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PUBLIC UTILITIES COMMISSION WORKSHOP

100 John Street
Wallingford, CT

Wednesday, March 11, 2009

6:30 p.m.

The Public Utilities Commission held a workshop on Tuesday, March 11, 2009 at the Wallingford Electric Division, 100 John Street, Wallingford, Connecticut. The meeting was called to order at 6:30 p.m.

PRESENT: Chairman David Gessert ("Gessert") (via teleconference), Commissioners Robert Beaumont ("Beaumont") and Richard Nunn ("Nunn"), Director George Adair ("Adair"), Electric Division General Manager Richard Hendershot ("Hendershot"), Recording Secretary Lois Pisani, John Letourneau, Bob Parisi, Mike Brodinsky, Gabe Stern, Glenn Wilson, Tom Solinski, Mike Brown, Dave Moran (Record-Journal), Mayor William Dickinson, Luther Turmelle (New Haven Register).

1. Workshop to Discuss the CMEEC 50-in-5 Distributed Generation Project Capacity Costs.

Adair discussed the 50-in-5 Program and stated that the 50 refers to megawatts of peaking generation. The units will be run by CMEEC to reduce monthly and annual peak demand in order to reduce CMEEC's transmission and capacity costs. These savings would flow to the WED thru reductions in the WED's monthly wholesale power bill. These reductions would mitigate WED's customers' power costs. These charges relate (for transmission purposes) to the payment to the investors in the transmission projects (i.e. Bethel to Norwalk Project). Capacity costs are charges collected from all load serving entities and paid to all generation assets.

Because transmission and capacity charges are expected to increase over the long haul, CMEEC has looked for ways to reduce its annual and monthly peaks in order to reduce the exposure of its customers to these costs. This project is predominantly about cost-avoidance.

There will be 20 of these 2.5 MW units located at various sites in communities served by CMEEC.

For Wallingford, CMEEC has predicted about \$1.6 million benefit per year in avoided costs, based on a 33% Project participation.

The WED wholesale power bill from CMEEC lists a "benefit" from the Pierce Project and WED would see the same type of credit for the 50-in-5 Project on future bills.

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Glenn Wilson provided a Power Point presentation.

Wholesale power costs are increasing over the next seven to ten years due to significant increases in transmission and capacity costs. Transmission costs are allocated expenses for the construction, operation and maintenance of the New England transmission grid, which Wallingford is a part of. Transmission costs are projected to increase from \$5.00/kW-month (2009) to \$12.00 (2022) and capacity costs are projected to increase from \$5.00/kW-month (2009) to \$15.00 (2022) per kW-month.

Return on investment for this project is projected to be 129% on the initial investment, due to the growing worth of the avoided capacity costs.

At a 33% participation level, Wallingford would be obligated to \$10 million in capital costs. The CMEEC Board has approved a bond issue to finance the 50-in-5 project.

Average retail customers using 700 kWhr. per month would realize a benefit of \$215.00 in savings over ten years.

A discussion took place regarding the warranty offered by the vendors of the units. Glenn Wilson said these units are guaranteed for one year for parts and labor. The vendors are being asked in the RFP to become creative with the warranty and preventive maintenance on the units. These units will be used approximately 400 hours per year. Re-sale value of these units should remain high because of low usage and good maintenance practices.

A discussion took place regarding the bonding issue regarding the units. The bonding for this project will be \$30 million to be issued by CMEEC. The CMEEC Board in January passed a Reimbursement Resolution that allows project costs incurred prior to the bond issuance to be reimbursed out of the bond proceeds.

A discussion took place regarding the market and the predictions being made on the return of this project. It was noted that the units have a high re-sale value which acts as a "hedge" against any financial risks associated with the project..

A discussion took place regarding black start capability for Pierce. It was noted that in the event of a loss of transmission (island operation), with proper switching, the existing CMEEC diesels could be used to start the Pierce unit.

CMEEC's forecast for 50-in-5 calls for an annual lease payment per unit of \$12,000, with a 3% annual escalation charge. Based on four units in Wallingford, the total projected lease payments over ten years would be \$550,268.

Twenty 2.5 megawatt diesel generators will be placed. These units will be equipped with Selective Catalytic Reduction (SCR) for reduction of Nitrous Oxides and with particulate filters. Mr. Wilson stated that these units would be the cleanest diesel generators in the northeast today.

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A discussion took place regarding the structure of the units. In the event of a spill or leak, there will be cofferdams to catch any fuel. There are also alarms on the units to advise of any leakage. Each unit will be built with required metering to be able to operate in all existing ISO markets.

Mr. Wilson displayed a picture of the computer screen that will provide a variety of unit operating information to operators in the primary and backup control centers for the Project. This computer screen will show the availability of each unit as well as how much fuel is left in each unit.

Mr. Letourneau asked Adair for a document of what benefit each existing unit makes for the WED.

A discussion took place regarding the Pierce Power Plant. Gabe Stern was present to discuss the progress of the Pierce Power Plant. The Pierce unit was constructed for less than \$600 per kW, considerably below the cost per kW seen for other recently installed units. The revenues were higher than projected coming in at \$14.3 M/Yr.

Adjournment

Motion made by Nunn to adjourn at approximately 9:10 p.m. Seconded by Gessert.

Votes: 3 ayes

Respectfully submitted,

Respectfully submitted,

Lois Pisani
Recording Secretary to the PUC

Richard A. Nunn
PUC Secretary