



STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC UTILITY CONTROL
TEN FRANKLIN SQUARE
NEW BRITAIN, CT 06051

DOCKET NO. 05-07-19 DPUC PROCEEDING TO DEVELOP A NEW
DISTRIBUTED RESOURCES PORTFOLIO STANDARD
(CLASS III)

February 16, 2006

By the following Commissioners:

Anne C. George
John W. Betkoski, III
Jack R. Goldberg

INTERIM DECISION

TABLE OF CONTENTS

| | | |
|--------------|---|-----------|
| I. | INTRODUCTION AND PROCESS | 1 |
| | A. SUMMARY | 1 |
| | B. PUBLIC ACT NO. 05-01 REQUIREMENTS | 1 |
| | C. CONDUCT OF THE PROCEEDING | 1 |
| | D. SUMMARY OF PARTICIPANT POSITIONS | 3 |
| | E. TECHNICAL WORKSHOP(S)..... | 6 |
| II. | CONSERVATION AND LOAD MANAGEMENT RESOURCES | 6 |
| | A. QUALIFYING ACTIVITIES | 6 |
| | B. CERTIFICATION OF MEASURES..... | 7 |
| | C. MEASUREMENT AND VERIFICATION OF SAVINGS..... | 8 |
| III. | COMBINED HEAT AND POWER RESOURCES..... | 9 |
| | A. QUALIFYING ACTIVITES..... | 9 |
| | B. CERTIFICATION OF CHP ELIGIBILITY | 11 |
| | C. MEASUREMENT AND VERIFICATION OF PERFORMANCE | 12 |
| IV. | CREATION AND DISPOSITION OF CLASS III CREDITS..... | 12 |
| | A. CLASS III CREDIT CREATION | 13 |
| | B. CLASS III CREDIT TRACKING | 14 |
| | C. CLASS III CREDIT TRADING | 15 |
| V. | ALLOCATION OF CLASS III CREDITS..... | 15 |
| VI. | ALTERNATIVE COMPLIANCE PAYMENT | 16 |
| VII. | EXISTING SUPPLY CONTRACTS | 17 |
| VIII. | FINDINGS OF FACT | 17 |
| IX. | CONCLUSIONS AND ORDER..... | 18 |

INTERIM DECISION

I. INTRODUCTION AND PROCESS

A. SUMMARY

In this Interim Decision, the Department approves a general framework for the development of a new Class III Portfolio Standard, pursuant to Public Act 05-01, June Special Session. An outline of the Class III Portfolio Standard program is described in the following sections. Several aspects of program design will require additional expertise from parties and other participants in this docket. The Department will conduct one or more Technical Workshops to receive such additional input toward finalization of selected technical and administrative details.

B. PUBLIC ACT NO. 05-01 REQUIREMENTS

Public Act 05-01, June Special Session, "An Act Concerning Energy Independence" (Public Act 05-01 or the Act) established the requirement that electric suppliers and electric distribution companies obtain 1 percent of their generation supply from Class III resources beginning January 1, 2007. The resource requirement increases to 2 percent on or after January 1, 2008, then to 3 percent on or after January 1, 2009, and finally 4 percent on or after January 1, 2010. Section 16(e) of the Act requires the Department of Public Utility Control (Department) to conduct a contested proceeding to develop the administrative processes and program specifications necessary to implement the Class III program. Section 16(e) further specifies the examination of seven key issues:

1. The manner in which qualifying activities are certified, tracked and reported;
2. The manner in which Class III certificates are created, accounted for and transferred;
3. The feasibility and benefits of expanding eligible Class III resources to include those resulting from electricity savings made by residential customers;
4. Verification of the accuracy of conservation and customer-side distributed resources credits;
5. Verification of the fact that resources or credits used to satisfy the requirement of this section have not been used to satisfy any other portfolio or similar requirement;
6. The manner in which credits created by conservation and customer-side distributed resources may best be allocated to maximize the impact of the trading program; and
7. Setting such alternative payment amounts at a level that encourages development of conservation and customer-side distributed resources.

C. CONDUCT OF THE PROCEEDING

In a Procedural Order dated December 15, 2005, the Department outlined the process by which it will implement its responsibilities under Section 16(e) of the Act.

Under the Act, the Department is required to report its findings to the legislature by February 1, 2006.

The Department has recognized the following as parties in this proceeding: Connecticut Light and Power Company (CL&P), P.O. Box 270, Hartford, CT 06141-0270; Connecticut Office of the Attorney General (AG), Ten Franklin Square, New Britain, CT 06051; Connecticut Office of Consumer Counsel (OCC), Ten Franklin Square, New Britain, CT 06051; Connecticut Resources Recovery Authority (CRRRA), 100 Constitution Plaza, Hartford, CT 06103; Constellation New Energy (CNE), 800 Boylston Street, 28th Floor, Boston, MA 02199; Direct Energy Services (DES), 101 Barnes Road, Wallingford, CT 06492; Dominion Retail (Dominion), 280 Trumbull Street, Hartford, Connecticut 06103; Green Mountain Energy Company (GME), 3815 South Capital of Texas Highway South, Austin, TX 78704; Select Energy (Select), 107 Selden Street, Berlin, CT 06037; Sempra Energy Trading Corp. (Sempra), 58 Commerce Road, Stamford, CT 06902; Sprague, Two International Drive, Portsmouth, NH 03801; Strategic Energy, Two Gateway Center, 9th Floor, Pittsburgh, PA 15222; Suez Energy Resources (Suez), 1990 Post Oak Boulevard, Suite 1900, Houston, TX 77056; Transcanada, 110 Turnpike Road, Suite 203, Westborough, MA 01581; and United Illuminating Company (UI), 157 Church Street, P.O. Box 1564, New Haven, CT 06506-0901.

The Department has also recognized the following intervenors: Aegis Energy Service Inc, 2097 Riverdale Street, West Springfield, MA 01089; Community Energy, 150 Strafford Avenue, Suite 110, Wayne, PA 19087; Converge Inc, 120 Eagle Rock Avenue, Suite 190, East Hanover, NJ 07936; Connecticut Clean Energy Fund (CCEF), 200 Corporate Place, 3rd Floor, Rocky Hill, CT 06067; Connecticut Energy Conservation Management Board (ECMB), P. O. Box 101, Riverton, CT 06065; Conservation Services Group (CSG), 40 Washington Street, Westborough, MA 01581; Environment Northeast (ENE), 15 High Street, Chester, CT 06412; Grid-Link Coalition, 173 Horizon Lane, Glastonbury, Connecticut 06033; Kimberly-Clark Corporation (K-C), 100 Pine Street, P.O. Box 1160, Harrisburg, PA 17108; National Association of Energy Service Companies (NAESCO), One Post Office Square, Sharon, MA 02067; Sterling Planet, P.O. Box 186, Litchfield, CT 06759; and United Technologies Corporation (UTC), One Financial Plaza, Hartford, CT 06103.

The Department requested comments by a Notice dated December 5, 2005. The following parties submitted written comments in response to the Notice: CL&P; ENE; K-C; Sterling Planet; UI; Northeast Energy Efficiency Partnerships Inc. (NEEP), 5 Militia Drive, Lexington, MA 02421; Solar Turbines Incorporated (Solar Turbines), 1425 "K" Street, Suite 400, Washington, D.C. 20005; and United States Combined Heat and Power Association (USCHPA) 218 D Street, SE, Washington, D.C. 20003.

