



For Immediate Release

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Connecticut Court Dismisses Appeal of Award of Contracts in 2006 RFP for New or Incremental Capacity

BOSTON, February 25, 2008 - The Connecticut Superior Court dismissed an administrative appeal of the Connecticut Department of Public Utility Control's (DPUC) decision to award four contracts for 787 MW of new capacity. The Supreme Court's decision, issued on February 13, 2008, comes almost six months after the date of the DPUC's Final Decision on August 22, 2007, and over nineteen months since the commencement of the RFP on September 15, 2006, which was mandated by Connecticut state legislation enacted in June 2005, known as the Energy Independence Act. London Economics International LLC (LEI) assisted the DPUC with the design and implementation of this RFP, serving as RFP coordinator and bid evaluator. The Superior Court's decision is "timely given the regional needs for new resources in the near future in New England," noted Julia Frayer, Managing Director of LEI, after receiving news of the Superior Court's decision. When asked about the impact of this decision on Connecticut ratepayers, Ms. Frayer noted that the appeal had delayed certain development milestones for some of the selected projects, since the underlying contracts were "pivotal in securing financing," but she hoped that all four projects would still be able to achieve their proposed commercial operations date. LEI analysis, at the time of the DPUC hearings on this matter in July 2007, suggested that a two year delay could cost Connecticut ratepayers approximately \$60 million in expected net benefits from these projects and the underlying long term contracts.

LEI assisted the DPUC, starting in February 2006, with an assessment of the investment needs of the state, given evolving market rules in the wholesale power market at that time with respect to the Forward Capacity Market and the Locational Forward Reserve Market. LEI also advised the DPUC on the design of the innovative contract for differences arrangements, which formed the basis for the financial contracts, known as "Master Agreements", that selected bidders entered into with the state's electric distribution companies.

LEI managed the RFP process, which was officially kicked off in September 2006. In December 2006, financial bids were due. LEI evaluated the bids in the first quarter of 2007 and

in consultation with DPUC staff, recommended the selection of four projects to the DPUC, namely the 620 MW Kleen project, the 66 MW Waterside peaker, the 96 MW Waterbury Generation peaker, and a 5 MW energy efficiency project sponsored by Ameresco. The DPUC adopted LEI's recommendation in its final decision on May 3, 2007 and then opened a contested case proceeding to consider the approval of the long term financial contracts. Julia Frayer, Managing Director at LEI, testified in hearings at the DPUC in July and August 2007 regarding the merits of the selected projects vis-à-vis other proposals. The DPUC relied on LEI's analysis of the expected net benefits of the selected projects given the financial bids, technical project details, and the terms and conditions of the contracts. The selected four projects produced over half a billion dollars of expected net benefits over the next fifteen years for Connecticut ratepayers, based on the extensive cost-benefit analysis performed by LEI.

An appeal of the DPUC's decision to move forward with these four projects was launched by a losing bidder, NRG Energy Inc. The Superior Court determined that NRG was not aggrieved by the DPUC decision and could not challenge the award of a state contract given that there was no evidence of fraud, corruption or lack of integrity. NRG had asserted that the RFP process was illegal because of LEI's role in the proceeding, as advisor to the DPUC over the entire course of the process from RFP design to bid selection. The Superior Court confirmed that NRG's criticisms of LEI's role in the process were without merit. "I am relieved that the Court agreed with the DPUC on this issue," noted Julia Frayer, "I am very happy to have been part of such a momentous process. I plan to watch closely the development of these projects in Connecticut, and want to stay involved with Connecticut's energy future."

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London Economics International LLC (LEI) is a global economic, financial, and strategic advisory professional services firm specializing in energy and infrastructure. The firm combines detailed understanding of specific network and commodity industries, such as electricity generation and distribution, water and wastewater provision, and natural gas distribution, with a suite of proprietary quantitative models to produce reliable and comprehensible results. For further information on LEI, please contact Julia Frayer at (617) 933-7200 or go to www.londoneconomics.com.

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