

***THE CEAB
REQUEST FOR PROPOSAL PROCESS***

*Soliciting Preferred Energy Projects To Meet
Connecticut's Energy Needs*

Volume II:

Guide to the CEAB Request for Proposal Process



The Connecticut Energy Advisory Board

February 9, 2006

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LIST OF ACRONYMS

CEAB	Connecticut Energy Advisory Board
CSC	Connecticut Siting Council
DPUC	Connecticut Department of Public Utility Control
EIA	Energy Independence Act, Public Act 05-1
FMCC	Federally Mandated Congestion Charges
ISO-NE	ISO New England (the independent system operator)
RFP	Request for Proposals

PREFACE

This Connecticut Energy Advisory Board (“CEAB”) Guide to the Request for Proposal Process (“Process Guide”) is the second in a series of four guides that the CEAB is issuing to provide information to the market and the public on the CEAB’s RFP processes. These four reports focus on the planning context, the solicitation process, information requirements, and proposal evaluation aspects of the RFP processes, as follows:

Volume I: CEAB RFP Process – A Primer for Energy Project Developers and Stakeholders

A guide introducing the CEAB RFP Process responsibilities, the context for this process, a basic description of the solicitation process, and the role of the RFP Process in the State’s energy planning.

Volume II: CEAB RFP Process – A Guide to the Request for Proposal Process

A guide describing the specific processes and procedures that the CEAB will employ when conducting a solicitation.

Volume III: CEAB RFP Process - Templates for RFP Solicitation Materials

A guide containing form documents the CEAB will use in preparing materials for specific solicitations.

Volume IV: CEAB RFP Process – The Proposal Evaluation Process

A guide describing the process the CEAB will use in evaluating proposals submitted in response to a solicitation.

Copies of these guides (when issued) and other materials referenced in this Process Guide can be obtained by visiting CEAB’s website (www.ctenergy.org), by e-mail at contact@ctenergy.org or by contacting:

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Any other inquiries regarding the CEAB’s RFP Process should be directed to CERC, as well.

1. Overview

Introduction

The State of Connecticut has established a new approach to energy infrastructure development and permitting. As discussed in Volume I of this series, the CEAB will now take an active role in two distinct ways. First, the CEAB will use “Proactive RFPs” to encourage the development of energy projects that (1) meet the State’s energy policy objectives, such as affordability and system reliability, and (2) address its preferences regarding such matters as the minimization of environmental and quality of life impacts. Second, the CEAB will use “Reactive RFPs” to seek alternatives when major facilities are proposed by utilities or market participants. When possible, the CEAB will seek to integrate its RFPs with State incentive programs such as those established in the Energy Independence Act.

This Process Guide describes the general processes and procedures for the CEAB’s Proactive and Reactive RFP solicitations. It provides the CEAB’s plan for implementing the applicable statutes and describes the general requirements of the CEAB process. It also addresses certain aspects of the related requirements, such as municipal consultation and Connecticut Siting Council (“CSC”) requirements; however, this Process Guide is not meant to be comprehensive regarding the requirements of the CSC or municipalities.

As it issues this Process Guide, the CEAB has also begun to issue the types of RFPs described in this document. Accordingly, the CEAB encourages interested parties to watch developments with its early RFPs, as the process may evolve as experience is gained with ways to make the process as effective as possible. The CEAB also encourages interested parties to reference the subsequent volumes in this series as they become available. Those volumes will detail the types of information required from applicants and how the CEAB will use that information in evaluating proposals concerning the Preferential Criteria.¹

¹ Conn. Gen. Stat. Sec. 16a-7b, Preferential Criteria for Evaluation of Energy Proposals, Connecticut Energy Advisory Board, December 1, 2004.