On December 30, 2005, the Department issued a Strawman Proposal presenting the Department's initial positions regarding the requirements and administrative procedures for a Class III Portfolio Standard with the intent of eliciting input from parties and intervenors. The Strawman Proposal also included a set of questions to seek further comment on specific suggested program requirements and issues. The Department held a public hearing to review comments on the Strawman Proposal on

January 12, 2006, in the offices of the Department, Ten Franklin Square, New Britain, Connecticut 06051.

D. SUMMARY OF PARTICIPANT POSITIONS

The Department has actively solicited written comments and testimony over the course of this proceeding. The interested participants have provided valuable responses to these requests at every phase. The Department appreciates these efforts and acknowledges that participant input has enhanced the process and helped shape the Draft Decision. Comments and testimony from the participants have generally been aligned with the key questions posed in the Department Strawman Proposal. Participants also provided commentary with respect to (1) setting the level of the Alternative Compliance Payment, (2) grand-fathering existing supply contracts, (3) attachment of environmental attributes to Class III credits, and (4) incorporating the program into New England Power Pool Generation Information System (NEPOOL GIS). A summary of the participants' input from written filings and oral testimony is provided below. Other comments from participants are included elsewhere in the text of this Interim Decision with their respective topics.

1. Eligibility of Savings from Demand Response (DR) Measures

Comverge and Sterling Planet strongly support the inclusion of load management, New England Independent System Operator (ISO-NE) Load Reduction Program (LRP), and DR assets as eligible Class III resources. Comverge contends that the Act explicitly includes load management programs as eligible Class III resources and therefore they can not be excluded from the program. Comverge also disputes the position commonly held by several parties that the administrative burden associated with these assets would not justify their inclusion. Comverge supports this position by pointing out that comparable DR programs with approved measurement and verification (M&V) systems are in place and functioning in other jurisdictions. Comverge asserts that these approved M&V protocols accurately identify the aggregate loads reduced by DR programs.

UI, ENE, CL&P and the ECMB do not support the inclusion of DR assets as eligible Class III resources. These participants generally hold the position that the administrative burdens and costs of awarding Class III credits to customers for DR reductions would outweigh the benefits of including these assets. Specifically, the parties point out that DR as part of the ISO-NE LRP program is used either as an emergency resource or a cost reduction measure during high-price periods. These participants contend that these events provide little customer incentive to increase Class III participation since the duration of these events is usually less than 8 hours per year.

2. Eligibility of Savings from Residential Customers

The majority of the comments regarding this issue indicate that including residential customers under this program would be an administrative challenge. For example, CL&P points out that it would be "impractical and far too costly to attempt to track which energy conservation measures individual residential customers had

installed and the associated amounts of electricity savings, for purposes of calculating and awarding Class III credits to these customers. However, nearly all of the comments support incorporating residential assets if the eligibility requirements were structured in a manner that made program administration feasible.

ENE, UI, CL&P, Comverge, and the ECMB all advocate restricting eligible residential assets to C&LM fund measures. These participants further suggest that credits associated with residential measures would not be eligible for credit sharing since this would create a cost prohibitive administrative burden. UT also addresses another aspect of this issue by expressing the reservation that allocating credits to residential customers could potentially dilute the market with a flood of Class III credits. CL&P, UI and the ECMB suggest that residential credits be awarded to the C&LM fund for the aggregate amount of electricity conservation achieved by the residential customers. The C&LM fund would sell the Class III credits associated with such conservation and use the funds received from such sales to sponsor additional conservation projects in the future. Sterling Planet also provides support for accounting for residential measures on an aggregate basis but recommends qualifying both C&LM fund and non-C&LM fund measures for residential customers.

In addition, ENE suggests that if residential measures are included, the annual portfolio standard requirement should be increased to provide the same level of incentive for currently eligible C&I and CHP measures.

3. Combined Heat and Power (CHP) Efficiency

UTC and K-C point out that the Act specifically establishes a 50% efficiency rating for CHP and does not specifically authorize the Department to modify this provision. K-C further contends that no reasonable factual or legal justification was provided for the increased 60-63% efficiency standard. K-C and UTC also argue that the more stringent standard would discourage development of CHP units and therefore contradict the intent of the legislation. From an operating standpoint, K-C suggests that customers would be unable to sustain an operating efficiency of 60% (or greater) for units sized for anything other than their own electric and steam use.

CEG, ENE, UI and CL&P express the opinion that both the higher efficiency standard and the 20% minimum for both electrical and useful thermal output are reasonable.

4. Non-Conservation and Load Management (C&LM) Program Measures

ECMB and UI suggest that non-C&LM funded projects be monitored by the C&LM program administrator and certified as non-incentive projects. ECMB and UI argue that this would allow for consistent application of savings assumptions across all programs and ensure that all measure installations have one consistent set of criteria. CL&P recommends that non-C&LM projects be certified, monitored, and verified by approved third-participants using protocols equivalent to those employed under the C&LM program. CEG recommends that qualified energy service companies be permitted to certify, monitor, and verify their own projects using "International Performance Measurement and Verification Protocols" (IPMVP).

5. Allocation of Class III Credits

CL&P, UI, CEG, ENE, Sterling Planet and ECMB all generally support that Class III credits generated by measures installed under C&LM fund programs will be allocated 25% to the customer or its agent and 75% to the C&LM fund. These participants also generally support that Class III credits generated from independently funded C&LM measures, DR, and CHP projects will be awarded 100% to the customer or the customer's agent, less a small portion that will be assigned to the C&LM fund to defray administrative costs. In addition, these participants generally support the approach that if incentives from the C&LM fund are used to pay for C&LM measures, then all credits flowing from such measures will be assigned to the C&LM fund.

6. Net-To-Gross Factors

UI, ECMB and CL&P advocate the use of net-to-gross factors and suggest that appropriate net-to-gross factors are available or can be derived from C&LM program studies. CL&P further states that they should be calculated by customer sub-classes, facility type and end-use. ENE specifically recommends that factors such as free riders should be accounted for in the credit certification.

Sterling Planet contends that the application of net-to-gross factors to individual project savings would be arbitrary at best and discriminatory at worst. Therefore, Sterling Planet concludes that net-to-gross factors are inappropriate and should not be applied to individual project savings.

7. Other Issues

ENE and Converge contend that the Alternative Compliance Payment (ACP) should be set at the 5.5 cent/kWh minimum stipulated in the Act. ENE and Converge argue that the proposed 3.1 cents/kWh ACP is unnecessarily low and contrary to the Act's stated purpose of encouraging Class III resource development.

CEG advocates the exemption of existing supply contracts from the Class III RPS. CEG argues that under existing contracts, suppliers agreed to supply electricity at a fixed price. Under the Class III program, suppliers will have to contract for energy from sources of generation that are less plentiful, and thus more expensive. Therefore, the Class III program will impose new costs on existing supply arrangements.

