



FEA designPLUS Newsletter

Bulletin

April 21, 2006

State/Utility Incentive for On-Site Generation

An incentive program has been announced by the State of Connecticut, which offers grants and loans to companies with on-site power generation. The participating utilities are CL&P and United Illuminating (UI). The attachments to this bulletin include a newspaper article published in the Hartford Courant on March 28, 2006, and a draft decision issued by the DPUC on March 8, 2006.

The program offers grants and loans for generation systems installed by factories, office buildings, hospitals, malls, hotels, convention centers and condominium complexes. Grants are available for on-site power generation systems up to 65 megawatts in capacity. There is no minimum size.

For new or incremental installations, grants can be \$200 per kilowatt for emergency backup generators and \$450 per kilowatt for units running continually. The program guarantees that the utility will buy any excess power at existing rates for base loaded systems. Depending upon the system configuration and location of the facility, additional grants of \$50 per kilowatt may be available. For existing generators, ISO offers \$80 per kilowatt incentives for an emergency generation/load response program.

Eligibility & Duration:

Applications for the program should be submitted to the EDC after July 21, 2005. Incremental capacity is eligible, existing capacity is not. Awards are available to projects approved through April 1, 2007, and remain available at approved levels for 3 years as long as the project remains operational. Awards are paid when the project begins operating.

Grants are not available to hospitals, nursing homes or other facilities already required by law to have emergency generators on hand. But, we believe if you have additional capacity, you can participate in the emergency/load response program.

If this program sounds interesting and you want to explore this further, **FEA** will be happy to assist you. Please contact us if you have any questions.

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BUSINESS

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TUESDAY, MARCH 28, 2006

▼ Dow Jones
-29.86, 11,250.11

▼ S&P 500
-1.34, 1,301.61

▲ Courant-Bloomberg CT
+1.16, 379.21

▲ Russell 2000
+0.20, 754.03

▲ Nasdaq composite
+2.76, 2,315.58

▲ 10-Year T-Note Yield
+0.04%, 4.71%

Companies To Get Incentives To Produce Their Own Power

By PAUL MARKS
COURANT STAFF WRITER

The state Department of Public Utility Control announced a new program Monday that offers grants and loans to companies that install generators and begin making their own electric power.

The agency said that having businesses and other electricity users invest in their own generating systems will add badly needed capacity to Connecticut's power grid.

DPUC Chairman Donald Downes, who announced the program, said adding more "distributed generation" to the state's mix of power sources will offer a cheaper way to meet periodic peaks in power demand.

Distributed generation is seen as one way to reduce the traditional reliance on large, centralized power plants.

Downes said the incentive program targets southwestern Connecticut, in particular, where there is insufficient generating capacity.

Though funded by ratepayers, the

program will help reduce the more than \$500 million that electricity users paid last year in federally mandated "congestion charges," based on the state's shortfall in generation capacity.

Downes said it is impossible to project how the program might affect electric bills because the cost will depend on the size and number of projects that qualify for grants. He said he would be surprised if it added

PLEASE SEE **POWER**, PAGE E4

What The Law Does

The Energy Independence Act, passed by last year's General Assembly, gives businesses and certain others incentives to produce their own power.

■ Grants of \$200 per kilowatt, or \$20,000 for a 100-kilowatt generator, for systems designed for emergency backup generation.

