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Ms. Kim N. Walford
Connecticut Department of Energy and
Environmental Protection
Energy and Technology Division
10 Franklin Square
New Britain, CT 06051

VIA E-MAIL

RE: 2012 Integrated Resource Plan for Connecticut; Renewable Energy

Dear Ms. Walford:

Kimberly-Clark Corporation ("K-C") submits these Comments in response to the Connecticut Department of Energy and Environmental Protection's ("DEEP") request for comments regarding the State's 2012 Integrated Resource Plan ("IRP"). As a developer of a distributed generation resource utilizing Combined Heat and Power ("CHP") technology and a sizeable employer in Connecticut, K-C welcomes the opportunity to provide comments to inform the DEEP's 2012 IRP, particularly as it pertains to satisfaction of Connecticut's Renewable Portfolio Standards ("RPS"). For the reasons discussed herein, K-C respectfully submits that the 2012 IRP should recommend a downward adjustment to Class I RPS requirements and a corresponding increase to Class III RPS requirements to meet Connecticut's environmental and energy policy objectives in a manner consistent with a least-cost procurement strategy and economic development within Connecticut.

The recently enacted Public Act No. 11-80, "An Act Concerning the Establishment of the Department of Energy and Environmental Protection and Planning for Connecticut's Energy Future," requires the development of an IRP for the procurement of energy resources to meet Connecticut's needs "in a manner that minimizes the cost of such resources to customers...and maximizes consumer benefits consistent with the state's environmental goals and standards."¹ The IRP must include "specific options to reduce the price of electricity."² Additionally, the IRP must "analyze in-state renewable source of electricity...and out-of-state renewable energy sources, provided that such analysis also considers the benefits of additional jobs and other economic impacts and how they are created and subsidized."³ In these important ways, Public

¹ Conn. Gen. Stat. § 16a-3a(a).

² Public Act 11-80, § 90(a)(1) (not yet codified).

³ *Id.* at § 90(a).

Act 11-80 reflects the General Assembly's intent to use the IRP process to develop a least-cost resource plan that considers Connecticut's supply of in-state resources and the associated positive economic development impact.

Connecticut's RPS are the most ambitious in New England, requiring the State to derive 20% of energy usage from Class I resources by 2020, plus an additional 3% from Class I or Class II resources and 4% from Class III resources.⁴ Despite its aggressive RPS requirements, Connecticut "has limited low-cost Class I renewable resources."⁵ In fact, approximately 96% of Connecticut's Class I requirements are satisfied by out-of-state generators.⁶ As a result, an unintended consequence of Connecticut's current RPS policy is the development of Class I resources outside of the State at the considerable expense of Connecticut's ratepayers and economy.⁷

Unlike Class I and Class II resources, however, Class III resources must, by definition, be located within Connecticut. Class III resources are limited to: (1) distributed generation resources in Connecticut using CHP technology with a minimum operating efficiency of 50%, and, (2) conservation and load management resources installed at Connecticut ratepayers' homes and businesses. A recent Connecticut Energy Advisory Board ("CEAB") study recognizes that such energy efficient resources play a key role in reducing harmful greenhouse gas emissions.⁸ Connecticut has also recognized that CHP resources are substantially more energy efficient than conventional generation units.⁹ As energy-efficient resources, CHP resources promote Connecticut's environmental policies because they reduce the impact of energy production by displacing less environmentally friendly resources. Accordingly, Class III resources provide Connecticut ratepayers with meaningful environmental benefits.

Both types of Class III resources are cost-effective means for Connecticut to meet its environmental goals. Of particular importance as the State develops a least-cost procurement strategy, the CEAB RPS Study found that "efficiency and distributed generation that is located

⁴ See "IRP: Renewable Energy Analysis," Connecticut Department of Energy & Environmental Protection, presented by Cindy Jacobs, at Slides 4 & 6 (Sept. 22, 2001) *available at* <http://www.ct.gov/deep/cwp/view.asp?a=4120&q=486946>.

⁵ *Id.* at 7.

⁶ *Id.*

⁷ *Accord* "A Review of Connecticut's Renewable Portfolio Standards," prepared by The Center for Energy, Economic, and Environmental Policy and the Rutgers Economic Advisory Service, Edward J. Bloustein School of Planning and Public Policy, and Rutgers, the State University of New Jersey for the Connecticut Energy Advisory Board, at p. 19 (July 18, 2011) (hereinafter, "CEAB RPS Study") ("The CT RPS raises electricity rates and mostly funds projects that are located out of state. As a result, the economic impact to the state is negative, again excluding the environmental/public health and energy security benefits.").