Sterling Planet expressed its concern that emission allowances and credits associated with Class III projects will not be conveyed with the Class III credit. Sterling Planet asserts that Class III credits should represent all environmental attributes associated with their generation.

CEG advocates modifying the NEPOOL GIS system in order to accommodate Class III resources in advance of program launch. CEG suggests that using NEPOOL GIS would be simpler and more efficient than creating a stand-alone administrative entity in the interim.

E. TECHNICAL WORKSHOP(S)

The Department will conduct one or more Technical Workshops to develop further the technical and administrative details of the Class III Portfolio Standard. Designated parties, intervenors, and interested persons are strongly encouraged to participate. The first Workshop session will be held February 28, 2006, beginning at 9:00 AM. If needed, a second session will be held on March 1, 2006, beginning at 9:00 AM. Workshop topics will include, but may not be limited to:

- Methodology for determining net-to-gross factors
- Attachment of environmental attributes to Class III credits
- CHP metering requirements
- Qualification of DR resources
- Class III program administrative procedures
- Inclusion of residential Class III resources

II. CONSERVATION AND LOAD MANAGEMENT RESOURCES

A. QUALIFYING ACTIVITIES

Any C&LM measure installed after January 1, 2006 within the facilities of commercial and industrial (C&I) customers¹ in the state of Connecticut shall be eligible for certification and issuance of Class III credits, provided that the installation is verified and the savings are determined using Department-approved M&V protocols. Eligible Class III C&LM activities include measures installed through the existing C&LM fund programs as well as those installed by customers without assistance from the existing C&LM fund programs.² For the latter, any C&LM measure that can be demonstrated to save electricity by Department-approved M&V protocols will be eligible.

In testimony during the hearing on January 12, 2006, Sterling Planet recommended that measures that save energy through changes in operation and management (O&M) of facilities also be eligible for Class III credits.³ The Department agrees that O&M measures that involve making physical changes to facilities (e.g. re-programming of energy management systems, retro-commissioning, instituting energy-saving preventive maintenance programs) should be eligible for Class III credits, provided (1) that the installation is verified and the savings are determined using the approved and M&V protocols and (2) credits associated with these measures will require annual re-certification. O&M measures that do not involve physical changes (e.g., signage, newsletters, or other policies designed to encourage behavioral change) will not be eligible for Class III credits.

¹ C&I customers are defined as any customer receiving electric service from a Connecticut distribution company under a commercial or industrial rate schedule.

² ENE argues that only activities outside of the current C&LM fund programs be eligible for the credits. However, savings from the current commercial and industrial (C&I) C&LM fund programs would account for only approximately half of the Class III requirement for 2007 and 2008. If savings from residential customers are excluded from Class III, then meeting the 1 percent requirement in 2007 will require a doubling of C&I C&LM activity in the state.

³ Tr. 1/12/06, pp. 144 – 146.

Energy savings from DR measures including load management will also be eligible for Class III credits. Such DR measures must be registered and participating in ISO-NE DR programs. The credits will be issued based upon the MWh reductions metered in response to the applicable ISO-NE programs. The Department acknowledges comments from Converge that DR projects also provide capacity value. However, the Department interprets this program to be an energy savings program, based on measured kWh savings. Therefore, the program design will award Class III credits for kWh savings only.

The parties and intervenors have been generally supportive of expanding eligible Class III resources to include savings from residential customers. All participants have been mindful of the potential for a costly administrative burden associated with the inclusion of such widely dispersed installations. UTC expressed reservations about the possibility of diluting the market with a flood of additional Class III credits.⁴ ENE suggested increasing the standard percentage requirement to accommodate the additional influx of Class III resource.⁵

The Department supports seeking authorization from the Legislature to allow the Department to consider expanding eligible Class III resources to include C&LM fund program savings from residential customers. Initial consideration of such expansion would take place after the end of the first year of program operation. Savings from non-C&LM fund programs that aggregate residential projects may also be acceptable, if they are of sufficient magnitude to generate a viable Class III credit. Due to the significant administrative burden associated with certifying and tracking small, widely dispersed installations, individual non-C&LM residential projects would not be allowed. The Department recommends that 100 percent of residential Class III credits be allocated to the C&LM fund based on the expectation that the value of such credits will be returned to residential customers in the form of increased C&LM fund program activity. Further specifications regarding expansion to include residential customers will be developed in the Technical Workshop(s), and a final recommendation for the required statutory change will be incorporated in this Docket.

B. CERTIFICATION OF MEASURES

This section examines “the manner in which qualifying activities are certified, tracked and reported,” pursuant to Public Act 05-01, Section 16(e)(1).

In general the Department’s approach to certification of C&LM measures and subsequent measurement and verification of savings is intended to minimize administrative costs by taking advantage of existing mechanisms wherever possible and appropriate. Class III credits will be issued upon the acceptance of a complete and accurate report verifying the installation of the measure and other items required to be reported as part of the M&V plan. The report may be generated by a C&LM fund Program Administrator⁶ or by a non-C&LM fund project owner or developer and may

⁴ Tr. 1/12/06, p. 137.

⁵ Tr. 1/12/06, p. 136.

⁶ The current C&LM fund Program Administrators are CL&P and UI.

include aggregations of individual projects. Reports of savings from non-C&LM fund projects must be endorsed by an independent third party certifier verifying proper installation of the measure(s) and appropriate application of the M&V methodology. The Department proposes to maintain a list of certifiers that would be approved by the Connecticut Energy Conservation Management Board (ECMB). Alternatively, the Department may also elect to assume the role of independent certifier. A non-C&LM fund project owner or sponsor may make arrangements with one of the C&LM fund Program Administrators to have projects inspected by an approved certifier.⁷

C. MEASUREMENT AND VERIFICATION OF SAVINGS

Pursuant to Public Act 05-01, Section 16(e)(4), this section examines “verification of the accuracy of conservation and customer-side distribution resource credits.”

Energy savings from eligible measures will be determined consistent with IPMVP and using the baselines and methods for calculating savings that are being used at that time for the C&LM fund programs.⁸ Sterling Planet has recommended in Written Comments and testimony that other widely accepted savings calculation and M&V protocols also be allowed.⁹ The Department has determined that current C&LM fund program protocols for M&V of custom measures provide sufficient guidance and also contain adequate provisions for gaining approval of alternative M&V approaches for custom measures.

Each measure’s corresponding Class III credit value will be determined using:

1. The calculations from the C&LM fund program Technical Reference Manual (TRM).¹⁰ If a measure is not identified in the TRM, the sponsor may submit the savings calculations and the M&V plan to one of the C&LM fund Program Administrators or an approved third-party certifier for review and approval as a custom measure.
2. A net-to-gross factor to account for free-riders and other factors that cause the savings from an installed measure or group of measures to differ from the nominal or measured savings.¹¹ The methodology for calculating measure and/or customer class-specific net-to-gross factors will be developed as part of the Technical Workshop(s).
3. A discounted measure life that accounts for early removals, building demolition, and savings deterioration over time. Using discounted measure

⁷ The C&LM fund Program Administrator must exercise the same M&V procedures for a third party project as for C&LM fund projects.

⁸ This means that if the current conditions are less efficient than the current baselines, then the project will not receive credit for the savings associated with upgrading the equipment from “as-is” to current baseline conditions.