Background

Connecticut's energy infrastructure has many critical needs. For example, the State must plan for load growth and the retirement, replacement, or repowering of existing aging generation. It must also continue to address the reliability and operating issues associated with limitations in the transmission system. Pursuant to Conn. Gen. Stat. Sec. 16a-3, the CEAB's responsibilities include developing a State Energy Plan; establishing Preferential Criteria for energy projects in Connecticut; and actively soliciting project proposals through suitable RFP processes.

Reactive RFP Mode

When an energy project proposal is filed with the CSC, the CEAB will solicit potential alternative solutions and evaluate submitted proposals in relation to the State's Preferential Criteria.

Proactive RFP Mode

The CEAB may issue an RFP if it determines an energy-related need exists.

The RFP Processes

There are two primary modes in which the CEAB will utilize RFPs.

Reactive Mode² – The Reactive RFP process will be utilized when an energy project, unsolicited by the CEAB, initiates the CSC application process. The CEAB will solicit alternatives to the proposed project, evaluate all submitted proposals relative to the State Energy Plan and the Preferential Criteria, and forward its evaluation report to the CSC. Projects that respond to the CEAB RFP will need to apply to the CSC within 30 days after the CEAB issues its evaluation report; the CSC will consider such projects together with the proposed project in a consolidated hearing process.

Proactive Mode³ – Periodically, the CEAB will solicit projects, including energy efficiency measures and distributed generation, to meet the State's needs as identified through the CEAB's energy planning studies. The CEAB will evaluate projects in relation to the identified needs and the Preferential Criteria and provide its evaluation report to the CSC. As in the Reactive RFPs, projects that respond to a Proactive RFP will need to apply to the CSC within 30 days after the CEAB issues its evaluation report; the CSC will consider all such projects.

More information about the Reactive RFP and the Proactive RFP processes can be found in Volume I: A Primer for Energy Project Developers and Stakeholders.

² Conn. Gen. Stat. Sec. 16a-7c(b).

³ Conn. Gen. Stat. Sec. 16a-7c(c).

The CEAB's On-Going Planning

Project developers and stakeholders may find it beneficial to participate in the CEAB's on-going planning activities. In particular, interested parties are encouraged to provide input to the CEAB on its development of the State Energy Plan. The CEAB welcomes such input and will endeavor to coordinate its work in this regard with all interested parties.

More generally, the CEAB encourages ongoing communication with participants in Connecticut's energy market, and with those interested in Connecticut. Regular communication may enhance the CEAB's understanding of the marketplace, inform its RFP process, and help market participants understand how the CEAB views the state's energy needs.

2. Reactive RFP Process Guidelines

This section discusses each step of the CEAB's Reactive RFP process. For ease of discussion, we have divided the Reactive RFP Process into four phases which are, in chronological order:

Phase 1: Process Initiation by an Applicant

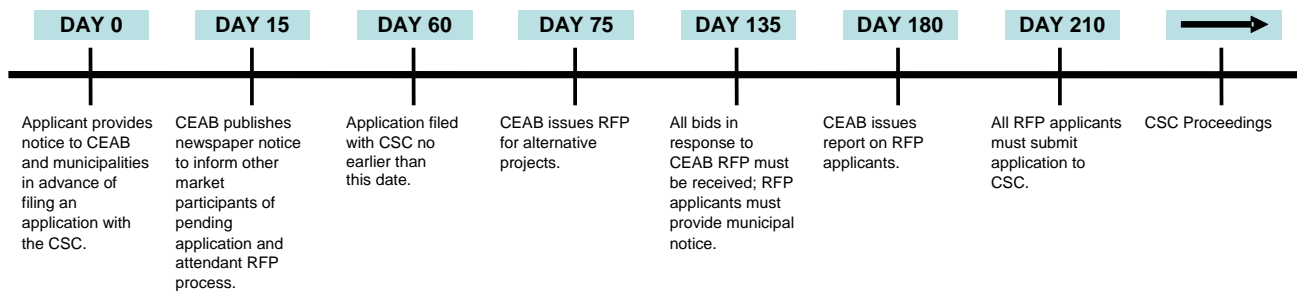
Phase 2: RFP Issuance and Proposal Development