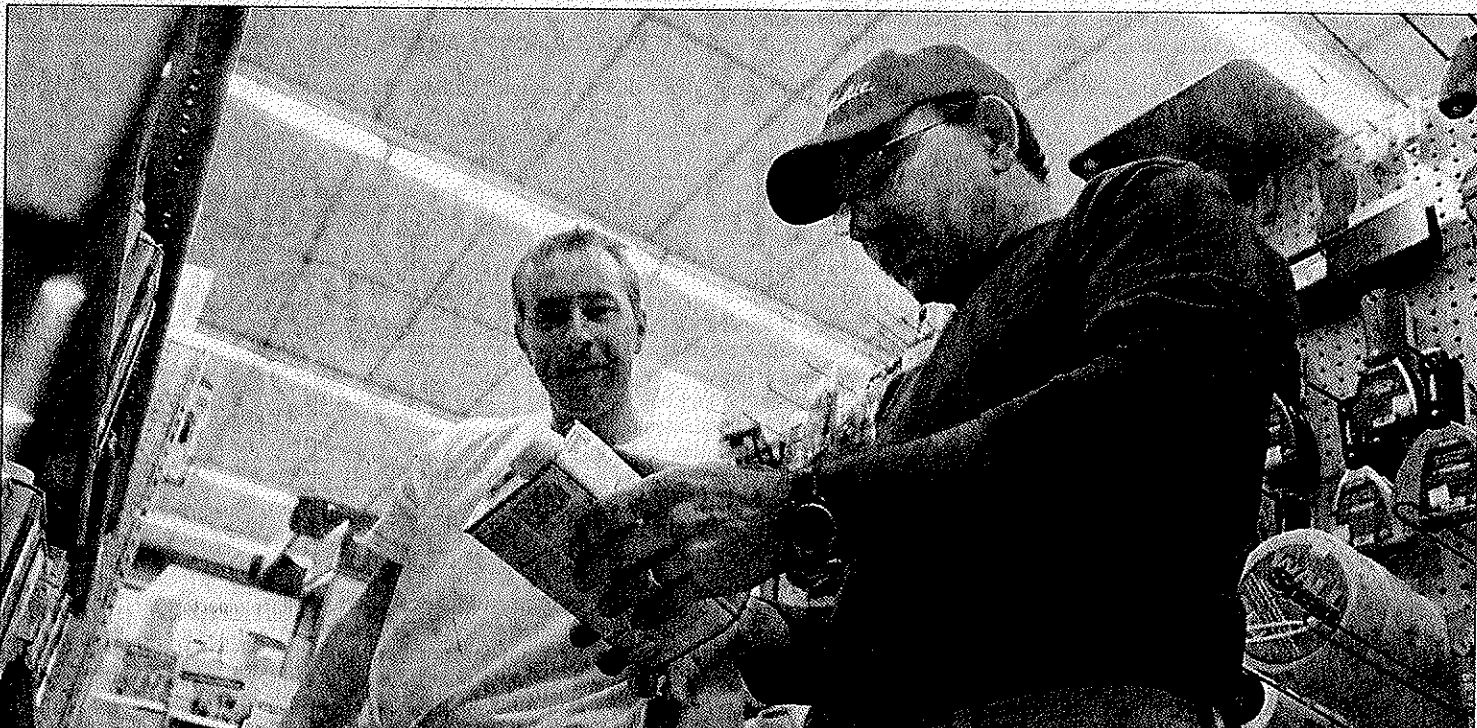
■ Grants of \$450 per kilowatt, or \$450,000 for a 1-megawatt generator, for base-load generators that run continually.

■ An additional \$50 per kilowatt during the next two years for generators installed in Fairfield County, where power generating capacity seriously lags demand.

■ Low-interest loans offered by Bank of America to finance projects of 50 kilowatts or greater, up to \$150 million in financing. Grants are available for projects of up to 65 megawatts.

SOURCE: state Department of Public Utility Control

FINANCES FIXED, TRUE VALUE TARGETS CUSTOMERS WITH SMALL PROJECTS



Power

CONTINUED FROM PAGE E1

even 1 percent to bills.

"I doubt that ratepayers are even going to be able to see the difference," Downes said.

Business groups responded favorably.

Joseph Brennan, senior vice president of the Connecticut Business and Industry Association, said the offer of millions of dollars in incentives is welcome in a state where energy costs are among the highest in the nation.

"These programs can help businesses control their skyrocketing energy costs, compete effectively and continue to grow and bring jobs to the state," he said.

Lisa Thibdaue, a vice president at Northeast Utilities, said there is "considerable interest" among commercial customers in building their own generators.

"There are between 50 and 100 that we have been in discussions with already," she said.

The DPUC's announcements Monday implement provisions of the Energy Independence Act, which the General Assembly passed last June.

The program offers grants and loans for generation systems installed by factories, office buildings, hospitals, malls, hotels, convention centers and condominium complexes. Grants are available for power systems of as much as 65 megawatts in capacity. There is no minimum size.

Grants are not available to hospitals, nursing homes or other facilities already required by law to have emergency generators on hand.

"These incentives will definitely get people's attention," said Joseph McGee, a vice president at

the Business Council of Fairfield County.

McGee said he expects a strong response from banks and financial services companies based in and around Stamford. Companies such as Stamford-based UBS Warburg LLC, which has one of the world's largest trading floors, use a lot of electricity to power computers and wide-screen video monitors and need reliable power, he said.

Downes said the DPUC's contract with Bank of America makes the low-interest loan program "essentially self-funding." The cost of grants to entities that install power generation will be passed on to ratepayers through the electric rates the regulatory agency sets periodically for Connecticut Light & Power and United Illuminating, he said, and grants will be received only after a power system begins operation.

Savings for ratepayers should be quickly realized because of reduced congestion charges, said state Rep. Kevin DelGobbo, R-Naugatuck, a member of the legislature's energy committee who helped write the 2005 law that led to the distributed generation incentives.

"Connecticut ratepayers are paying substantial costs right now for the [electric power] system as it exists," DelGobbo said. "When this new distributed generation goes into effect ... every dollar spent [on incentives] has the net effect of saving more than that."