⁹ Tr. 1/12/06, pp. 146 – 148.

¹⁰ The TRM is a compliance filing to Docket No. 03-11-01PH02, Order No. 6, filed under Docket No. 05-10-02 (bulk filing).

¹¹ M&V protocols generally are designed to measure savings at a single site. Evaluations of energy efficiency programs seek to determine the net savings from the program which may differ from the sum of savings for all sites. For example, a certain percentage of these sites would have installed the same measure without program incentives (free rider).

- life produces a result consistent with using depreciation factors, but is much easier administratively and is consistent with readily available data on persistence. The discount factor shall be set by type of measure and end-use to produce a whole year discounted measure life.
4. A consolidated credit life. Measures with discounted measure life greater than ten years will be assigned a consolidated credit life of ten years, with the value of the credits equal to the discounted net present value of the energy savings over the discounted measure life, distributed evenly over a ten year term. For measures with discounted measure life ten years or less, the consolidated credit life will equal the discounted measure life. Notwithstanding the use of the consolidated credit life, the owner of a project shall notify the Department if the measure has been removed or the facility destroyed or shuttered. The Department will then rescind any unused Class III credits issued for energy savings that are associated with the facility closure, or removal/termination of the measure.

Credits will only be issued at the time when the M&V inspection report has been submitted to the Department or its designated Class III Credit Administrator (see Section IV. A.) As indicated in Section II. A., the M&V report must be endorsed by an approved certifier. If the Department elects to assume the role of independent certifier, non-C&LM fund project developers may be allowed to self-certify their own M&V reports subject to Department inspection.

Credits for energy savings from DR projects will be issued upon submission of documentation from ISO-NE verifying the MWh of DR provided in response to requests from ISO-NE. No additional M&V will be required.

III. COMBINED HEAT AND POWER RESOURCES

A. QUALIFYING ACTIVITIES

The Act specifies that the CHP system must be developed on or after January 1, 2006. The Department defines "developed" as the date when the equipment has entered commercial operation. For those CHP installations developed prior to January 1, 2006 that are expanded subsequent to that date, the Department will allow only the incremental output gains to receive Class III credits. This is similar to provisions in the existing Class I & II RPS program.¹² Additionally, the Department believes that the intent of the legislature is to ensure that CHP systems installed after January 1, 2006 represent new capacity that was not previously in service. This would not, however, preclude the eligibility of modifications to existing facilities that increase the net electrical output relative to representative generation levels prior to January 1, 2006. The Class III credits associated with the incremental output will be awarded based on the incremental electrical output of such modifications, consistent with other program requirements.

¹² See Docket No. 04-02-07, DPUC Declaratory Ruling Concerning "Run-of-the-River Hydropower" as That Term is Used in the Definitions of Class I and Class II Renewable Energy Source in C.G.S. §§16-1(a)(26) & (27), Decision dated 9/10/2004.

The Department recommends that CHP resources deemed eligible for the Class III program meet the eligibility requirements noted in the Act, with some additional considerations to ensure that the resources are clean, efficient, and properly installed and maintained. The Act defines Class III renewable energy source as "the electricity output from CHP systems with an operating efficiency level of no less than 50%..." (emphasis added.) While the Department believes the quoted language gives it the authority to give greater benefit to those units that attain higher than the minimum efficiency standard, it is cognizant of the overall intent of the legislature to promote greater deployment of CHP in the state. Therefore, the Department has determined that all CHP systems that achieve the minimum 50 percent efficiency level and additional performance criteria established below will qualify for Class III credits. The Department reserves the right to review the efficiency standards on new projects after the Class III program has been in operation for a full year.

- Electrical energy generated from CHP systems that achieve average annual fuel-conversion efficiency of 50 percent will be eligible to receive Class III credits, where "efficiency" is defined as the sum of the total useful electrical and thermal energy output divided by total operational electrical and fuel energy input.
- CHP systems must meet the following additional performance criteria:
 - The sum of all useful electrical energy output must constitute at least 20 percent of the technology's total usable energy output.
 - The sum of all useful thermal energy products must constitute at least 20 percent of the technology's total useful energy output. Useful thermal energy includes such applications as space heating, process heat, mechanical power and other applications, and would exclude heat releases to the atmosphere or other media that serve no useful or productive purpose. A more specific definition of acceptable applications for thermal energy use will be developed during the Technical Workshop(s).

Similar to the Class I and II credit program, a developer of a specific non-conforming CHP project may file a request for a Decision regarding project-specific exception(s) from these requirements, to which the Department will respond in timely fashion.

With regard to minimum and maximum size, the legislation limits eligible CHP systems to those on the C&I customer's side of the meter that are 65 MWe and below. No minimum size is specified. The Department notes that CHP technologies are being developed for small C&I and even residential applications. We see no reason to establish a minimum size threshold for Class III CHP eligibility, which could impose an unnecessary barrier on future market development of smaller CHP systems. Aggregation of these small systems would be appropriate, as currently allowed under the GIS operating rules for "behind-the-meter" generation resources.

The Act requires that the CHP system must meet Connecticut Department of Environmental Protection (DEP) air quality standards. New DEP rules in Regulations of

Connecticut State Agencies (RCSA) Section 22a-174-42 (Section 42) establish a standardized exemption from the obligation to obtain an individual permit pursuant to RCSA Section 22a-174-3a (Section 3a) for the owners and operators of distributed generators that are able to operate in compliance with Section 42. By limiting a generator's actual emissions to less than 15 tons per year, the requirements of Section 42 ensure that the generator's impacts are not significant enough to merit the detailed individual permit review process of Section 3a. Section 42 includes output-based standards for emissions of nitrogen oxides (NO_x), particulate matter, carbon monoxide and carbon dioxide as well as fuel sulfur content requirements to control emissions of sulfur dioxide.

To ensure compliance with ongoing and changing DEP air quality requirements, the Department requires that the Class III credit applicant provide copies of relevant DEP air permits, exemptions, and approvals. The Department plans to coordinate the review of such documents, or others as needed, with the DEP to ensure that projects are compliant with applicable air quality requirements.

Pursuant to General Statutes of Connecticut (Conn. Gen. Stat.) § 16-258b and regulations promulgated thereunder, projects with a generating capacity of greater than four megawatts are required to register with the Department. For the sake of completeness, the Department requires that applicants demonstrate proof of registration or of a pending request.

The Act does not require that the Department confirm other aspects of the CHP project's compliance with applicable rules and standards. The Department believes that it would be appropriate to ascertain that a Class III CHP project has met all applicable regulatory requirements at the time the project is certified as being Class III eligible. Consistent with this view, the applicant must self-certify compliance with the following:

- The installation complies with the manufacturer's instructions.
- The installation complies with the interconnection and protection requirements of the local electric distribution company and the Department.
- The installation complies with the provisions of the National Electrical Code and all other applicable local, state, and federal codes or practices.
- All required permits have been obtained and posted, as needed.
- All required inspections have been performed (i.e., Electrical/NEC, Local Building Codes, Fire Department, etc.).

B. CERTIFICATION OF CHP ELIGIBILITY

Pursuant to Public Act 05-01, Section 16(e)(1), this section examines "the manner in which qualifying activities are certified, tracked and reported."

