



December 9, 2011

## DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION

### NOTICE OF ACCEPTANCE OF PROPOSALS FROM PRIVATE DEVELOPERS DEEP IMPLEMENTATION OF SECTION 127

The Commissioner of the Department of Energy and Environmental Protection (the Commissioner) provides this notice regarding the acceptance of proposals from private developers pursuant to section 127 of Public Act 11-80.

#### **BACKGROUND**

Pursuant to Section 127 of Public Act 11-80, An Act Concerning the Establishment of the Department of Energy and Environmental Protection and Planning for Connecticut's Energy Future, the Department of Energy and Environmental Protection (Department or DEEP) will review and evaluate proposals by electric distribution companies (EDC) and private developers to build, own or operate up to thirty megawatts of zero emission Class I renewable energy sources. Section 127 allows such proposals to be submitted by EDCs and private developers.

The Commissioner has determined that the Public Utilities Regulatory Authority (PURA), which regulates EDCs and administers Sections 16-19 and 16-19e of the General Statutes of Connecticut, is well-suited to review and approve proposals submitted by EDCs. EDCs should contact PURA for further information about submitting a proposal. The Department's Bureau of Energy and Technology Policy will evaluate and approve proposals submitted by private developers.

In sum, of the thirty megawatts for which proposals may be submitted under section 127, ten will be allocated to each of the EDCs in the state, and these combined twenty megawatts will be evaluated by PURA. The remaining ten megawatts will be allocated to private developer generation and evaluated by the Bureau of Energy and Technology Policy.

#### **CALL FOR PROPOSALS**

The Department hereby calls for an initial round of proposals from private developers for projects that meet the criteria specified below. The Department will evaluate proposals for the entire ten megawatt allocation of private developer projects

on an expedited basis in order to maximize potential federal tax benefits to project sponsors. Projects will be evaluated on a competitive basis with an aim to provide the lowest necessary public subsidy for clean energy generation. The Department reserves the right not to make any award in this initial round if it believes that the number or quality of projects is not sufficient to meet the Department's goal of cheaper and cleaner energy. If the entire ten megawatt capacity of private projects is not allocated in this initial round, the Department will hold a second round of project evaluations in the spring of 2012. Additional rounds will be held up until July 2013 depending on the available allocation which may be increased in the future by the Legislature.

Proposals from private developers should include power purchase agreements (PPAs), expressed on a per kWh basis for a period of years, but other arrangements will be considered. Upon issuance of DEEP's approval of a proposal, EDCs will negotiate and submit the final executed contracts to PURA, who will determine cost recovery.

The Office of Consumer Counsel, the Clean Energy Finance Investment Authority and other state agencies will observe the evaluation and selection process.

## **FILING PROTOCOL**

More information can be found on the DEEP website at <http://www.ct.gov/deep>. From the DEEP Energy page you can access the page created for this proceeding (reference Section 127 of P.A. 11-80). All questions and filings by stakeholders in this proceeding must be submitted directly to Debra Morrell at [Debra.Morrell@po.state.ct.us](mailto:Debra.Morrell@po.state.ct.us). Any agency response to questions will be published on the DEEP website for all parties to view no later than December 13, 2011.

Information regarding the financial viability of the project will be treated as confidential. Proposals should be submitted in redacted and non-redacted form. Remaining information contained in the bid other than the financial viability of the project will remain confidential until the conclusion of the evaluation process.

The proposals shall demonstrate how the applicant and proposed project meet the project eligibility and threshold requirements listed below. The applicant must also indicate its acceptance of the minimum contract terms listed below in order to have the project awarded. The proposals will be submitted/evaluated/approved in accordance with the following schedule:

Notice/RPS Solicitation	December 9, 2011
Projects must be submitted (by 12:00 noon)	December 16, 2011
DEEP Issues Final Project Selection	December 23, 2011

The schedule is expedited to enable projects to leverage federal incentives that are set to expire December 31, 2011.

## **PROJECT ELIGIBILITY REQUIREMENTS**

### **A. BASIC REQUIREMENTS**

Emit no pollutants.

Have a nameplate capacity of between 1 and 5 MW.

The EDC's will own all energy, capacity and environmental attributes associated with the project.

The Project must not already be operational or eligible for federal production tax credits as of December 15, 2011.

Project must be operational by July 15, 2014.

All power must be delivered to Connecticut.

### **B. THRESHOLD CRITERIA**

Technical viability of the project will be evaluated based on a number of factors, including the type of technology utilized and status (maturation), technical specifications, estimated capital and operating and maintenance costs. Applicants shall submit a projected timeline for project construction completion, including major milestones, with a projected commercial operation date(s) target of July 1, 2014 or earlier. Site control, such as location, ownership structure and anticipated issues obtaining Connecticut Siting Council approval, if any, must be included.

Management capability experience of the developers will be evaluated based on a number of factors, including the technical, administrative and managerial capability to develop and maintain desired operation over the life of the project. The ability of the developers to leverage financial resources will be given strong consideration.

Financial viability of the project will be evaluated based on a number of factors, including a proposed financing plan, financial structure, cash-flow analysis, and general financeability of said project given current economic conditions and given the availability of long-term fixed-price contracts; The application should include proforma income statements that indicate projected costs and revenues annually to show that the project is cost based and provides a reasonable rate of return.

### **C. MANDATORY CONTRACT TERMS**

The contract will be for a maximum of 20 years.

Seller shall be paid a cents/kWh basis only for kWh delivered to the buyer.

Projects must be operational by July 1, 2014. If the project is not operational by July 1, 2014 the project will be required to pay delay damages as outlined in Section 3.2 of the model PPA (model PPA attached).

In addition, if the project is not operational by July 1, 2016, the buyer may terminate the contract.

## **PROJECT EVALUATION CRITERIA**

Projects that meet the Project Eligibility Requirements will be evaluated on price and non-price criteria. Price criteria will account for 85% of the total score and non-price criteria will be 15%.

### **A. PRICE**

Applicants shall provide a proposed contract price expressed on a fixed cents/kWh basis annually and include an estimate of annual production and costs annually over the 20 year contract life. Projects will be evaluated on the cost impact over 5 and 10-years as well as over the contract life. Project costs will be compared inclusive of all Connecticut ratepayer and taxpayer subsidies.

### **B. NON-PRICE EVALUATION CRITERIA**

In addition to meeting the Project Eligibility Requirements in Section II, consideration will be given to the following:

Economic benefits, such as how will the proposed project will contribute to overall economic growth of the state, increase the competitiveness of local business, and create jobs in the state.

Contribution to system reliability, such as respective risks and resulting variation of the project's output. The proposed project's ability to moderate peak load requirements should be considered, including the agreement of the developer to commit qualifying capacity to ISO New England, Inc.

Preference shall be given to proposed projects which make efficient use of existing sites and supply infrastructure.