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**For Consideration by the CEAB at the March 7, 2008 Meeting**

**CONNECTICUT PROCUREMENT PLAN**

**PROCESS PROPOSAL FOR 2008 AND 2009 PLANS**

**I. Introduction**

The Connecticut Light & Power Company and the United Illuminating Company (together, “the Companies”) submitted *An Integrated Resource Plan for Connecticut* (“the Plan”) to the Connecticut Energy Advisory Board (“CEAB”) on January 1, 2008 pursuant to Section 51 of Public Act No. 07-242, An Act Concerning Electricity and Energy Efficiency (“Section 51”). The Companies prepared the Plan together with their consultant, The Brattle Group and presented the Plan to the CEAB on January 4, 2008.

In January 2008, the CEAB solicited public comment on the Plan and retained its own consultants to conduct a preliminary review of the Plan for compliance with the requirements set forth in Section 51.<sup>1</sup> The CEAB also received a substantial body of written comments on February 7, 2008 and, at a public hearing on February 11, 2008, heard additional comment on the Plan.<sup>2</sup>

Based on this review of the Plan, it is clear that the Plan is not fully developed as contemplated in Section 51 and a number of important issues have not been adequately addressed. In its current form, the Plan cannot be approved by the CEAB and, further, the CEAB concludes that substantial modification is necessary before such approval can be issued.<sup>3</sup> Based on the comments received and the CEAB’s own review, the CEAB concludes that there is a substantial opportunity to address many of the deficiencies in the Plan with information that is available from market participants or other stakeholders in the process. The CEAB’s consideration of the Plan to date and the sentiments expressed through public comment underscore the importance of this planning process for Connecticut, and the need for a sound Procurement Plan as contemplated in Section 51.

Section 51 established a planning process beginning with this 2008 Plan and annually thereafter. The statute recognized that the first cycle of this process would take longer, and therefore allows 120 days for the CEAB review and 120 days for the DPUC review. In subsequent years, Section 51 calls for sequential 60 day reviews by the CEAB and the DPUC. In light of the deficiencies in the Plan received, it is now apparent that this first review cycle will require more time to develop a substantially conforming 2008

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<sup>1</sup> *Initial Review of the Integrated Resource Plan for Connecticut for Compliance with the Requirements in Section 51 of Public Act No. 07-242*, prepared by La Capra Associates for the Connecticut Energy Advisory Board, January 28, 2008.

<sup>2</sup> See, 2008 Integrated Resource Plan, CEAB Status Report, adopted by the CEAB March 7, 2008.

<sup>3</sup> Under Section 51, the CEAB is required to review the 2008 Plan and either approve the Plan or modify and approve the Plan for submission to the DPUC within 120 days.

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Procurement Plan. This work in 2008 will also establish the foundation for a successful and more efficient planning process in future years.

#### II. 2008 Procurement Planning Process Objectives

In light of the conclusion that the 2008 Plan needs substantial improvements and the broad agreement about the importance of this planning effort to the State, the CEAB is executing a scope of work to modify the Plan. The CEAB is adjusting the 2008 Procurement Planning process to meet the following important objectives:

1. Develop a 2008 Procurement Plan that contains key recommendations for resource procurement actions that need to move forward expeditiously in 2008.
2. Address the key issues identified in the review process that require attention in 2008, including energy efficiency and demand management, transmission requirements, aging Connecticut generation, and compliance with environmental regulations.
3. Engage the key stakeholders<sup>4</sup> in the process to collaborate in the execution of this work and to provide important input.
4. Provide the DPUC with a well considered and comprehensive 2008 Procurement Plan on a schedule that affords the DPUC opportunity to conduct a 120 day review.
5. In the course of developing the 2008 Plan, create a process and planning template to guide and expedite future planning in order to facilitate substantially improved plans in future years.

To accomplish these objectives, the CEAB is adopting a work plan designed to complete a modified Procurement Plan for submission to the DPUC on August 1, 2008.