Similar to the process used for Class I and II resources, the CHP credit applicant must file key data needed for certification of the CHP system's Class III eligibility, for review by the Department or its representatives. As an example, the type and level of information requested by the New Jersey Clean Energy Program (NJCEP) (see Exhibit

A) is consistent with this objective.¹³ It is likely that such applications would be filed during the project planning stages for a determination of Class III eligibility. However, such a filing could also be made after the installation of the CHP system. Class III credits may be issued for operation of the CHP system after verification of the system's Class III eligibility, provided that all data requirements are met, and the system's compliance with eligibility requirements can be demonstrated satisfactorily to the Department or its representatives.

The NJCEP requires a project narrative, including the type and rating of the prime mover and the waste heat recovery application. The existence of any manufacturer or vendor performance guarantees, particularly those relating to Department eligibility requirements (e.g. efficiency, emissions performance, safety, interconnection, etc.), is explicitly noted. The Department shall require an energy balance analysis (included in the NJCEP program) of the prime mover and uses for the recovered heat, including a simple schematic of the system showing all major components. The schematic will show annual totals for each energy input/output along with maximum, minimum, and average instantaneous values. Temperatures and flow rates for each waste heat transfer fluid and sink would also be indicated.

Each project must include sufficient metering or other measurement equipment, and a defined process to record such information, so that it can be reviewed and reconfirmed annually by the Department or its representatives. Revenue quality meter data for electrical output will be required for a Class III credit. In addition, the annual report must include total fuel input; verification of recovery of heat; and compliance with the minimum efficiency standards, 20 percent thermal energy production and 20 percent electrical energy production. The Department reserves the right to conduct site visits as a requirement of certification or subsequent periodic inspections.

C. MEASUREMENT AND VERIFICATION OF PERFORMANCE

This section examines "verification of the accuracy of conservation and customer-side distribution resource credits," pursuant to Public Act 05-01, Section 16(e)(4).

Credits will only be issued based upon metered electricity production with revenue quality meters that meet requirements currently placed on generators participating in the NEPOOL GIS. In addition, other data that must be recorded and provided for ongoing M&V, at a minimum, should include fuel input quantities and BTU specifications, and a calculation of thermal energy recovered verifying compliance with the program's minimum efficiency standards.

IV. CREATION AND DISPOSITION OF CLASS III CREDITS

This section examines "the manner in which Class III certificates are certified, tracked and reported" and "verification of the fact that resources or credits used to satisfy the requirement of this section have not been used to satisfy any other portfolio or similar requirement," pursuant to Public Act 05-01, Section 16(e)(2) and (5).

¹³ See <http://www.njcleanenergy.com/media/2005-CHP-Forms-061005.pdf>.

Class III credits will be the vehicle for demonstrating compliance with the Class III portfolio standard. The following procedures will be used for credit creation, tracking and trading under the Class III program.

A. CLASS III CREDIT CREATION

A Class III credit is a tradable instrument that represents all attributes associated with one MWh of eligible electricity savings and CHP electrical generation.¹⁴ Class III credits eligible for compliance with the Connecticut Class III portfolio requirement must be from installations located in the State of Connecticut. Class III credits will be valid only for the portfolio standard compliance year in which they are issued.¹⁵ Class III credits used to satisfy the Connecticut Class III portfolio standard may not be used to satisfy the requirements of any other portfolio standard or similar requirement in Connecticut or any other jurisdiction. Class III credits may not be banked for use in future compliance years and are retired once they are used to comply with the Class III portfolio requirement or as otherwise requested by the credit holder.¹⁶ The Department or an entity to be designated by the Department is solely responsible for the issuance of Class III credits and recording them in a suitable tracking system.

- **C&LM:** Credits will be issued upon submission and approval of a complete and accurate M&V inspection report from the C&LM fund Program Administrator or an approved third party certifier. Developers of non-C&LM fund measures will be responsible for engaging an approved independent third party certifier. If the Department elects to assume the role of independent certifier, developers of non-C&LM fund measures may be allowed to self-certify subject to inspection by the Department or its designated representative.

Class III credits for C&LM measures will be awarded quarterly beginning on the first day of the calendar quarter following submission of the M&V report. Credits will automatically be renewed quarterly for the remainder of the discounted credit life.¹⁷ If the measure is removed, destroyed, disabled, or

¹⁴ The Department's position for this Draft Interim Decision is that a Class III credit would not convey any claim of ownership or title to typical project revenues streams relating to, but not limited to, energy, capacity, ancillary services, congestion mitigation, DR programs, grants, incentives, rebates, and tax credits. Title to any emission allowances and credits associated with Class III projects would similarly not be conveyed with the Class III credit. However, such allowances and credits may not be sold or used by the initial recipient(s) of Class III credits or transferred to others for use or sale. The Department will allow such emission credits and allowances to be donated to a 501(c)(3) charitable entity or governmental agency, with the express condition that such allowances and credits are to be retired, and not re-sold or otherwise used. This issue will be explored further during the Technical Workshop.

¹⁵ It is noted, however, that as in RCSA 16-245a-1, an entity will be allowed to use credits obtained in the 1st quarter of one year to comply with the portfolio requirement for the previous year.

¹⁶ It is reasonable to expect that Class III credits may be sought for purposes other than Class III portfolio compliance that still contribute to energy efficiency in the state (e.g. voluntary green market purchase).

¹⁷ For example, suppose a measure saving 12 MWh per year with a 6-year discounted credit life is installed and a complete and accurate certification report is submitted in September. For the initial

abandoned during the discounted credit life, the owner will be required to notify the Department, and the Department may cancel the remaining credits. Small C&LM projects may bank kilowatt-hours of generation until the 1 MWh threshold is reached to qualify for one (1) Class III Credit.

- DR: Credits will be issued upon submission of documentation from ISO-NE verifying the MWh of DR provided in response to requests from ISO-NE. These credits shall be valid for the calendar year in which they were issued.
- CHP: Class III CHP credits will be issued based on actual production statistics verified by quarterly metering data of revenue quality. Class III CHP credits will be issued based on retrospective data. In other words, Class III CHP credits will only be awarded for MWhs generated and verified by quarterly metering data. Small CHP units may bank kilowatt-hours of generation until the 1 MWh threshold is reached to qualify for one (1) Class III Credit.

The initial title to the portion of the Class III credits not retained by the C&LM program (see Section V for more detail) will be granted to the owner of the premises where the Class III project is located. However, the owner of the premises may choose to assign title to its Class III credits to any other person designated, such as the electricity customer (if not the same person as the premises owner), lessee, agent, project developer/ESCO, charitable organization, etc.

B. CLASS III CREDIT TRACKING

The Department's preference is that Class III credit registration, tracking and transfer capabilities be fully integrated into the NEPOOL GIS system as soon as practicable. The NEPOOL GIS system does not currently have operating rules in place for inclusion of Connecticut Class III credits created from C&LM measures. However, the NEPOOL GIS already includes provisions that would allow voluntarily participation of "behind-the-meter" (or "non-Market Settlement System") Class III resources of less than 5 MW nominal capacity.¹⁸

While the Department will move expeditiously to request inclusion of the Class III credits in the NEPOOL GIS, any delays in effecting such changes cannot delay implementation of the Class III Portfolio Standards, as required by the Legislature. In the interim, we anticipate that it may be necessary for the Department to oversee the development of a stand-alone Class III credit issuance and tracking system that can

year, the project would receive 3 credits for the calendar quarter beginning October 1. Subsequently, the project would receive 3 credits for each quarter through the 3rd quarter of the 6th year.

