

ENE
Environment Northeast

21 Oak Street
Suite 202
Hartford, CT 06106
(860) 246-7121
www.env-ne.org

Rockport, ME

Portland, ME

Boston, MA

Providence, RI

Hartford, CT

Charlottetown, PE
Canada

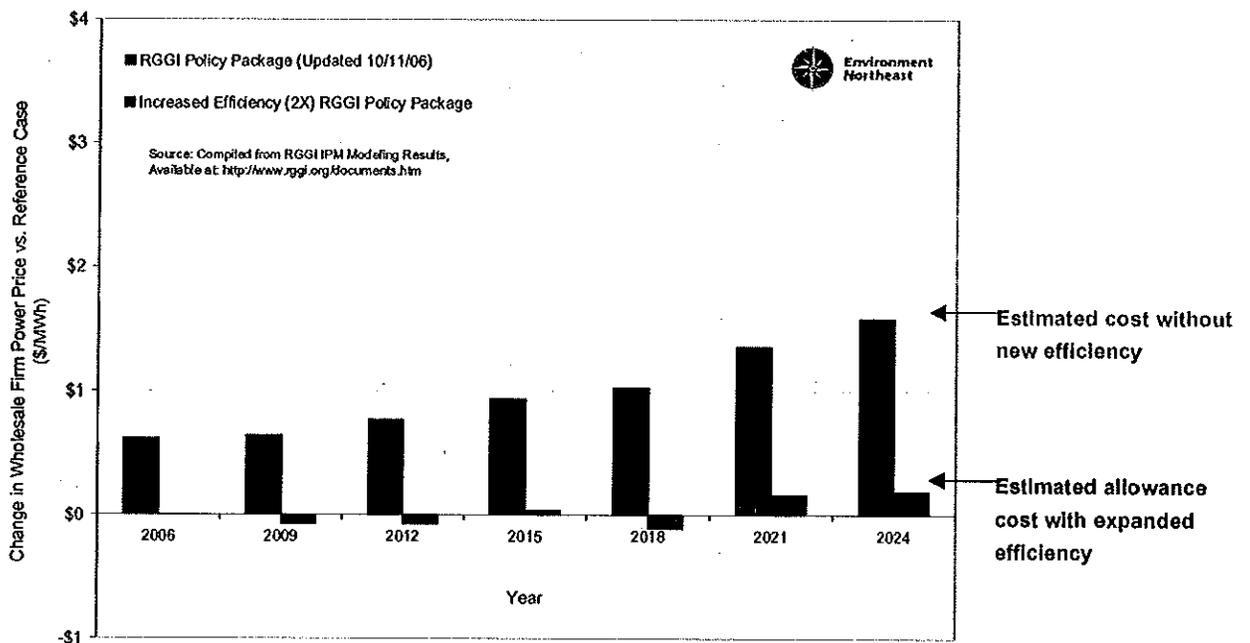
SB 794 AN ACT CONCERNING THE REGIONAL GREENHOUSE GAS INITIATIVE AND ELECTRIC RATEPAYER RELIEF

Testimony of Jessie Stratton, Deputy Director
March 4, 2009

Good morning Senator Meyer, Representative Roy and Members of the Committee. My name is Jessie Stratton; Deputy Director of Environment Northeast, an environmental research and advocacy organization with offices in CT, MA, RI, ME and Eastern Canada. Our primary focus is on climate, energy and air quality issues. Relevantly to today's hearing, ENE was one of the official stakeholders in the multi-year process that established the Regional Greenhouse Gas Initiative or RGGI.

During the process, concern that implementation of RGGI might further increase electric rates led to extensive modeling to project the impact of the program on electric costs. The results of the extensive electric sector modeling during the development of the RGGI model rule illustrate the benefits of investing in efficiency. Lower energy consumption will reduce the demand for emissions allowances thus reducing the demand for allowances which keeps their prices lower..

Energy Efficiency Reduces the Cost of Cap & Trade Programs for All Consumers



With this understanding, Connecticut and most of the other RGGI states mandated that most of the revenues be invested in energy efficiency to reduce electric demand. To that end, the General Assembly designated the following uses for RGGI funds in PA 07-242.

Sec. 93. (NEW) (Effective July 1, 2007) (a) The Commissioner of Environmental Protection shall adopt regulations, in accordance with chapter 54 of the general statutes, to implement the Regional Greenhouse Gas Initiative.

(b) The Department of Environmental Protection, in consultation with the Department of Public Utility Control, shall auction all emissions allowances and invest the proceeds on behalf of electric ratepayers in energy conservation, load management and Class I renewable energy programs. In making such investments, the Commissioner of Environmental Protection shall consider strategies that maximize cost effective reductions in greenhouse gas emission. Allowances shall be auctioned under the oversight of the Department of Public Utility Control and the Department of Environmental Protection by a contractor or trustee on behalf of the electric ratepayers.