The typical CL&P residential ratepayer, using 700 kilowatt-hours a month, pays almost \$9 in congestion charges.

Those charges were imposed by the Federal Energy Regulatory Commission, starting in January 2004, to assess costs for moving electricity from other states into parts of Connecticut that lack sufficient generating capac-

ity. Congestion charges are paid by commercial and industrial power users, as well.

Downes said the incentive program — which offers \$45,000 for a small, 100-kilowatt generating plant or \$12.5 million for a 25-megawatt plant in power-starved Fairfield County — is designed to be "fairly generous," compared with programs in other states.

The program includes a guarantee that CL&P or United Illuminating will buy any excess power that the owner of a private plant cannot use.

Base-load plants, to qualify for a grants, must agree to operate at 85 percent capacity or more.

Business leaders who were at the Legislative Office Building in Hartford during the announcement agreed.

Dennis Hrabchak, vice president of corporate affairs for United Illuminating, said business owners have been awaiting details before committing to distributed generation.

"Now that there are ground rules, I think the companies are going to be able to do some analysis and see what works for them," he said.

He said it will be some months before power generators are installed and operating. On the other hand, Downes noted, some smaller units can be bought "off the shelf" and put into service rapidly.

One longtime advocate of distributed generation is Joel Gordes, a West Hartford energy consultant who formerly served as chairman of the General Assembly's energy committee.

He said he is uncertain how eagerly businesses and other power-using entities will respond to the lure of state subsidies, but "I think it's going to make for a more secure, more reliable type of power system."

insurance contract that Spitzer said was being steered to American International Group Inc.

The e-mail included: "Can you give me a protective indication on this. It is an AIG renewal and AIG already quoted it so just give me a bad price with higher per cent. attachment and then we can be done with this."

Spitzer said Zurich provided the phony quote in the deception of a Marsh customer.

"Our investigation revealed that Zurich schemed with insurance brokers and other insurers to rig bids, behavior that led policyholders to pay more for insurance," Illinois Attorney General Lisa Madigan said. "Zurich also secretly paid contingent commissions to brokers in exchange for the brokers' steering business to Zurich."

Earlier this month, Zurich agreed to pay nearly \$172 million in a separate deal with nine states to settle allegations of bid-rigging and price-fixing in the commercial insurance market.

Policyholders in 50 states will receive \$151.7 million in refunds in the settlement with California, Florida, Hawaii, Maryland, Massachusetts, Oregon, Pennsylvania, Texas and West Virginia. Those nine states will get an additional \$20 million for investigative and attorney costs.

"The agreements concluded within the last two weeks represent significant progress in Zurich's efforts to resolve the uncertainty associated with certain industrywide practices," Zurich CEO Schiro said.

"This industry, like others before it, is undergoing a transformation, and these agreements will bring greater clarity to how Zurich will move forward to serve producers and customers in this new era of transparency."

Value's regions, telling customers that such items are in stock? "We were advertising things I could not possibly carry."

Heidemann, 61, credits Lieberman for leaving True Value in solid shape, including four straight years of improving profits and same-store sales growth of 2 percent last year, when revenue totaled \$2.04 billion.

Despite the financial recovery, retail consultant Howard Davido-

I think the book is out."

The continuing loss of 150 to 200 members a year, which hardware industry trends suggest is likely to continue, underscores the challenge.

Hardware stores are seeing their share of the do-it-yourself market shrink steadily, with sales growing in the low single-digit percentages annually while their big-box rivals grow at a double-digit clip, doubling their sales

not, Hardy said. That is why he was glad when the cooperative stopped advertising big-ticket items that smaller stores like his could only stock in small numbers, not in the selection that customers demand.

Better to promote the tools, gadgets and supplies that homeowners need day-by-day and week after week, he said.

"There's a lot of business to be had from your do-it-yourselfers

ing, refixturing a bathroom or changing lighting.

Courant Staff Writer Paul Marks contributed to this story.

DIVIDENDS

Company	Period	Amount	Record date	Payable date
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MONDAY, MARCH 27

***DPUC Review of the Development
of a Program to Provide Monetary Grants
for Capital Costs of Customer-Side Distributed Generation***

Summary of Draft Decision

The DPUC issued its draft decision ("Draft") in the above referenced proceeding on March 8, 2006. Written comments are due on March 15, oral arguments will be held on March 17 and a final decision is due on March 23, 2006. This proceeding was conducted pursuant to Section 8(a) of Public Act 05-01, which requires the Department to establish a program which will award one-time capital grants to customers who install customer side Distributed Resources ("DR"). Per the Act, the award amounts will range between \$200-500/kW and can not be greater than the projected reduction in FMCCs. This proceeding also will establish additional standards for the amount of the awards and the process of making such awards.

