

The Energy and Technology Committee

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Raised Bill No. 1076, An Act Establishing a Class IV Renewable Portfolio Standard

Testimony of

The Office of Consumer Counsel

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The Office of Consumer Counsel (OCC) has carefully reviewed and OPPOSES Raised Bill No. 1076, An Act Establishing a Class IV Renewable Portfolio Standard.

The Bill would establish that certain Class I renewable energy facilities that enter commercial operation after January 1, 2010 and have high capacity factors (summer capacity factors greater than 70%) will now also be considered Class IV renewable energy facilities. The Bill also sets up a Class IV renewable portfolio standard so that a certain percentage of standard service and supplier of last resort service power would now have to come from Class IV sources. The end result would be: (i) another complication in the renewable portfolio standards; and (ii) more ratepayer funds (of an unknown amount) going to the facilities that meet the Class IV renewable portfolio standard, with no apparent ratepayer benefits in return.

OCC understands that the biomass (wood chips, primarily) renewable facilities are having difficulty with financing and development in the present economic environment. This is a matter of public knowledge in the Department of Public Utility Control's (DPUC) docketed correspondence in the "Project 150" matters. Biomass facilities would presumably be beneficiaries (and perhaps the primary beneficiaries) of this proposed legislation. But OCC, DPUC, and the biomass industry are already working on a better way to help their facilities get built—better for the industry, and better for the ratepayers. The approach would be to convert the remainder of Project 150 and perhaps existing Project 150 contracts (with the consent of the project developer) to cost-based contracts. Cost-based contracts would provide the facility, if prudently operated, with cost recovery and a reasonable rate of return. This approach would promote confidence among financiers, allowing for project development with manageable financing costs, while limiting ratepayer costs to the maximum extent possible. OCC, DPUC and the industry are actively working on legislation for your consideration to accomplish these ends.

In contrast to the cost-based approach being pursued by OCC, DPUC and the industry, Raised Bill 1076 would provide a money stream to a developer but without the benefit to ratepayers in the form of a cap on overall compensation to the project.

Moreover, it would further complicate the administrative burden of renewable portfolio standard compliance.