

TOWN OF WALLINGFORD, CONNECTICUT
SPECIAL JOINT MEETING OF THE
WALLINGFORD TOWN COUNCIL AND THE
PUBLIC UTILITIES COMMISSION

JANUARY 30, 2008
6:30 P.M.
MINUTES

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Barbara Kapi TOWN CLERK
Barbara Kapi

The following is a record of the minutes from the special joint meeting of the Public Utilities Commission and the Wallingford Town Council held on Wednesday, January 30, 2008, in the Robert Earley Auditorium of the Wallingford Town Hall. Town Council Chairman Mike Brodinsky called the meeting to order at 6:38 P.M. Responding present to the Roll Call given by Town Clerk Barbara Kapi were Councilors Nick Economopoulos, Gerald E. Farrell, Jr., John LeTourneau, Bob Parisi, Rosemary Rascati, Michael T. Spiteri, Vincent F. Testa, Jr. and Chairman Mike Brodinsky. Councilor Vincenzo DiNatale was absent from the meeting. Mayor William W. Dickinson, Jr., Town Attorney Janis Small and PUC Director George Adair were also present.

A Moment of Silence began the meeting. The Pledge of Allegiance was said and the Roll Call was taken.

Robert Beaumont declared the PUC meeting open. Chairman Mike Brodinsky stated the meeting was a true joint meeting between the Wallingford Town Council and the Public Utilities Commission.

2. Presentation by CMEEC regarding opportunities for participation in additional power generation projects by CMEEC members and Wallingford.

In attendance from the Connecticut Municipal Electric Energy Cooperative (CMEEC) were:

Maurice Scully, Executive Director
Christine Fischer, Director of Power Supply

Mr. Adair stated that the purpose of the meeting was to inform the Public Utilities Commission, the Wallingford Town Council and the public about CMEEC's projects to secure power-based production and the cost of production. This project will be a long-term project.

Mr. Scully said that currently, the supply and demand for electricity are in accord with one another for Wallingford Electric Division's power needs. Projections are made to the year 2015 as to future power needs. The town is looking for the least expensive way to supply power in the years 2012 and 2013. Natural gas

currently drives the standard price of electricity, and all projects discussed during this meeting will be natural gas based, yet efficient.

There are new project opportunities. First is the MMWEC Unit in which 24 Massachusetts municipalities participate, and the project life is anticipated to be 35 years. All entities are in early stages, and MMWEC is looking for communities to participate in the project. Numbers are projected in reference to cost, but Mr. Scully feels they are solid numbers. A contract with MMWEC would be for 20 years and would cost \$57,000,000. If the town continues purchasing electricity as it does currently, the cost over 20 years would be \$800,000,000. The MMWEC unit is at an existing generating site and would require 40 months of construction. The facility has efficient, state-of-the-art equipment. The Town of Wallingford would save \$1,200,000 per year through the 20-year span, with greater savings after the initial 20 years.

Mr. Brodinsky asked about the time frame for this project. Mr. Scully said that CMEEC is looking to make decisions within a few months. Mr. Brodinsky asked if there would be additional presentations. Mr. Scully said that CMEEC would provide a detailed presentation including year-by-year finance costs and revenues generated by ISOs.

Mr. Scully said that there is a similar project in Taunton, Massachusetts, and this facility has the staff and expertise to run this type of project. This project would save Wallingford Electric Division customers an estimated \$1,200,000 per year. This facility will be ready for commercial operations in 2012.

Mr. Brodinsky asked if there were any questions from the public. There were none.

Mr. Scully stated that the South Norwalk Unit is the third project opportunity. This project is a renewable project with a fuel source of landfill-derived natural gas, with a biodiesel back-up. The plant size is 50 Megawatts, and CL&P will purchase 30 Megawatts, leaving 17 Megawatts available to CMEEC. Financing would be secured through a commitment from CL&P. This project is in advanced stages, and the Department of Public Utilities will approve the power contract that CL&P will enter into with the developer. The estimated operation date for the facility is mid 2010, and there is an estimated annual savings to Wallingford Electric Division customers of \$1,100,000. This option is not quite as efficient, but qualifies for renewable credits from the state. The state requires that a certain percentage of projects be from renewable sources and imposes fees when conditions are not met.