Phase 3: Evaluation of Proposals, Issuance of CEAB Report

Phase 4: CSC Application

The basic timeline for these steps is as follows:

Figure 1: Reactive RFP Process Timeline



Phase 1: Process Initiation by an Applicant

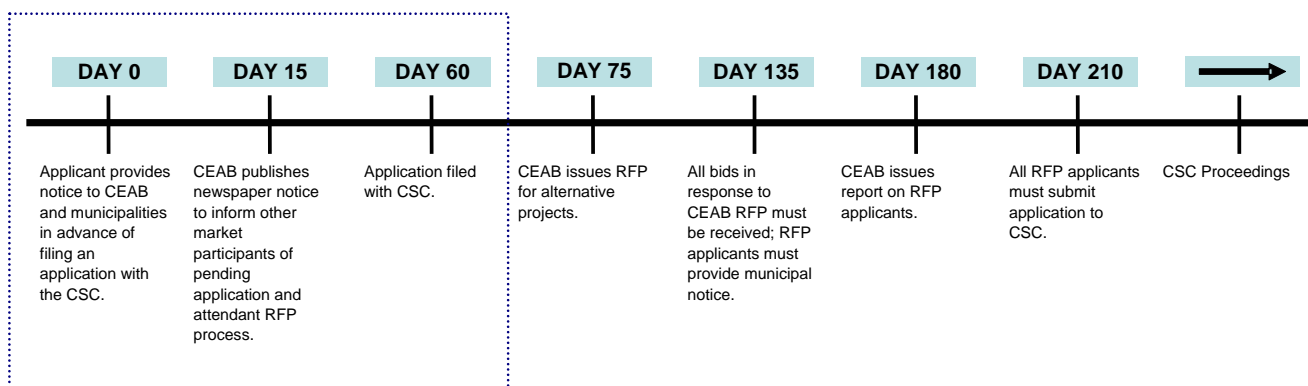
A. CEAB's On-Going Planning

Before the Reactive RFP Process is initiated by a project applicant (prior to Day 0 on the Figure 1 timeline), the CEAB encourages prospective applicants to work informally with the CEAB to build a

common understanding of the project’s potential benefits to Connecticut. The advantages of this step are discussed briefly in Section 1 above.

B. 60-Day Advance Notices and Filing of CSC Application

Figure 2: Days 0 – 60



When an applicant plans to file an unsolicited project application with the CSC, the applicant must “consult with the municipality in which the facility may be located and with any other municipality required to be served with a copy of the [CSC] application.”⁴ The applicant is also required to provide the CEAB with the same information that it provides to the municipality when it commences its consultation with the municipality. The applicant cannot file an application with the CSC until at least 60 days after the municipal consultation and notice to the CEAB.⁵ The municipal consultation triggers the municipal review process, which is to be completed within 60 days of the initial consultation.

From the CEAB’s perspective, the notice it receives from the applicant triggers the CEAB’s specific preparations to issue an RFP. Within 15 days of receipt of the applicant’s notice, the CEAB must publish notice of the application in one or more newspapers or periodicals.⁶ This published notice is a mechanism to inform others in the market of the pending application and attendant Reactive RFP Process.

During the 60-day notice period, the applicant is encouraged to consult with the CEAB in parallel with its required consultations with the affected municipalities. The applicant’s consultation with the

⁴ Connecticut General Statutes Sec. 16-50l(e).

⁵ For ease of discussion, the remainder of this document refers to this as the 60-day notice period. An applicant can and may wish to choose a longer notice period.

⁶ Conn. Gen. Stat. Sec. 16a-7c(a).

CEAB will enhance the CEAB's understanding of the applicant's proposal. This consultation should also assist the CEAB in understanding how the project would serve Connecticut's energy needs, which will, in turn, enable the CEAB to develop an RFP that is effective in identifying targeted alternatives. The more effective the RFP process the better will be the comparison of the applicant's and alternative projects, which, in the CEAB's view, is the primary statutory objective.

