

Connecticut Light & Power's Discussion of LICAP

***CT Siting Council's
2005 Forecast of Loads & Resources***



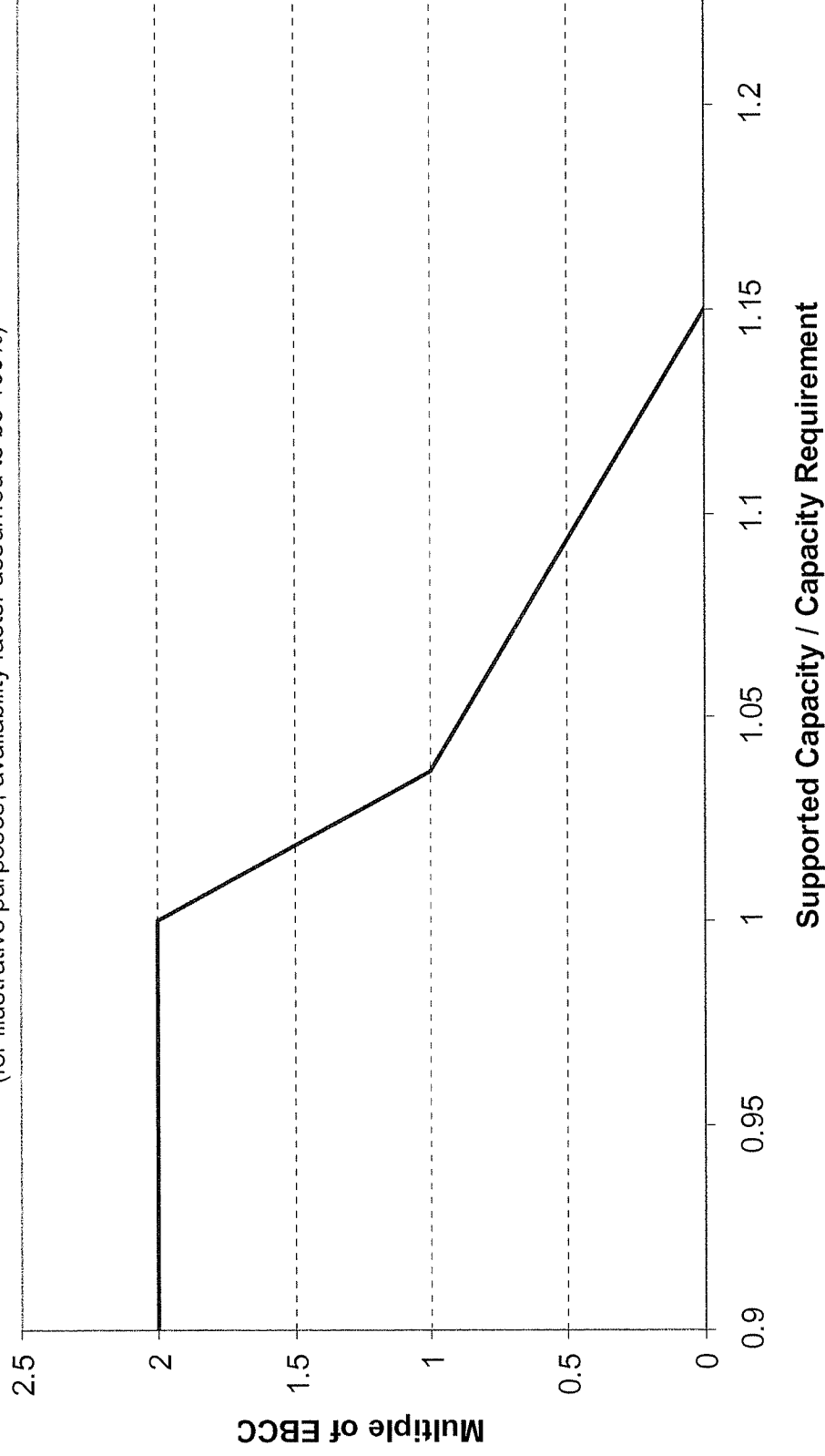
**Northeast
Utilities System**

July 14, 2005

LICAP—the Demand Curve

