



April 2013

Legal Update: CL&P and UI Set to Announce Another LREC/ZREC RFP

Later this month, The United Illuminating Company (UI) and the Connecticut Light and Power Company (CL&P) (collectively, the Companies) are expected to issue their second Request for Proposals (RFPs) for the purchase of the Renewable Energy Credits (RECs) produced from qualifying Low Emission Renewable Energy Credit (LREC) projects up to 2,000 kilowatts (kW) and from qualifying Medium (projects over 100 kW but smaller than 250 kW) and Large (projects from 250 kW to 1,000 kW) Zero Emission Renewable Energy Credit (ZREC) projects. Selected proposals are awarded long-term contracts for the sale of the ZRECs or LRECs from the project at a fixed price over a 15-year term.

PROGRAM DETAILS

To qualify, all projects must be located behind customer meters and achieve commercial operation on or after July 1, 2011. ZREC-qualified projects must emit no pollutants, and LREC-qualified projects must have emissions of no more than 0.07 pounds per megawatt hour (MWh) of nitrogen oxides, 0.10 pounds per MWh of carbon monoxide, 0.02 pounds per MWh of volatile organic compounds, and one grain per 100 standard cubic feet.

The price for individual LRECs and ZRECs will be capped. During 2012, the LREC price was capped at \$200 per REC, and the ZREC price was capped at \$350 per REC. The ZREC price cap may decline each year, as determined by the Public Utilities Regulatory Authority (PURA), prior to that year's RFP being issued. For the upcoming RFP, the PURA has directed that the price cap for ZRECs be reduced to \$325.50 per REC.

For projects in their respective service territories each Company will independently and separately evaluate and select the bids in response to the RFP. Valid bid proposals will be ranked from lowest to highest price per REC. Contracts will be awarded to the lowest price per REC proposals first and will continue until the required annual expenditure amount is met. For evaluation purposes only, the Companies will discount bids by 10 percent for projects with technologies manufactured, researched, or developed in Connecticut.

In total, the Companies will solicit up to \$120 million worth of ZREC contracts (\$8 million per year for 15 years) apportioned among three class sizes (Small, Medium, and Large) and up to \$60 million of LREC contracts (\$4 million per year for 15 years). The obligation to purchase RECs under the program is apportioned to the Companies based on each Company's distribution load served. The annual LREC target is approximately \$3.2 million for CL&P and approximately \$0.8 million for UI. The annual ZREC target is approximately \$6.4 million for CL&P and approximately \$1.6 million for UI.

SMALL ZREC PROJECTS

The 15-year contracts for Small (less than or equal to 100 kW) ZREC projects are administered through a tariff rider in the form of a service agreement that is available on an ongoing, first-come, first-served basis, subject to available funding. Small ZREC projects are subject to the same project eligibility criteria as the Medium and Large ZREC projects. The contract price for Small ZREC projects is based on the average price of awarded bids for Medium ZREC projects plus 10 percent, subject to the annual price cap. After each approved RFP that includes awarded bids for Medium ZRECs, the contract price will be changed for Small ZREC contracts awarded subsequent to the approval of such RFP. However, once a service agreement to a tariff rider is executed, the tariff price will remain constant over the 15-year term. Currently, the tariff rate for CL&P Small ZRECs is \$164.22/REC, and the tariff rate for UI Small ZRECs is \$148.89/REC.

PERFORMANCE ASSURANCE

Performance assurance is required for all awarded LREC and ZREC contracts. The amount required for LREC contracts and Large ZREC contracts is equal to 20 percent of the maximum annual quantity of LRECs or ZRECs multiplied by the applicable LREC or ZREC purchase price, for Medium ZREC contracts is equal to 10 percent of the maximum annual quantity of ZRECs multiplied by the ZREC purchase price, and for Small ZREC contracts is equal to 5 percent of the maximum annual quantity of ZRECs multiplied by the ZREC purchase price. Failure to provide performance assurance in support of an awarded contract will lead to automatic termination of the contract, and performance assurance is forfeited if a project does not commence the production of energy within 12 months of the start date of the selected delivery term.

MORE INFORMATION

For more information on the ZREC/LREC RFP process or to be notified when the next RFP is released, please contact:

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