¹⁸ Behind-the-meter generators that do not sell electricity are not typically participants in the Market Settlement System (MSS), regardless of size. Provisions in the NEPOOL GIS exist for non-MSS generators below 5 MW to self-report data to the NEPOOL GIS, provided their output is metered with revenue quality meters, and subject to inspection. Non-MSS generators 5 MW and above do not seem to have a mechanism in the NEPOOL GIS rules to self report their data to create GIS certificates. Some minor modification to the NEPOOL GIS would be required to enable 5 MW and above, behind-the-meter generators to participate, as well as to establish an additional data field for Class III resources and to denote certification of such resources by the Department.

perform some of the basic functions of the NEPOOL GIS and facilitate trading of credits in open markets until such time as these functions can be transferred to the NEPOOL GIS.¹⁹

C. CLASS III CREDIT TRADING

The Department envisions an open market for Class III credit trading to facilitate compliance with Class III program requirements. The flow chart in Exhibit B illustrates the mechanics of the Class III credit trading program.²⁰ With respect to credits allocated to the C&LM fund, or the Renewable Energy Investment Fund (REIF), such credits will be transacted quarterly through a supervised auction process administered by an independent entity approved by the Department.

As stated in Section IV.A. above, the Department reserves the right to discontinue any remaining Class III credit for which a savings measure is no longer operational. The buyer of Class III credits bears the risk of any such discontinuation.

V. ALLOCATION OF CLASS III CREDITS

Pursuant to Public Act 05-01, Section 16(e)(6), this section examines “the manner in which Class III Credits created by conservation and customer-side distributed resources may best be allocated to maximize the impact of the trading program.”

Class III credits generated by measures installed under C&LM fund programs will be allocated in the following manner:

- 25 percent of the credit shall be allocated to the customer or the customer’s agent (e.g. ESCO or contractor)
- 75 percent shall be allocated to the C&LM fund

However, for measures installed under C&LM fund programs, customers or their agents (e.g. ESCOs and contractors) who elect to retain their twenty-five percent (25%) credit will not be eligible to receive an incentive from the C&LM fund for those measures. Customers (or their agents) who elect to assign their credits to the C&LM fund may receive the full C&LM fund incentive. In other words, if incentives from the C&LM fund are used to pay for C&LM measures, then all credits flowing from such measures will be assigned to the C&LM fund. A standard provision in contracts for customers (or their agents) to opt out of ownership of the Class III credits would facilitate the transfer of all credits.

Class III credits generated from independently funded C&LM measures, DR, and CHP projects will be awarded 100 percent to the customer or the customer’s agent, less a small portion that will be assigned to the C&LM fund to defray administrative costs.

¹⁹ In anticipation of the need for the NEPOOL GIS to accommodate the Class III Portfolio Standard certificates, the Department has formally notified NEPOOL GIS of this docket.

²⁰ An example of such a system exists in the state of New Jersey. The New Jersey Board of Public Utilities has established an internet-based platform for issuance, tracking, and transfer of Solar RECs. This is maintained on the NJCEP website. See <http://www.njcep.com/srec/index.html>.

The specific amount of the latter will be determined after the Technical Workshop(s) and will be subject to periodic Departmental review.

VI. ALTERNATIVE COMPLIANCE PAYMENT

This section examines “setting such alternative payment amounts at a level that encourages development of conservation and customer-side distributed resources,” pursuant to Public Act 05-01, Section 16(e)(7).

Not later than October 15 of each year, an electric supplier shall submit to the department an annual report demonstrating compliance with the Class III portfolio standard, even if the supplier does not serve any load obligation during the particular reporting year. An electric distribution company or electric supplier shall be permitted to make up any Class III portfolio deficiency within the first three months of the succeeding calendar year. To ensure that Class III credits obtained during this “grace period” are not used to comply with the portfolio requirements of the succeeding calendar year, the electric distribution company or electric supplier’s annual report for the succeeding year shall clearly demonstrate that such resources are not used to comply with the succeeding calendar year’s portfolio requirements.

Section 16(b) of the Act calls for assessment of “a charge of up to five and five-tenths cents for each kilowatt hour of electricity that [each] supplier or company is deficient” in meeting the one percent Class III standard. The current alternative compliance level for Class I and II is currently set at \$0.055 per kilowatt hour; and many of the parties and intervenors to this proceeding have stated that this would be an acceptable level for the Class III program, arguing that C&LM and CHP energy should be worth at least as much as the conventional energy that it displaces. The Department, however, is mindful of the fact that ratepayers are already bearing the burden of recent, significant increases in electricity costs and also, therefore, have an additional, natural inducement to install Class III measures. Increasing that burden by the full amount allowed by statute to pay for an additional, non-market-based incentive to conserve should not be necessary. The Department’s position is that ratepayers should pay no more for Class III energy resources than the cost in the aggregate of procuring those resources. It follows, therefore, that the cost of Alternative Compliance for Class III resources should be no greater than the cost currently paid for such energy under the existing C&LM fund programs.

Accordingly, the Department shall assess each electric supplier and each electric distribution company that fails to meet the Class III percentage requirements in any given year a charge of three and one-tenth cents (\$0.031) for each kilowatt hour of electricity that such supplier or company is deficient in meeting such percentage standards. This is based on the budgeted utility cost of acquiring energy conservation through C&LM fund programs in 2006 using a discount rate of 8.2 percent (see Exhibit C). The Department will review the Alternative Compliance Charge no less frequently than every two years to ensure that the figure continues to create support for Class III resource development. In accordance with the Act, seventy-five percent of assessed alternative compliance charges shall be deposited in the C&LM fund and 25 percent shall be deposited in the REIF.

VII. EXISTING SUPPLY CONTRACTS

CNE requests the grandfathering of supply contracts that pre-date Public Act 05-01. According to CNE, the imposition of the new Class III requirement increases the cost of supplying fixed price electricity to customers. Meeting the new Class III obligations will require CNE to contract for energy from sources of generation that are more expensive. CNE states that it would be unfair or impossible to pass along the additional costs to customers or suppliers.

Grandfathering provisions can avoid the inequity of retroactive application of regulatory requirements. However, in any such decision:

[t]he fundamental criterion for determining whether a statute, regulation, or interpretation may be applied retroactively is one of reasonableness. Pennzoil Co. v. DOE, 680 F.2d 156 (Temp. Emer. Ct. App. 1982). Generally speaking, retroactive rules are valid if they are reasonable, but are invalid if their retroactivity is unreasonable in the circumstances. The court must weigh the mischief which might follow if the rule is denied retroactive effect, thereby producing a result contrary to statutory design or legal and equitable principles, against the ill effect of retroactive application of the new rule. Among the factors weighing in the balance are the extent to which a party has relied on previously settled law and the burden which the retroactive rule would impose on a party. United States v. Exxon Corp., 561 F. Supp. 816 (D.C.D.C. 1983).²¹

Based on the record of this proceeding, CNE has established only that it is a party to contracts that pre-existed Public Act 05-01, and that the term of these contracts extends past January 1, 2007. It has not established that imposition of the Class III requirements creates an inequitable burden that outweighs the salutary goals underlying the creation of the Class III program.