CIEC, Aegis Energy Services; Connecticut Clean Energy Fund; Connecticut Light & Power Company; EnerNOC; Kimberly-Clark; Office of Consumer Counsel; Tecogen & Clover Corporation; United Illuminating Company; United Technologies Corporation; and U.S. Power all were active participants in the proceeding.

Following are the criteria that the Draft establishes regarding Section 8(a) awards.

Eligibility:

- Limited to generators that have submitted a completed interconnection application to the EDC after July 21, 2005.
- Incremental capacity is eligible, existing capacity is not.
- The following are not eligible
 - Emergency generation for hospitals, nursing homes and other facilities that are required under law.
 - Gas engine driven air conditioning, gas absorption chillers and other gas engine driven technologies because they are fuel switching options.
 - Projects that receive grants through C&LM fund, Clean Energy fund, near-term measures docket or other programs already funded by ratepayers. For example, solar installations will not receive awards as they are already funded by CCEF funds.
- DG units that receive awards can not receive capacity payments from ISO of C&LM supplemental payments. These payments are to go to EDCs to reduce FMCCs.

Duration:

- Awards are available to projects approved through April 1, 2007, or approximately one year unless significant changes to LICAP or other markets occur.
- Awards remain available at approved levels for 3 years as long as the project remains operational.
- Awards are paid when project begins operating.

Other Funding:

- Projects must apply for other public funding prior to applying for Section 8(a) awards, including CCEF and C&LM funds, as these will be considered in the FMCC cost/benefit calculation.

Timeline for Review:

- DPUC will determine whether applications are complete within 15 days after receipt.
- Award will be granted or denied within 60 days after application is accepted.

- EDC will issue money when applicant is in compliance with all operating requirements.

Financial Requirements:

- A five-year financial guaranty, e.g., letter of credit, surety bond, is required equal to 100% of the capital grant and can decrease annually by 20% over 5 years.

Operational:

- Minimum ratings for eligibility will not be prescribed by the Department to receive an award.
- Awards will not be restricted based on a customer's peak load or based on nameplate capacity of the generator.
- Utilities are required to purchase the output of excess energy through existing rates to help encourage DR development. Tariffs must be modified to accommodate this order and submitted within 30 days for approval.
- Facilities must be reducing demand during system peak times (defined as the months of January, February, June through September, hours 12 p.m. to 8 p.m. each week day) for five years after in-service date.
- Emergency Generators and demand response facilities are required to participate in ISO-NE 30 minute Demand Response programs.
- DR units must operate at 85% or more of rated capacity when called upon by ISO. If not, monthly grant is forfeited.
- Failure to operate forfeits all remaining security.

Provision of Awards/Forfeiture:

- Monthly award amount, including locational payments, will be calculated by $\text{total}/5(\text{years})/6(\text{peak months}) = \text{monthly amount}$. If unit fails to perform during any one peak month, it forfeits 20% of security.

Performance Monitoring:

- EDCs will monitor DG customer performance and report to DPUC results annually. Administrative costs of monitoring are recoverable through FMCCs.

FMCC and Participant Cost/Benefit Tests:

FMCC Test which analyzes costs and benefits from electric ratepayer perspective

Costs will include:

- Section 8(b) utility incentives of \$200 per kw
- Gas rebate and low interest loan program costs

Costs will not include:

- Backup rate waivers
- Shifted costs

FMCC Benefits:

- Capacity savings estimated at \$7/kW-month or \$84/kW-year
- 14% avoided reserve requirement
- Avoided line losses will not be adjusted for
- Energy savings too difficult to estimate but Draft calculates the value of forward reserve benefits necessary to justify a minimum award of \$200/kW for emergency and load response and a maximum of \$500/kW for base load DR.

Non-FMCC Benefits:

- In-service time and project location included
- Project attributes are not included unless they specifically reduce FMCCs

Participant Test reviews costs/benefits from project owner's perspective.

- Payback period of benefits is set at 5 years

Emergency generation/load response projects – Minimum award of \$200/kW;

- Must be enrolled in ISO-NE demand response program
- Supplemental incentives of \$80/kW-year approved but if a project receives a Section 8(a) award it can not receive the supplemental incentive of \$80/kW
- 5 year contract periods required with all \$2/kW-month payments received from ISO-NE given to the EDCs.

Base Load generation – Minimum award of \$400/kW

- Net benefits estimated to be approximately \$280/kW

Bonus awards:

- \$50/kW for locating in 54-town SWCT area + an additional \$50/kW for locating in Norwalk-Stamford sub area (therefore \$100/kW extra if locate in Norwalk-Stamford)
 - Criteria - Must be operational by April 30, 2008
- If operational May 1, 2008 – April 30, 2009 bonus award decreases by \$25/kW.
- If operational after April 30, 2009 – no bonus award