Mr. Gessert asked about the availability of biodiesel back-up and whether the gas source from Pennsylvania will be sufficient. Mr. Scully responded that the site in Pennsylvania is a large landfill site close to the pipeline. Gas is injected into the pipeline and transported to South Norwalk, and credit is granted based on the amount of gas taken out at the end of the pipeline. Experts at CMEEC have gauged the supply of gas, and the first contract would be for 10 years. The

engineers assured CMEEC that there is more than enough gas to generate 50 Megawatts. There is an addition landfill site, EMCOR, and a commitment was made by EMCOR. Biodiesel could generate the 50 Megawatts, and there are 2 suppliers who will contract with EMCOR and will provide plant-based biodiesel fuel. The first is a South American supplier and the second is a domestic supplier.

Mr. Testa asked about the total capital cost of the South Norwalk project. Mr. Scully said that the total cost is \$105,000,000, and CMEEC's portion is \$28,000,000. Mr. Testa stated that he felt that the percent of capital investment to total cost is about the same for both the MMWEC and Taunton projects, but higher in South Norwalk. Mr. Scully said that in South Norwalk, 17 Megawatts could be the town's share of financing.

Mr. Testa asked if pricing was specific to each project or it was an overall pricing. Mr. Scully stated that pricing was specific to each project, and that the town pays a certain percentage of a project and then receives that percent in power output. Mr. Scully said that South Norwalk is a more costly project, but receives greater credit from the state based on the renewable energy.

Mr. Brodinsky asked about the 30-year contract and fixed prices. Mr. Scully responded that there is a fixed price on gas. Mr. Brodinsky questioned why anyone would keep gas prices fixed for that number of years. Mr. Scully said that producers need fixed-price contracts in order to obtain financing to complete projects. Mr. Brodinsky asked about the price of gas. Mr. Scully said that gas is approximately \$5.00 per MMBTU, with an additional \$2.00 cost per MMBTU to transport the gas from Pennsylvania to Connecticut. Natural gas from local delivery can cost as much as \$9.00 per MMBTU.

Mr. Parisi stated that he is concerned about the landfill-supplied gas, and asked how long CREEC expected this gas to last. Mr. Scully stated that he would have engineers verify this and a report would be made available.

Mr. Parisi asked if biodiesel would serve as a back-up in case the landfill-supplied gas ran out. Mr. Scully said yes.

Mr. Parisi asked if there is an existing pipeline. Mr. Scully confirmed and said that there is also a transfer station that cleans up the gas.

Mr. Parisi stated that he is concerned over price fluctuations due to market demand and asked, how secure is the 20-year contract? Mr. Gessert reminded everyone of the history with the Pierce Plant and asked what will happen if the gas runs out in 2 years? Is there a sufficient amount of biodiesel available to keep the deal in place? Mr. Scully stated that CREEC will have to look at all of these issues in order to provide assurances. He said that CL&P will buy into 2 projects, and that South Norwalk has an existing plant that can be commissioned.

PUBLIC COMMENT

Phil Wright, Sr., 160 Cedar Street, asked about the technology used in relation to the landfill gas. Mr. Scully said that the technology is used in Canada, and is used in several smaller sites other than the Pennsylvania site.

Geno Zandri, 9 Balsam Ridge Circle, asked if CMEEC would contribute to each project and whether the 5 communities would each have a share in the project. Mr. Scully responded that CMEEC will secure financing for all communities, and the cost will be divided. Mr. Zandri stated that Wallingford will be 1 of 7 communities, and Mr. Scully said that Wallingford will only be involved in proportion.

Ben Martin, Ward Street, stated that the natural gas supply is as unstable as the supply of landfill-derived natural gas, and asked if CREEC considers any non-polluting sources of electricity. Mr. Scully responded that CREEC investigated hydroelectricity and wind power, but neither will provide the supply of electricity needed. Mr. Scully said that these projects are proceeding now, and are an opportunity for the town. Mr. Martin inquired about the wisdom of signing up now for a long-term project although new technology may be on the horizon. Mr. Scully said that CMEEC could still participate in the environmentally-friendly project because the projects only generate 40% of the electricity required.

Mr. Scully said that towns enjoy participating in ownership of base generation because pricing is based on an actual cost basis rather than on market whims. There are many competent components in the project. Both Taunton and EMCOR have significant track records in management and construction.