VIII. FINDINGS OF FACT

1. Certifying and tracking small, widely dispersed residential installations would create a significant administrative burden.
2. A net-to-gross factor accounts for free-riders and other factors that cause savings from an installed measure or group of measures to differ from the nominal or measured savings.
3. A discounted measure life accounts for early removals, building demolition, and savings deterioration over time.
4. Modifications to existing CHP facilities can increase net electrical output relative to prior representative generation levels.

²¹ National Wildlife Federation v. Marsh, 1984 U.S. Dist. LEXIS 21205, pp. 6, 7 (1984).

5. Conventional combined cycle gas turbine technology is currently capable of generating electricity at efficiencies approaching and even exceeding 50 percent without cogeneration.
6. Small CHP systems can be aggregated under the current NEPOOL GIS rules for “behind-the-meter” generation resources.
7. The budgeted cost of acquiring energy conservation through C&LM programs is 3.1 cents/kWh.

IX. CONCLUSIONS

The Department approves a general framework for the development of a new Class III Portfolio Standard. C&LM measures installed in C&I facilities in Connecticut after January 1, 2006, which include installations funded with the assistance of the C&LM fund as well as projects without C&LM fund assistance, will be eligible for certification and issuance of Class III credits, provided that the installations and savings are verified using Department-approved M&V protocols. The Department will maintain a list of ECMB-approved C&LM certifiers.

The Department supports seeking authorization from the Legislature to allow the Department to consider expanding eligible Class III resources to include C&LM fund program savings from residential customers, provided that 100 percent of residential Class III credits would be allocated to the C&LM fund, individual non-C&LM residential projects would not be allowed.

In addition to meeting the specification requirements established by the Act, Class III eligible CHP systems must demonstrate compliance with applicable installation, operation, interconnection, and safety standards and must have revenue quality meter data. For those CHP installations developed prior to January 1, 2006 that are expanded subsequent to that date, the Department will allow only the incremental electrical output gains to receive Class III credits. The Department establishes no minimum CHP size.

The Department has established conditions herein under which Class III credits are to be certified, tracked and reported. The Department recommends that Class III credit registration, tracking and transfer capabilities be fully integrated into the NEPOOL GIS as soon as practicable. In the interim, the Department shall oversee the development of a stand-alone tracking system to facilitate trading of credits until these functions can be transferred to the NEPOOL GIS.

Class III credits generated by measures installed under C&LM fund programs will be allocated in the following manner: 25 percent to the customer (or customer’s agent), 75 percent to the C&LM fund. Customers may elect to assign their credits to the C&LM fund. Class III credits generated from independently funded C&LM measures and all CHP projects will be awarded 100 percent to the customer or the customer’s agent, less administrative costs.

The Department has established \$0.031/ kWh as the alternative compliance payment.

In accordance with the schedule set forth herein, the Department will conduct one or more Technical Workshops to develop further the technical and administrative program details of the Class III Portfolio Standard program.

Exhibit A: New Jersey Clean Energy Program Technical Worksheet

New Jersey's Clean Energy Program

Technical Worksheet for Combined Heat and Power (CHP) Equipment

With the help of your Installation Contractor, fully complete the Technical Worksheets for Combined Heat and Power Equipment, as well as New Jersey's Clean Energy Program Pre-Installation Application Form.

CATEGORY A – FORM 1: Proposed CHP System Performance

Proposed System Overview

| | |
|----------------------------------|--|
| Prime Mover Type: | |
| Energy Input (MMBtu): | |
| Electric Output (kWh) AC Watts: | |
| Total Heat Output (MMBtu): | |
| Useful Recovered Heat (MMBtu): | |
| Fuel Conversion Efficiency (%)*: | |
| Optimal System Efficiency (%): | |

* FCE is defined as the ratio expressed as a percentage of the total usable energy produced by a technology to the sum of all fuel or other energy inputs to the technology measured at each fuel's higher heating value.