The CEAB will utilize this notice period to develop the specific RFP documents that will be needed to comply with the statutory requirements. In addition to publishing the newspaper (or periodical) notice, the CEAB will also post information on its website to inform interested parties of the impending RFP.

A suggested schedule for events during this 60-day period is:

Day 0: Notice with project summary information to CEAB.

Days 1 to 7: Initial meeting with CEAB to discuss project and CEAB process logistics.

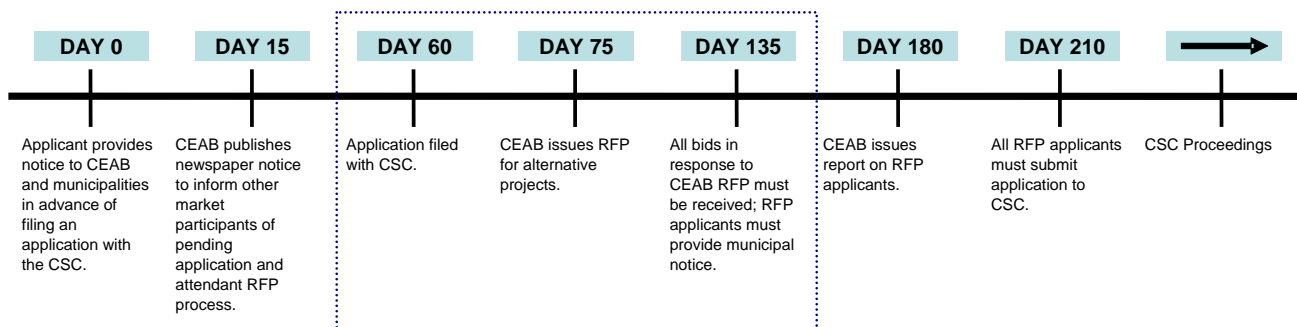
Day 15: CEAB publishes notice.

Days 7 to 60: Discussion of project and fit with Connecticut needs and State Energy Plan.

After the 60-day notice period has passed, the applicant may file its application with the CSC at a time of the applicant's choosing.

Phase 2: RFP Issuance and Proposal Development

Figure 3: Days 60 – 135



Once the 60-day notice period has been completed, the applicant's filing of its application with the CSC triggers the CEAB RFP process under a time line prescribed by statute. The CEAB must issue a Reactive RFP soliciting proposals for alternatives to the applicant's project within 15 days of the filing of an application with the CSC. In this 15-day period, the CEAB will finalize the RFP process and documents and formally issue the RFP. The CEAB will publish notice of the RFP in one or more newspapers or periodicals and post this information on the CEAB website.

The RFP will include specific information requirements (discussed in Volume III of this series) that are designed to elicit the information needed to enable the CEAB to prepare the required evaluation report to the CSC. The scope and details required by the templates will vary depending on the nature of the project being evaluated and the relevant Preferential Criteria.

Once the RFP has been issued, bidders will have 60 days from the issuance of the CEAB RFP to submit their proposals.⁷ Each RFP will specify the schedule being followed for the particular RFP culminating in the submission of proposals 60 days after the RFP is issued. During the 60-day response period, the schedule will normally include the following steps discussed in greater detail below:

- A bidders' conference
- A period for receiving and responding to RFP questions
- The submission of notices of intent to bid

⁷ The 60-day period for these steps in the RFP process is set by statute (Connecticut General Statutes Sec. 16a-7c) and thus is not subject to change.

Upon submitting a bid to the CEAB, a bidder must consult with the municipality in which the project is to be located and others under certain circumstances.⁸ The CSC will consider projects common to a CEAB RFP, including the project that triggered the RFP, in a consolidated hearing process. Note that for a project to be considered, it must submit an application to the CSC no later than 30 days after the CEAB completes its evaluation.⁹ Bidders that respond to a reactive RFP should review the CSC process and corresponding requirements that will follow the CEAB evaluation, including, for example, the timing of the bidders' applications to the CSC.

