M. Bruder, Clerk
Board of Aldermen

Date Submitted: _____

DATE APPROVED: _____ BY: _____

Mark A. Laretti
Mayor, City of Shelton