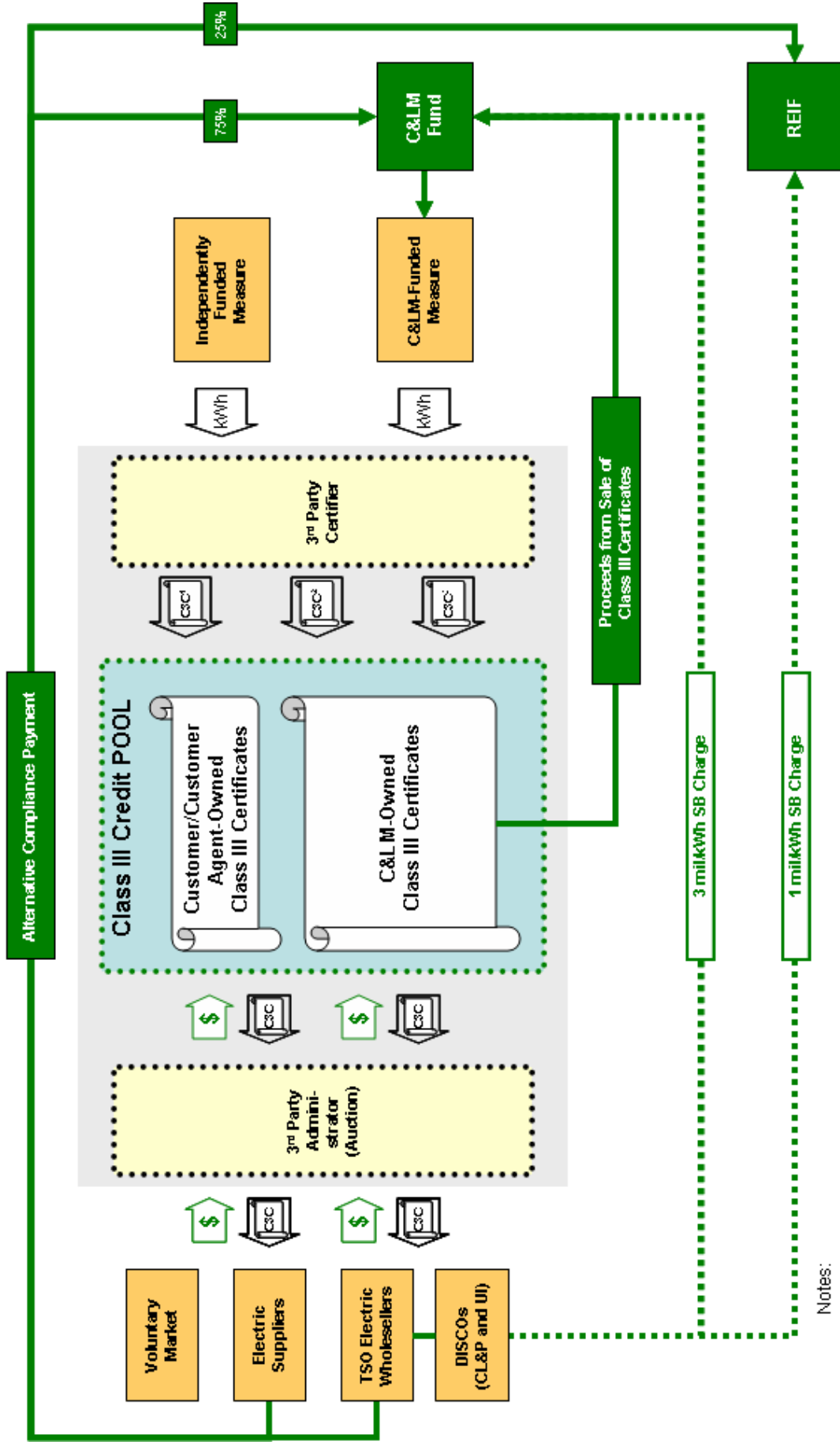
Proposed System Performance

| Month | Anticipated Operating Hours | Input Fuel (MMBtu) | Output Electricity (kWh) | Output Mechanical Energy (hp) | Recovered Output Thermal Energy (MMBtu) | Un-Recovered Output Thermal Energy (MMBtu) | Electrical Efficiency (%) | Overall Thermal Efficiency (%) |
|-------|-----------------------------|--------------------|--------------------------|-------------------------------|---|--|---------------------------|--------------------------------|
| Jan | | | | | | | | |
| Feb | | | | | | | | |
| Mar | | | | | | | | |
| Apr | | | | | | | | |
| May | | | | | | | | |
| Jun | | | | | | | | |
| Jul | | | | | | | | |
| Aug | | | | | | | | |
| Sep | | | | | | | | |
| Oct | | | | | | | | |
| Nov | | | | | | | | |
| Dec | | | | | | | | |
| Total | | | | | Annual Average System Efficiency: | | | |

Breakdown of Recovered Thermal Output

| Month | Process Heating (MMBtu) | Process Cooling (MMBtu) | Space Heating (MMBtu) | Space Cooling (MMBtu) | Domestic Hot Water (MMBtu) | Other (MMBtu) | Total (MMBtu) |
|-------|-------------------------|-------------------------|-----------------------|-----------------------|----------------------------|---------------|---------------|
| Jan | | | | | | | |
| Feb | | | | | | | |
| Mar | | | | | | | |
| Apr | | | | | | | |
| May | | | | | | | |
| Jun | | | | | | | |
| Jul | | | | | | | |
| Aug | | | | | | | |
| Sep | | | | | | | |
| Oct | | | | | | | |
| Nov | | | | | | | |
| Dec | | | | | | | |
| Total | | | | | | | |

Exhibit B: Class III Credit Trading Flow Chart



Notes:

C3C stands for Class III Credit

1 Credits generated by projects financed through Independent Funding are allocated 100% to the Customer / Customer Agent.

2 Credits generated by projects financed through the C&LM Fund are allocated 100% to the C&LM fund.

3 Credits generated by CHP projects are allocated 100% to the Customer / Customer Agent.

Exhibit C: Proposed 2006 C&LM Program

| Program | Proposed Statewide 2006 C&LM Program | | | | | | | Cost of Energy Saved (\$/kwh) | |
|---------------------------------------|--------------------------------------|----------------------|----------------------------|--------------------------|------------------------|-----------------|--------------|-------------------------------|--|
| | Utility Costs (000) | Customer Costs (000) | Total Resource Costs (000) | Annualized Savings (MWh) | Lifetime Savings (MWh) | kW Impact (Y/E) | Utility | Total Resource | |
| Retail Products | \$ 5,943 | \$ 3,215 | \$ 9,157 | 58,006 | 447,424 | 4,628 | 0.018 | 0.028 | |
| Appliance Retirement | \$ 730 | \$ 175 | \$ 905 | 2,826 | 14,146 | 400 | 0.065 | 0.081 | |
| PRODUCTS | \$ 6,673 | \$ 3,390 | \$ 10,062 | 60,832 | 461,569 | 5,028 | 0.020 | 0.030 | |
| Residential New Construction | \$ 2,038 | \$ 1,463 | \$ 3,502 | 1,680 | 20,971 | 712 | 0.159 | 0.273 | |
| Residential Heating & Cooling | \$ 3,592 | \$ 898 | \$ 4,490 | 3,624 | 37,925 | 3,133 | 0.145 | 0.181 | |
| WRAP/UI Helps* | \$ 5,892 | \$ (22) | \$ 5,870 | 11,291 | 96,735 | 1,444 | 0.087 | 0.087 | |
| SUB-TOTAL RESIDENTIAL | \$ 18,195 | \$ 5,729 | \$ 23,924 | 77,427 | 617,199 | 10,316 | 0.041 | 0.054 | |
| Construction * (a) | \$ 15,236 | \$ 439 | \$ 15,675 | 77,746 | 1,310,708 | 12,150 | 0.022 | 0.022 | |
| TOTAL - LOST OPPORTUNITY | \$ 15,236 | \$ 439 | \$ 15,675 | 77,746 | 1,310,708 | 12,150 | 0.022 | 0.022 | |
| Energy Opportunities | \$ 7,960 | \$ 7,290 | \$ 15,250 | 56,029 | 913,258 | 8,831 | 0.016 | 0.031 | |
| O&M Services (BOC, Training, RetroX) | \$ 3,808 | \$ 401 | \$ 3,857 | 11,768 | 139,848 | 1,870 | 0.044 | 0.044 | |
| TOTAL - C&I LARGE RETROFIT | \$ 11,769 | \$ 7,691 | \$ 19,108 | 67,797 | 1,053,106 | 10,701 | 0.020 | 0.033 | |
| Small Business | \$ 4,394 | \$ 5,994 | \$ 10,389 | 23,663 | 412,179 | 4,514 | 0.020 | 0.048 | |
| ATSO | \$ 250 | \$ - | \$ - | - | - | - | - | - | |
| SUB-TOTAL C&I | \$ 31,649 | \$ 14,124 | \$ 45,171 | 169,206 | 2,775,993 | 27,365 | 0.062 | 0.103 | |
| Other | \$ 12,316 | | \$ 12,316 | | | | | | |
| TOTAL | \$ 62,161 | \$ 19,853 | \$ 81,411 | 246,633 | 3,393,193 | 37,682 | 0.031 | 0.041 | |

Discount rate

8.2%

Source: C&LM Budget Tables (Docket No. 05-10-02)

**DOCKET NO. 05-07-19 DPUC PROCEEDING TO DEVELOP A NEW
DISTRIBUTED RESOURCES PORTFOLIO STANDARD
(CLASS III)**

This Interim Decision is adopted by the following Commissioners:

Anne C. George

John W. Betkoski, III

Jack R. Goldberg

CERTIFICATE OF SERVICE

The foregoing is a true and correct copy of the Interim Decision issued by the Department of Public Utility Control, State of Connecticut, and was forwarded by Certified Mail to all parties of record in this proceeding on the date indicated.

Louise E. Rickard

Louise E. Rickard
Acting Executive Secretary
Department of Public Utility
Control

February 16, 2006

Date