A. RFP Schedule

Depending on the calendar, the following is a sample RFP schedule beginning with the date of the CSC filing:

- Day 60: Application filed with CSC.¹⁰
- Day 75: CEAB issues RFP.
- Day 90 to 100: Bidders' Conference held.
- Days 90 to 125: The CEAB will respond to all questions from prospective bidders pursuant to the communications protocols set forth in the RFP.
- Day 115: Due date for Notice of Intent to respond to RFP.
- Day 135: Due date for Proposals to be filed with the CEAB.

The statutorily required dates provide the 60-day time boundary for this process. In addition, although not specifically required by statute, bidders' conferences and the exchange of information are standard and necessary practices for RFP implementation; they are particularly important for complex projects. Intent to Respond notices may or may not be utilized; whether or not to do so, should be determined case-by-case (see below).

B. Additional Details

The RFP processes – both Reactive and Proactive (described in Section 3) – may be utilized for a wide variety of solicitations, for projects both large and small, relatively simple and highly complex. It is

⁸ See. Conn. Gen. Stat. Sec.16a-7c(e) and Conn. Gen. Stat. Sec. 16-501(e).

⁹ Conn. Gen Stat. Sec. 16-50m.

¹⁰The reference to day 60 assumes that the application is filed at the earliest time possible following the 60-day notice period. The applicant may elect to file the application at some later date.

essential that each RFP be ‘customized’ to properly suit the circumstance and to reflect the Preferential Criteria. In general, this will mean that the information required from project proponents will vary among RFPs, as may the approach to the evaluation of proposals. Professional judgment will be required in each instance.

On the other hand, it is highly likely that the overall implementation of the RFP processes will remain quite constant from solicitation to solicitation. Indeed, for the sake of efficiency, this is a sensible objective. For example, since an exchange of information between the applicant, the CEAB, and potential bidders is always necessary, one should envision that there will be one or more bidders’ conferences and some formal exchange of information in addition to the conferences. How the exchange of information will be handled in each RFP will depend, as alluded to above, on the size and complexity of the projects, and perhaps other matters as well.

The following subsections describe some of the foregoing procedural and substantive matters.

1. The Bidders’ Conference

Bidders’ conferences are a standard solicitation practice and are clearly important for infrastructure projects. Potential bidders will need the opportunity to hear about the applicant’s project, to learn about the energy needs that it is intended to address, and to ask questions regarding matters ranging from the technical to the procedural. The bidders’ conference will generally be the beginning of the formal exchange of information after the issuance of the RFP documents by the CEAB. These documents will specify a date, time, and location for a Bidders’ Conference. The RFP will also identify a CEAB coordinator for logistical questions regarding the Conference, as well as other matters pertaining to that RFP. As a general matter, for interested bidders who are unable to attend in person, the CEAB will establish a call-in number. Questions asked and answers provided at the Bidders’ Conference will be summarized, and posted on the CEAB’s website. In some instances, particularly for large, complex project applications, it may be useful to have a second bidders’ conference, to allow for another face-to-face question/answer session. If so, the CEAB will make the necessary arrangements.

2. Notice of Intent to Submit Proposal

A Notice of Intent to Bid is widely, albeit not always, utilized in the RFP processes. The requirement to submit an intent notice may provide an idea of the number of proposals to anticipate. If so, this would be useful for CEAB’s planning purposes, as some early information of the number of

proposals to be received will allow the CEAB to prepare resources for the evaluation phase, which is limited to a 45-day period by statute. Clearly, the larger and more complex the projects, the more useful will be such information.