ISO 8/31/04 Demand Curve

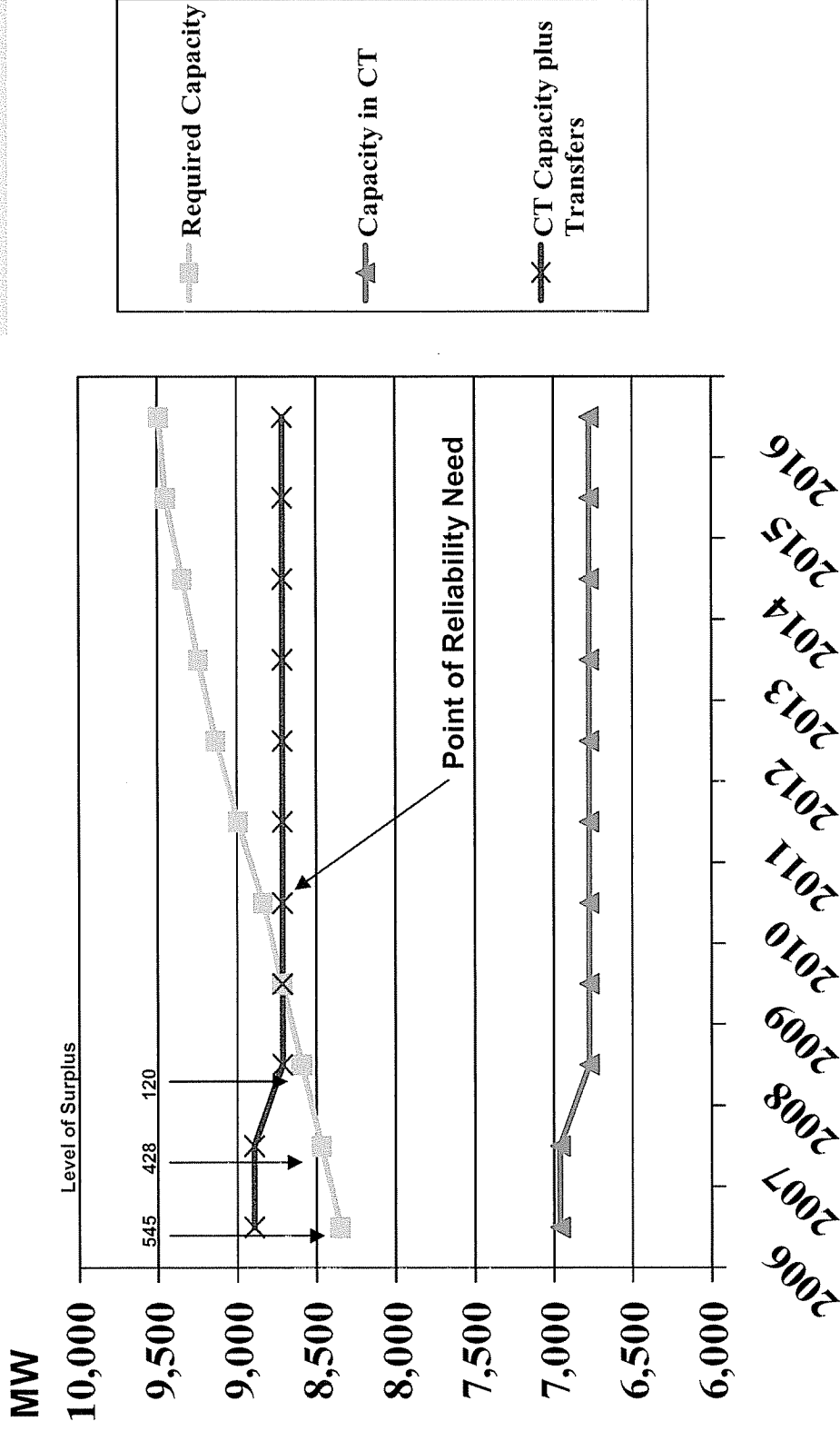
(for illustrative purposes, availability factor assumed to be 100%)



“EBCC” - Estimated Benchmark Cost of Capacity is an administratively determined price of peaking capacity.