Mr. Scully stated that in March, more information will be available from CMEEC. MMWEC will expect a commitment in May, as will the Taunton project. The South Norwalk project will need a February or March commitment.

Mayor Dickinson asked if the project in South Norwalk is base-loaded, and stated that Connecticut can only import 30% from out-of-state sources. The Mayor asked if the town can rely on in-state sources, and if this will have any impact on the final decision. Mr. Scully stated that CMEEC will be able to provide power no matter what the source, and the power source would be reliable for the citizens of Wallingford.

Mayor Dickinson said that he is troubled by the possibility that commitments in-state decrease, and Wallingford is unable to bring in out-of-state sources. Mayor Dickinson asked if the town should spend more time investigating in-state sources. Mr. Scully said that new state projects will be constructed by the Department of Public Utilities and the power will go to CL&P.

Mr. LeTourneau reiterated the point that the town would purchase a block of electricity through the strength of 7 communities, but asked what would happen to the negotiating power in an open market. Mr. Scully said that the town would

buy bits and pieces of blocks and would try not to commit to a price point in an effort to hedge prices. Ms. Fischer stated that electricity would never be purchased in a lot greater than a 50 Megawatt block.

Mr. LeTourneau said that Wallingford purchases 650 Megawatt hours, and asked about the base load power. He asked Mr. Scully what is the minimum amount of electricity needed by Wallingford every hour, and stated that the town needs a plant that reaches this peaking point.

Mr. Testa asked about the difference in energy prices and natural gas prices during 2000 to 2004, and asked if there was a change in the regulatory climate. Ms. Fischer said that pricing is independent. Mr. Testa stated that from 2005, the prices mirror one another, yet still diverge. Ms. Fischer said that there was a regulatory change in 2003.

Mr. Testa asked from which grid the town purchases electricity. Mr. Scully stated that electricity is sold to ISO, which is revenue generating, and the ISO gets all the power. The town would get the economic value of that power, and all power is within the same grid.

Mr. Testa asked why the three projects need Wallingford's participation or money. Mr. Scully said that municipalities exhibit the same culture, and wish to produce power at the lowest cost, and have a different business ethic. Further, tax-exempt entities compliment the financial picture.

Mr. Testa asked what will happen if there is a regulatory change in the next 5 years. Would this create a problem, and would there be a conflict with state-run projects? Mr. Scully said that there is always a need for electricity, and a need to produce electricity at the cheapest cost to the value of the asset maximized. Mr. Scully said that the technology is state-of-the-art right now, and there is a tax-exempt advantage.

Mr. Parisi asked how many Megawatts are produced by the Pierce facility. Mr. Scully said 85 Megawatts on average, 95 Megawatts in winter and 75 Megawatts in summer. In a colder environment, more electricity can be produced.

Mr. Parisi asked how much electricity is used in Wallingford. Mr. Scully said that the peak usage is 140 Megawatts, which occurs for a 2-hour period during the year. The average usage is 60 Megawatts. Mr. Parisi asked if the highest usage occurs on the hottest day of the year. Mr. Scully stated that the 140 Megawatts might be for one hour. Mr. Beaumont said that there was 1 day in 2006 that created the peak usage, and this usage was temperature-driven.

Mr. Spiteri asked if CMEEC overbuys the electricity, will the electricity be sold out-of-state? Is this a revenue-generating process? Mr. Scully said that CMEEC is unable to track the flow of electricity, but an overage would likely be sold, although a town always tries to balance what it will need.

Ms. Rascati asked if the total package price is broken down to be a cost to each Wallingford Electric Division customer. Mr. Scully said that the cost is broken down. Ms. Rascati asked if the town would know how much to charge each of its customers.

Mr. Economopoulos stated that the risks and benefits of each project should be presented.

Mr. Brodinsky asked if this would be a legal partnership or a share-holder relationship. Mr. Scully said that it would be joint-ownership. Mr. Brodinsky asked what would happen if the town was unhappy with the out-of-state project in the future. Where would the town fit in with the other partners? Mr. Scully said that this would be a joint venture with the other partners, and majority rules. There are shared objectives with quality partners with good credit ratings. Mr. Brodinsky asked if CMEEC would be involved in each project.

PUBLIC COMMENT

Barbara Kapi, 6 Deme Road, asked if the town will absorb any overage in the cost, and whether there is a cap on any overage. Mr. Scully said that the town absorbs all additional costs, but would get a proportional share of the profits.