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<sup>4</sup> The key stakeholders include, but are not necessarily limited to, ISO New England, the owners of generation assets in Connecticut, the Energy Conservation Management Board, the Connecticut Clean Energy Fund, the Department of Environmental Protection, and Connecticut Municipal Electric Energy Cooperative.

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#### III. Scope of the 2008 Procurement Plan Process

The 2008 Procurement Plan Process scope of work includes the following components:

1. **Information Gathering:** The process will be used to obtain additional information in several key areas where such information is available or can be readily assembled. The public comment process has made clear that additional information in areas such as renewable energy projects, existing generation assets, environmental requirements, transmission needs, and forward capacity market results is necessary. Attachment 1 identifies a preliminary list of topics to consider.
2. **Analysis:** The utilities modeling of the Connecticut system can be used to address additional issues, particularly in the areas of emissions compliance testing and generation retirement scenarios.
3. **Procurement Planning:** The information, analysis, and public input will be assessed to form an Action Plan for resource procurement that will be recommended to the DPUC for consideration. In addition, the 2008 process will identify overall process improvement in the procurement plan development which will continue with subsequent annual planning cycles.
4. **Scope of Future Study:** In this 2008 process, areas requiring additional research or analysis will undoubtedly be identified that cannot be completed in this planning cycle. These areas will be included in an action plan for the 2009 Planning Process.

#### IV. Schedule for the Process

As noted in Section II, August 1, 2008 is the planned date for submission of the modified Plan to the DPUC. This date will allow time to conduct targeted additional analysis, gather other readily available information, and develop a procurement plan recommendation on a schedule that preserves the opportunity for the DPUC to conduct a 120 day review in 2008. This schedule also allows the Companies to file a 2009 Procurement Plan on January 1, 2009, as originally contemplated in Section 51.

Attachment 2 provides a Gant Chart depicting the CEAB's anticipated timeline for this 2008 Procurement Plan process and the associated DPUC and Company activities through completion of the 2009 Procurement Plan Review. Specific elements of the DPUC and Company actions are discussed further in later sections of this report.

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#### V. Structure of the Collaboration and Stakeholder Process

The Plan submitted to the DPUC on August 1, will be modified and approved by the CEAB. However, the CEAB and the Companies both have responsibilities under Section 51 for the 2008 Plan and for planning in future years. Therefore, the CEAB will be seeking to develop a modified plan in primary collaboration with the Companies and their consultant, The Brattle Group.

In addition to the collaboration with the Companies, it is clear that there are many other key stakeholders in this process who are able to: a) provide valuable input to this effort; and b) have a direct role in the implementation of the Plan. Therefore, the CEAB is undertaking a process to engage these stakeholders in the process as well. Participation of these stakeholders can facilitate information gathering and the development of analysis and recommendations.

The emphasis on key stakeholders here is not intended to exclude any interested parties from participating in this process. However, the August 1, 2008 Plan will be subject to a review at the DPUC, providing a forum for all stakeholders and interested parties to provide comment and further input to the Plan. Again, the objective of this process is to have the CEAB and the Companies engage constructively with key stakeholders to assure that the August 1, 2008 Plan reflects the best available information, and reasonably considers the implications for those that would be directly involved in its implementation. We expect this will involve a number of working sessions and progress reports delivered at CEAB meetings throughout the process.

There will also be at least three (3) stakeholder workshops, as follows:

1. **Planning Inputs and Analysis Workshop** - this forum will be structured to discuss information gathering and analysis efforts for the planning process. This will be structured by topic (e.g., renewable supplies, environmental requirements, generation assets) to identify the information available and action plans to collect information in a useful format for planning purposes. This will be scheduled for completion by mid-March.
2. **Planning Inputs and Analysis Workshop II** – this will be a follow-up to the first forum, with the objective of reporting on information assembled and discussion of that input and its potential use in the Plan. This will be scheduled for completion by mid-May.
3. **Procurement Planning Workshop** – this will be a discussion on options for needed actions to implement resource procurement identified for inclusion in the Plan. This will be scheduled for completion by mid-June.