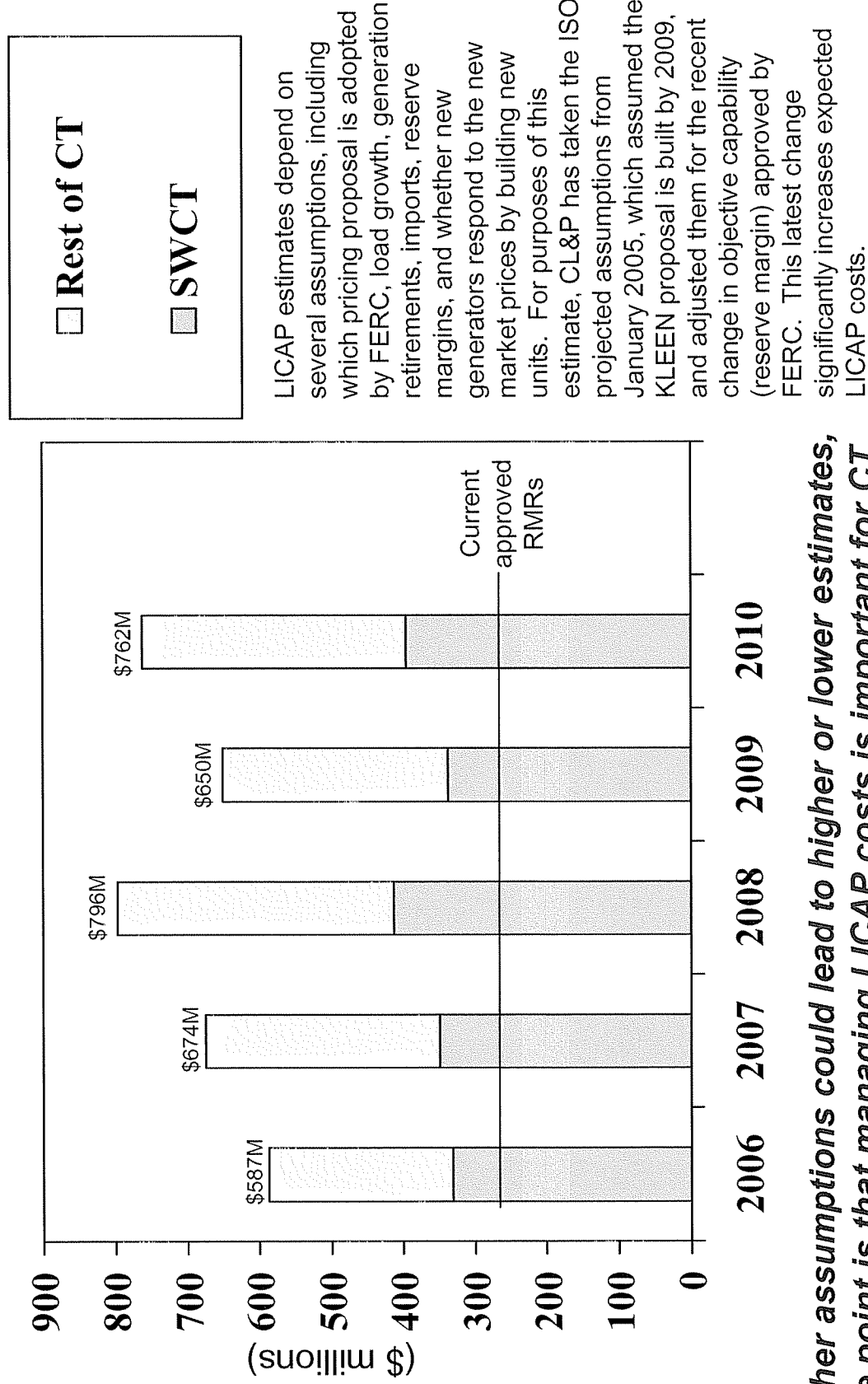
The greater the surplus of actual capacity vs. required capacity, the lower the cost.

Projected Connecticut Reliability Picture



New generation is needed for CT Reliability in 2010, ---but more generation sooner can help offset near-term higher capacity costs

CT's LICAP Exposure - An Estimate Based on ISO Assumptions and Filings



Other assumptions could lead to higher or lower estimates, the point is that managing LICAP costs is important for CT.

Impacts on CT's LICAP Costs (\$Millions) of Adding 100MWs of Capacity (Split 50/50 SWCT and Rest of CT)

This table provides the incremental impact of 100 MW blocks of capacity added in 2006 on CT LICAP costs in 2006. For example, adding 100 MWs reduces CT LICAP costs by \$70M, with the next 100 MW block reducing CT LICAP costs by an additional \$69M, for a total reduction of \$139M. This analysis demonstrates that as more capacity is added, the rate of LICAP savings decreases.

This table also illustrates that if, for example, 1,400 MWs was added in 2006 (with no other changes in the market) there would be expected savings of \$590M in CT LICAP costs.. However, if this addition were to cause 1,200 MWs to retire because of lower capacity revenues, then savings would be only \$139M.

CT LICAP costs are contingent upon both existing generation resources and new generation/capacity resources.

* ISO Assumptions: Reserve margins approved by FERC in May 2005

<u>Incremental MWs</u>	<u>2006 LICAP Savings*</u>
100	\$ 70
200	\$ 69
300	\$ 71
400	\$ 73
500	\$ 33
600	\$ 33
700	\$ 30
800	\$ 30
900	\$ 30
1,000	\$ 30
1,100	\$ 30
1,200	\$ 30
1,300	\$ 31
1,400	\$ 31
Total if 1,400MWs were added:	\$ 590

(\$ millions)

Illustrative Example: **Capacity Economics of Each Independent Initiative**

(\$ millions)

Customer Side DG--200 MWs					
	2006	2007	2008	2009	2010
MWs	0	50	100	150	200
Gross CT Savings	0	33	71	286	136
Costs	0	11	22	31	40
Net CT Savings	0	22	49	255	97
					<u>5 Yr Total</u>
					527
					104
					423
Grid Side DG--200 MWs					
	2006	2007	2008	2009	2010
MWs	0	100	200	200	200
Gross CT Savings	0	67	137	318	136
Costs	0	17	33	31	27
Net CT Savings	0	50	104	287	109
					<u>5 Yr Total</u>
					659
					109
					550
Long-term Capacity Contract--620 MWs					
	2006	2007	2008	2009	2010
MWs	0	0	0	620	620
Gross CT Savings	0	0	0	435	303
Costs	0	0	0	9	1
Net CT Savings	0	0	0	426	302
					<u>5 Yr Total</u>
					738
					10
					728
Increased C&LM 75 MWs					
	2006	2007	2008	2009	2010
MWs	31	37	44	50	57
Gross CT Savings	23	24	35	104	39
Costs	12	12	11	9	9
Net CT Savings	11	12	24	94	30
					<u>5 Yr Total</u>
					225
					54
					171