



The Energy and Technology Committee
Public Hearing, March 19, 2013
Office of Consumer Counsel
Elin Swanson Katz, Consumer Counsel
Testimony of Elin Swanson Katz

P.S.B. 1138, An Act Concerning Connecticut's Clean Energy Goals

The Office of Consumer Counsel (OCC) has carefully reviewed this Proposed Substitute Bill and would like to express some concerns about it.

As a general matter, OCC is aware that there is a Renewable Portfolio Standard ("RPS") Study being performed by DEEP as a separate part of the Comprehensive Energy Strategy Process. Despite OCC's extensive involvement with renewable energy issues over the last ten years, OCC has not to date been consulted as part of the RPS Study process. That said, OCC is hopeful that the RPS Study will help provide an orderly path toward future renewable energy development in light of the very large Class I RPS obligations that will be in place by the end of the decade. The Proposed Substitute Bill is being considered prior to issuance of the draft RPS Study (assuming there will be a draft and final), and OCC views that situation as less than ideal.

In terms of specific questions and concerns, Section 1 removes the modifier "from landfills" from the portion of the Class I definition that refers to "methane gas from landfills," such that it would now just read "methane gas." Since natural gas is primarily comprised of methane gas, this definitional change could be interpreted as declaring that electricity generated from natural gas fuel is a Class I renewable. If this is the

intent, obviously that would be a groundbreaking change to Connecticut's renewable energy policy that would have a wide variety of state and regional impacts, and as such it would warrant further study prior to adoption. If this is not the intent, OCC believes the language would need to be fixed.

The bill expands Class I to include some new types of sources under contract. It appears to be structured at least in part to allow hydropower to be delivered from Quebec to be considered a Class I renewable, as a so-called "contracted tier" of resources. OCC is not unconditionally against that possibility nor is OCC unconditionally for it. Although OCC appreciates that consideration is being given to creative approaches to help meet the RPS requirements, the potential cost impacts, positive and negative, warrant further study, as do the environmental impacts, the impacts on reliability, and the impacts on existing renewable plants or plants under construction. OCC would like to see more data about the projected costs and benefits of this proposal, and perhaps the pending RPS Study will provide assistance.

Section 2 would eliminate certain ratepayer-funded programs, including the state's conservation and load management programs, from generating Class III credits. This would shrink the supply of Class III credits and presumably raise the price thereof. There have been various proposals over the years to adjust the Class III definitions, as there has been an over-supply that has caused the credits to be valued at the floor price, coupled with some Class III credits being rendered valueless by the floor price. OCC has suggested in the past that perhaps the Class III RPS should be expanded to deal with the over-supply and at the same time the floor price should be eliminated because of the oddities in the market created by the floor. OCC would like to see data

on the projected cost impact from this proposal, as well as a projection of whether this proposal will actually lead to the financing of new Class III sources.

It appears that Section 3 would impose a sudden and perhaps significant new cost on certain biomass facilities, in that they would need to purchase RGGI allowances to offset their truck emissions. RGGI allowances have been inexpensive to date, but OCC has seen adjustment proposals that would raise those prices. This proposal would therefore place a variable cost burden on some existing biomass facilities. Connecticut has considered some biomass facilities to be Class I because they use renewable fuel for power generation and can produce a great deal of electricity on a predictable and reliable, not intermittent, basis. If Connecticut wants to “strike the balance” differently now and put more weight on the truck emissions concerns, perhaps such proposal should be applied to future facilities, not those that have already been constructed or financed.

Section 4 would, among other things, expand and lengthen the Class I RPS from 20% by 2020 to 25% by 2025, albeit by including some “contracted tier” resources as described above. In addition to the RPS approach, perhaps Connecticut should also consider (i) determining what premium we should pay for renewable power (which premium might vary, depending on the source); and (ii) developing all of the renewable power, when needed, that is reasonably projected to be less expensive than that premium. Of course, under this approach, we would continue to need to develop vehicles for payment, including contracts, bidding, and perhaps new market structures. Such an approach, if done wisely, could lead to proposals that are more financeable.