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In addition to these workshops, we anticipate stakeholders will develop inputs for use in the planning process and that informal dialogue will be ongoing. As the process develops, the number and structure of these workshops may be modified to meet the objectives for the August 1, 2008 Plan.

#### VI. The DPUC Review Process and DPUC Proceedings

This planning process is required to provide a more fully developed Procurement Plan that conforms to the statute and merits the CEAB's approval for consideration by the DPUC. The August 1, 2008 timeframe will afford the DPUC an adequate time to conduct a 120 day uncontested proceeding to consider the Plan and comments that it receives, and issue its final decision on the Plan by December 1, 2008.

The 2008 Planning Process will incidentally enable consideration of the results of relevant and pending DPUC proceedings to inform the Plan, as appropriate, including:

1. **Docket No. 07-01-61: DPUC Examination Of Electric Distribution Company Contracts For Renewable Energy Certificates:** This proceeding is underway and is scheduled for a final decision by April 30, 2008.
2. **Docket No. 07-06-58; Docket 06-01-08PH01: DPUC Report To Connecticut General Assembly On Standard Service Procurement:** This proceeding is ongoing. While no date has been established for the issuance of a report, comments have been filed and the hearing has been closed.
3. **Docket No. 08-01-01 - DPUC Review of Peaking Generation Projects:** This proceeding is underway. Seven entities submitted qualification packages by February 1, 2008. Peaking generation proposals are due by March 1, 2008. A DPUC final decision on these proposals is due by July 1, 2008.

#### VII. The ECMB Achievable Potential Study

The ECMB is beginning a project to prepare an achievable potential study for energy efficiency and demand management. The study is currently scheduled to begin in March once the consultants are retained. The energy efficiency phase of this work is slated for a final report on October 3, 2008. The demand response phase of this work is slated for a final report on November 28, 2008.

The schedule for this work extends beyond the August 1, 2008 deadline for the modified Plan. The 2008 planning process will monitor ECMB's progress. However, due to the proposed project schedule the results of this work will not be considered in the 2008 Plan.

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**VIII. The 2009 Procurement Plan**

This modified 2008 Planning Process is designed to establish a strong foundation for the 2009 planning cycle. Section 51 establishes an annual planning cycle beginning with the Companies' filing on January 1<sup>st</sup> of each year.

The August 1, 2008 Plan will include an action plan for work beyond the scope of this 2008 effort, but achievable for the 2009 Plan. It is reasonable to expect the Companies to proceed with that work in parallel with the DPUC review of the August 1, 2008 Plan.

Before filing the January 1, 2009 Plan, the Companies will be able to consider:

1. The action items recommended in the August 1, 2008 Plan;
2. The DPUC's perspective, recommendations and final decision in its review of the August 1, 2008 Plan; and,
3. The ECMB achievable potential study results.

The January 1, 2009 Plan will be well informed by this 2008 process, which should provide a sound, comprehensive basis to start the 2009 process and establish the blueprint for annual updates thereafter. This 2008 process is expected to be a developmental process that should not need to be replicated in 2009 and beyond. The analytical and collaborative foundation set in this 2008 process should provide the effective and timely process originally contemplated in Section 51.

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### **Attachment 1**

#### **Potential Focus Areas for Added Information**

##### **Renewables and CHP**

- Develop a revised view of Renewable Supply
- Meld Companies Assessment with CCEF/Grace Info
- Capture stakeholder information on CHP

##### **Existing Generation Issues**

- Develop a revised assessment of retirement/go forward issues
- Define assumptions or scenarios with Generation Owners

##### **Environmental Emissions Performance Issues**

- Characterize the key emissions compliance challenges over the next 10 years

##### **Transmission**

- NEEWS – review of needs assessment assumptions vs current
- SWCT 2012-2018 Needs Assessment
  - Study Group results targeted for March 2008 completion
- Eastern CT 2012-2018 Needs Assessment
  - Study Group results targeted for March 2008 completion