⁸ See *id.* at 45-46.

⁹ See DPUC Review of the Development of a Program To Provide Monetary Grants for Capital Costs of Customer-Side Distributed Resources – 2008 Review, Docket No. 05-07-17RE02, at 9-10 (Mar. 18, 2009).

within Connecticut provide state economic benefits that offset, in part, the increase in electricity rates as well as act to reduce electricity bills of participating ratepayers and in some instances ... for all ratepayers."¹⁰ The CEAB RPS Study also cited several studies noting that energy efficiency is often the most cost-effective way to reduce ratepayer expenditures and negative environmental externalities in Connecticut.¹¹ For this reason, increasing Class III resources, while reducing Class I requirements, should be included as a viable option to reduce the price of electricity in the State as required by Public Act No. 11-80.¹²

At the same time, Class III resources support Connecticut businesses that seek to reduce their energy costs and remain in the State. Connecticut has a legitimate interest in advancing in-state economic development and, thus, has a reasonable basis to continue to support these in-state resources. Due to the geographic requirement, Class III resources positively and directly impact Connecticut's economic development by attracting capital investment, creating and maintaining jobs, and providing energy cost management opportunities to retain business and industry. Class III resources further promote economic development by enabling energy-intensive businesses and, importantly, jobs to remain in the State, despite the fact that Connecticut's energy costs are among the highest in the nation. CHP-based generation resources in particular provide an important energy cost management tool for energy-intensive Connecticut businesses, which improve energy efficiency, reduce the overall cost of doing business, bolster competitiveness, and promote job retention and creation.

As Connecticut considers its 2012 IRP, K-C submits that it is important to also consider the State's RPS structure and whether changes are now warranted to accomplish the State's least-cost procurement and environmental objectives. At the current statutory static 4% Class III RPS requirement, current and future supply-demand conditions in the Class III market will not sustain growth, or even retention, of these valuable in-state resources and associated jobs. Increasing the Class III RPS requirement over time, while reducing the ambitious Class I requirement, will minimize the cost of Connecticut's RPS while maximizing consumer benefits consistent with the state's environmental goals and standards.¹³ In short, the IRP's objective is to develop a least-cost resource plan that meets the State's environmental and energy policy goals. Connecticut's limited in-state Class I resources, coupled with its ambitious Class I RPS, not only subject ratepayers to high energy costs but also channel Connecticut's financial resources to out-of-state businesses, thereby undermining Connecticut's economic development.

In K-C's view, Connecticut's environmental objectives can be attained in a way that is more in line with Public Act 11-80's "least-cost" procurement requirement by scaling back the Class I

¹⁰ CEAB RPS Study, at 4 (emphasis added).

¹¹ *Id.* at 51 (citing Chupka, M., Faruqui, A., Murphy, D., Newell, S., Wharton, J., "Integrated Resource Plan for Connecticut," The Brattle Group, at 27 (2008)).

¹² Cf. Conn. Gen. Stat. §

¹³ *Cf.* Conn. Gen. Stat. § 16a-3a(a).

RPS requirement and correspondingly increasing the Class III RPS requirement. For example, Connecticut could adjust the escalating Class I and currently static Class III requirements such that, by 2020, the Class I requirement is 10% and the Class III requirement is 15%. An objective analysis of Class I and Class III supply and demand can be developed to support such prospective changes to the RPS requirements. By adopting this type of approach, Connecticut will better realize its goal of cost effectively procuring its renewable energy needs while ensuring that its consumers receive the environmental and economic development benefits provided by Class III resources.

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Thank you for the opportunity to provide these Comments. Please contact the undersigned if you have any questions. Thank you.

Sincerely,

McNEES WALLACE & NURICK LLC

By 

Susan E. Bruce
Vasiliki Karandrikas

Representatives of Kimberly-Clark Corporation

VK/sds

- c: Eric Draheim, Mill Manager, Kimberly-Clark Corporation
- James Schneider, Energy Supply Leader, Kimberly-Clark Corporation
- Jonathan Schrag, Deputy Commissioner, Connecticut Department of Energy and Environmental Protection
- Kevin M. Del Gobbo, Director, Connecticut Public Utilities Regulatory Authority
- Tracy Babbidge, Bureau Chief, Connecticut Department of Energy and Environmental Protection
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