Wes Lube, Montowese Trail, asked if the town would have any supervisory role in the plant operation. Mr. Scully said no. Mr. Lube asked who would serve as the underwriter if the town makes a commitment of only 75% of the money. Mr. Scully said that the project would not go forward in this situation. Mr. Lube asked if any projects are past the point of no return. Mr. Scully said no. Mr. Lube asked about costs. Mr. Scully said there are engineering costs and permit costs. Mr. Lube asked who is fronting this money. Mr. Scully responded that Massachusetts municipalities are fronting the money. Mr. Lube asked if the town would have the opportunity to review the prospectus prior to a final decision being made. Mr. Scully said no. Mr. Lube asked if all 7 municipalities have to agree. Mr. Scully said no. Mr. Lube asked what would happen if 2 or 3 municipalities agreed and Wallingford commits to \$49,000,000 to \$50,000,000. Mr. Scully said that CMEEC would secure the money, and Wallingford could sell its share of electricity and regulate its share of the electricity. Mr. Lube asked about the total cost of each project. Mr. Scully said the total cost is \$290,000,000. Mr. Lube asked if a town has to commit to the total amount. Mr. Scully said no, a town can decide based on its total Megawatt usage. Mr. Lube asked about the risks associated with the projects, and stated that additional background material is needed. Mr. Brodinsky told Mr. Lube that this meeting is the basis for later meetings.

Jason Zandri, Lincoln Drive, asked if Pierce Station is a peaking plant. Mr. Scully said they could not put in a base-load plant. Mr. Zandri asked

if the landfill gas is interrupted and a switch is made to biodiesel, could the town lose money if the facility is down? Mr. Scully said that this is a 30-year project with an opportunity to lock-in prices. Mr. Zandri asked about unforeseen circumstances that could interrupt the supply, and about the last provider in the pipeline who sets the price. Mr. Scully said that the highest price is the price paid, and this relates to the highest price paid to the owners. Mr. Zandri asked about solar power and whether this could undercut the town's investment. Mr. Scully said no, that the commercialization of wind and solar power electricity is small. Mr. Scully stated that solar power has been touted since 1972 without any real advancements, and stated that it is probably unwise to do nothing while waiting for advancements in technology.

Ben Martin, Ward Street, asked if CMEEC is meeting with other towns. Mr. Scully said that Wallingford is the only town so far, and that other towns are patrons, whereas CMEEC has a contract with Wallingford. Mr. Martin asked why PUC does not allow green issues allowed by UI and CL&P, and Mr. Brodinsky asked that this question be deferred.

Bob Gross, 114 Long Hill Drive, asked for the dollar amount CMEEC hopes Wallingford will invest. Mr. Scully said that Wallingford would need to finance the capital investments so that rates do not go up in the early years.

Mr. Gessert said that the PUC has joint oversight with the Town Council, and in previous years, there was no advance notice and a vote would take place within a matter of days. The current process allows for greater time to study and understand the process in order to make a better decision.

Mr. Beaumont asked to adjourn the PUC portion of the meeting.

Mr. Brodinsky thanked CMEEC, the Public Utilities Commission, the members to the Town Council and the public for asking such good questions during the presentation.

Mr. Gessert made a motion, seconded by Mr. Beaumont, to adjourn.

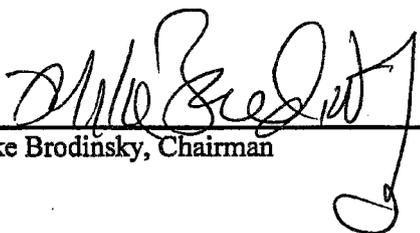
Chairman Brodinsky made a motion to adjourn. Councilor Parisi seconded.

The meeting adjourned at 9:18 P.M.

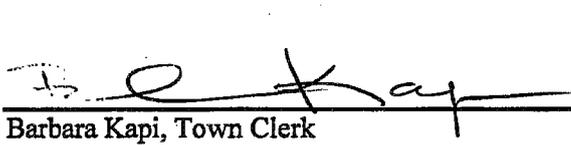
Respectfully submitted,



Erin R. Occhiogrosso
Temporary Town Council Secretary

 2/14/08

Mike Brodinsky, Chairman Date

 2/14/08

Barbara Kapi, Town Clerk Date