If used, the Notice of Intent to bid can be optional or mandatory. If the RFP requests the submittal of such a notice, the failure of a project proponent to submit one may either have consequences to it if mandatory (that is, it would preclude the later submission of a proposal) or not, if optional. If mandatory, the failure to submit a notice would preclude a potential bidder from submitting a later proposal. Note that this could encourage those who are uncertain of their intent to submit notices (in which case the information would not be very reliable); and it might also serve to shorten what is already a tight statutory timeline for the submission of proposals. The CEAB's initial view of the foregoing is that, on balance, it would be useful to require such notices on an optional basis; that is, the failure to submit it in a timely manner should not preclude a later proposal. The CEAB also believes that this issue should be reviewed over time as experience is gained with the RFP process.

3. Pre-Bid Questions to the CEAB

As described earlier, it is the CEAB's view that the exchange of information, particularly (but not only) for complex infrastructure projects is essential. Hence, each RFP will specify a period after the Bidders' Conference, and before the proposals are due, during which prospective bidders may ask additional questions regarding the pending RFP. Generally, the CEAB intends to accept questions until about a week before the proposals are due, so that responses can be made available to all potential bidders in advance of the proposal due date.

Given its efficiency, and unless otherwise stated in the RFP, all such questions will be required to be submitted via email to the CEAB; and both the question and the answer will be posted on the CEAB's website. For commercial reasons, many interested parties would prefer not to be identified with a particular question. It is standard practice, in such circumstances, to post all questions and answers but to omit the identity of the person who posed the question. The CEAB will adhere to this standard practice.

4. Proposal Requirements

All proposals will be required to provide certain basic information regarding the project and its proponent. This would include, for example, descriptions of the project and the technology to be used, locational information, information regarding environmental and quality of life impacts, the experience of the proponent with similar projects, and so on.

It is also the case that nature and depth of the information requirements may need to vary depending upon the applicant's project. For example, if the applicant's project is intended to enhance the reliability of service in an area, any competing project will have to meet the same need, even if it does so in a different manner: demand reduction versus supply, for instance. Where reliability – or, indeed, any particularly significant matter – is at issue, the CEAB will tailor the proposal information requirements accordingly.

As a general matter, all project proponents should be aware that projects will be evaluated against the state's Preferential Criteria. They should also be aware that each RFP's information requirements will be 'customized' to the extent required in each particular instance. Given the variety of infrastructure projects that may be the subject of an RFP Process, complete standardization will not be possible. On the other hand, the CEAB will endeavor, over time, to standardize as much of the process (and the information requirements) as it can without compromising its quality or integrity.

5. The Submission of Proposals

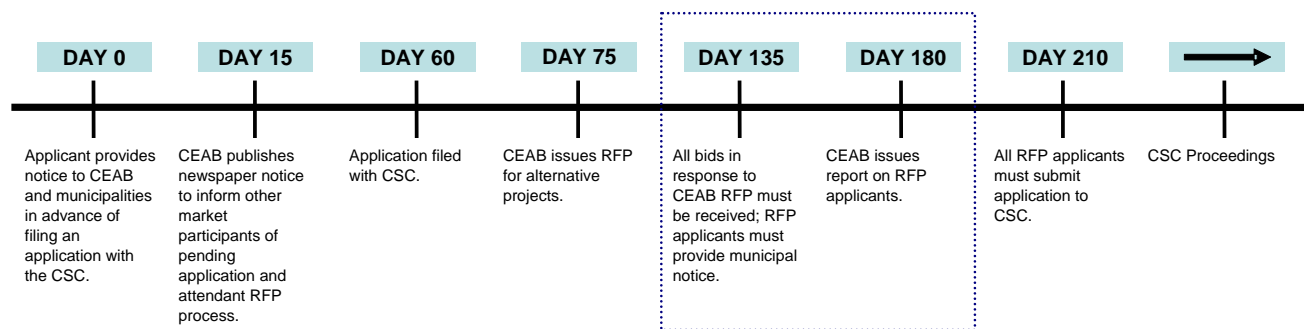
All proposals will be due no later than Day 60 after the RFP is issued (Day 135 of the timeline). This 60-day period is a statutory requirement. Proposals that are not substantially complete, in the sole judgment of the CEAB, may be rejected. The CEAB may state in the RFP that it reserves the option, at its sole discretion, to seek additional information from the Bidder. The CEAB's policy to date is to require strict compliance to the proposal-filing date and time. Hence, unless later revised for any RFP, any proposal that arrives after the specified time on the due date will be rejected and will not be considered. The RFP will also specify the following:

- Acceptable methods of delivery;
- How to protect competitively sensitive material;
- Whether electronically submitted proposals will be accepted; and
- Whether Bidders may submit more than one proposal.

Proposals must be received within 60 days of the date of issuance of the CEAB RFP.

Phase 3: Evaluation of Proposals, Issuance of CEAB Report

Figure 4: Days 135 – 180



After receipt of all proposals, the CEAB will evaluate the original proposal and the proposals submitted in response to the RFP. The CEAB will evaluate the responses against the CEAB’s annual energy plan and the relevant Preferential Criteria. As noted above, the CEAB may ask follow-up questions of the original applicant or the bidders to amplify, clarify, or verify aspects of the respective proposals. Within the 45-day period covered by this phase (days 135 to 180 on the timeline), the CEAB will deliver its evaluation report to the CSC for its use, as it deems appropriate.

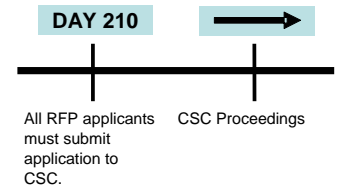
Upon submitting a proposal in response to a CEAB RFP, bidders must consult with certain municipalities¹¹ (as described in the Phase 2 discussion above). Specifically bidders submitting a proposal in response to a CEAB RFP must “consult with the municipality in which the facility may be located and with any other municipality that would be required to be served with a copy of an application for such proposal”¹² Affected municipalities shall issue their recommendations within 60 days of the initial consultation. Thus, for respondents to an RFP, the municipal consultation process is to be conducted in parallel with the CEAB proposal evaluation process.

¹¹ Conn. Gen. Stat. Sec. 16a-7c(e).

¹² Conn. Gen. Stat. Sec. 16a-7c(e).

Phase 4: CSC Application

After the CEAB issues its evaluation report to the CSC, the focus of the process returns to the CSC. Within 30 days thereafter, parties who submitted proposals in response to the CEAB's RFP process are required to file an application with the CSC if they wish to have their project continue through the certification process. Parties that make the required CSC application filing will have their projects reviewed by the CSC in a consolidated public hearing process along with the original application that initiated the Reactive RFP.¹³ Interested parties should review the CSC's rules or consult with the CSC for further information.



¹³ Conn. Gen. Stat. Sec. 16-50m.

3. Proactive RFP Process

While the CEAB is required to conduct a Reactive RFP in the event an applicant brings a project forward, it may also initiate an RFP process of its own volition. The proactive process will be activated if the CEAB decides to encourage a possible solution(s) to an energy-related need in Connecticut that it has identified. The CEAB will disseminate information about the need and subsequently issue an RFP requesting that parties respond with possible solutions. This identification of need for such an RFP would likely result from CEAB's energy planning process (as described in Section 1).

As with the Reactive RFP Process discussed in the preceding section, the Proactive RFP Process comprises four phases:

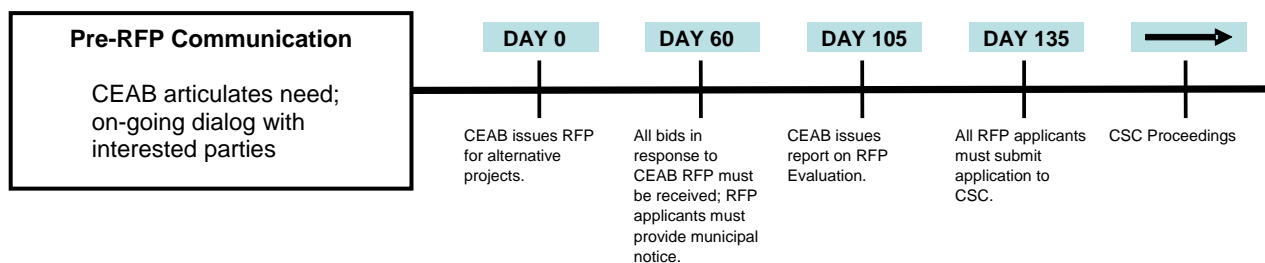
Phase 1: Process Initiation by the CEAB

Phase 2: RFP Issuance and Proposal Development

Phase 3: Evaluation and Ranking of Proposals, Issuance of CEAB Report

Phase 4: CSC Application

Figure 5: Process Timeline – CEAB Proactive RFP



The only difference between the Proactive and Reactive RFP timeline processes is in the first phase of each, prior to the issuance of the RFP. Since the Proactive Process is voluntarily initiated by the CEAB, the timeline for pre-RFP communication and the issuance of the RFP is flexible.

Phase 1: Process Initiation by the CEAB

In the Proactive RFP, it is the responsibility of the CEAB to conduct the majority of activities in this phase.

In this phase, the CEAB will:

- Articulate the need identified in the State Energy Plan
- Publicize the potential RFP issuance and request expressions of interest
- Possibly hold a pre-RFP workshop
- Decide whether to pre-qualify potential bidders
- Post interested-party questions to website
- Develop the Proactive RFP and the evaluation criteria

As in the Reactive RFP, early dialog with potential bidders is encouraged. The CEAB anticipates that feedback will aid the CEAB in its development of the RFP. The CEAB will use the steps listed above to the extent that they advance the CEAB's primary goal of ensuring that potentially qualified bidders are aware of the pending RFP and have a good understanding of the need on which the Proactive RFP will focus.

Phases 2 - 4: RFP Issuance and Proposal Development; Evaluation and Ranking of Proposals; and Issuance of CEAB Report

CSC Application

The details of the process for Phases 2 through 4 of a Proactive RFP are the same as for a Reactive RFP, as shown above in Figure 5. All bidders in response to a CEAB Proactive RFP will need to follow the municipal consultation process as a prerequisite to a CSC application upon submission of their bids as described in the discussion of Phases 2 and 3 of the Reactive RFP Process above.

4. RFPs in Conjunction with Incentive Programs

Sections 2 and 3 of this Process Guide focus on the CEAB's RFPs as processes that are designed to provide its evaluation to the CSC and other agencies regarding the consistency of proposed projects with the State's needs and preferences. That discussion assumes that the final product of the CEAB's RFP processes is the CEAB's evaluation report.

The CEAB recognizes that participants in the CEAB RFP processes may also have an interest in obtaining financial incentives in some form from the State. While the CEAB processes alone do not convey such assistance, other agencies may consider the recommendations of the CEAB in their evaluation of various projects. Accordingly, the CEAB will, when possible, work with the DPUC and other agencies to coordinate the CEAB's RFP processes with other possible incentives, possible long-term contracts or other support that could be offered to project developers.

If such financial rewards become part of the end product of the CEAB's RFPs, the CEAB would still expect to follow the applicable Proactive or Reactive RFP process discussed above. Any necessary process modifications will be addressed in the applicable RFP.

5. Conclusion

This Process Guide provides the CEAB's plan for meeting its statutory requirements and describes the general procedures that the CEAB expects to follow in its Proactive and Reactive RFP solicitations.

This is the second in a series of four guides that the CEAB is issuing to provide information to the market and the public regarding its RFP Processes. Copies of these guides (when issued) and other materials referenced in this Process Guide can be obtained by visiting CEAB's website (www.ctenergy.org), by e-mail at contact@ctenergy.org or by contacting:

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