(c) The regulations adopted pursuant to subsection (a) of this section may include provisions to cover the reasonable administrative costs associated with the implementation of the Regional Greenhouse Gas Initiative in Connecticut and to fund assessment and planning of measures to reduce emissions and mitigate the impacts of climate change. Such costs shall not exceed seven and one-half per cent of the total projected allowance value. Such regulations may also set aside a portion of the allowances to support the voluntary renewable energy provisions of the Regional Greenhouse Gas Initiative model rule and combined heat and power.

(d) Any allowances or allowance value allocated to the energy conservation load management program on behalf of electric ratepayers shall be incorporated into the planning and procurement process in sections 51 and 52 of this act.

The DEP's initial proposed regulations did exactly that and were signed off on by the Attorney General. Subsequently the Governor directed the Department to substitute pages in the regulation so as to add a direct customer rebate in the event that auction allowances sold for more than \$5.00 a ton. As you well know regulations must be consistent with and implement policy made by the General Assembly. In this instance both the Legislative Commissioners Office and the Attorney General found this addition inconsistent with the authorizing statute. I have attached a copy of the Attorney General's July 14, 2008 release. Despite those findings, the Regulation Review Committee approved the regulations with the substitute provision on July 22, 2008 by a one vote margin.

As expected the auction clearing prices to date have been well under the \$5.00 a ton that would trigger the rebate provision so existing RGGI funds will still be used to benefit consumers as directed in PA 07-242. Restoring the intent of that provision would benefit electric consumers, the environment and Connecticut's economy.

Neighboring states and the federal government are significantly increasing investments in energy efficiency because they understand that it is a critically important part of the solution to both our economic and energy challenges. Connecticut's nationally applauded efficiency programs create jobs, promote energy independence and save consumers money that is then available to spend in the local economy instead of buying fossil fuels from other parts of the country and world.

Last year, Connecticut spent about \$123 million on electric efficiency while spending \$ 4 billion on electric generation. Supplying energy from electric generators costs 10-12 cents per kWh but saving energy through efficiency programs costs just 2-4 cents/kWh. Every dollar invested in energy efficiency ultimately saves consumers four dollars. Energy efficiency remains the best cost-containment strategy for a cap and trade program. SB 794 would codify a potential diminishing of that cost benefit and essentially levy a carbon tax.

Quite simply SB 794 seeks to retroactively authorize the last minute change to the RGGI regulation that was inconsistent with the legislature's directive in Section 93 of PA 07-242 to devote all of the revenues received from the auction of allowances under RGGI to the following three purposes: energy efficiency investments through the Conservation & Load Management Fund, renewable energy investments under the Clean Energy Fund, and to the Department of Environmental Protection for adaptation work and the RGGI program administration.

Approval of the substitute provision was poor policy in July and it remains such. Rather than codifying that policy we would urge the committee to pass legislation explicitly restoring the wiser policy enacted in Section 93 of PA 07-242.

Contact:

Jessie Stratton
Deputy Director
jstratton@env-ne.org
860-246-7121
860-983-4046 C

Connecticut Attorney General's Office

Press Release

Attorney General Says Money For Cheaper, Cleaner Energy Cannot Be Diverted

July 14, 2008

Attorney General Richard Blumenthal, in a formal legal opinion released today, said that Gov. M. Jodi Rell's plan to divert money intended to provide cheaper, cleaner energy to Connecticut electric consumers is illegal.

Blumenthal issued the opinion at the request of Department of Environmental Protection (DEP) Commissioner Gina McCarthy.

Connecticut is on the verge of implementing a multi-state plan to cut power plant emissions. Under the plan, known as the Regional Greenhouse Gas Initiative (RGGI), major polluters, including electric power generators, must purchase "allowances" - essentially buying the right to emit greenhouse gas emissions, particularly CO₂.

In agreeing to participate in the RGGI, the legislature explicitly required that proceeds from these allowances be used for conservation, load management, and renewable energy -- to provide long-term and substantial rate reductions to ratepayers.

DEP, at Rell's direction, has proposed revising the RGGI regulations and diverting part of the proceeds from those uses to provide "rebates" on consumers' electric bills. Blumenthal said this plan is not only illegal, but will likely amount to mere pennies per month.

"Legally most important, these revisions contradict the statute authorizing Connecticut's participation in the RGGI," Blumenthal said. "Even if they were likely to yield significant savings -- which seems contrary to fact -- they would still be contrary to law. To change the law requires legislative action. Your proposed revisions must be made by the legislature. There is ample time and opportunity to seek legislative revision since the allocation or transfer of auction proceeds is not required before Dec. 31, 2009.

"The legislature intended these funds to be spent only as it directed - to both protect the environment and provide the best return to ratepayers. The new proposed diversion of some proceeds would undercut support for the more energy efficient uses and practices the legislature sought to support. Very simply, the proposed revisions to the RGGI regulation comply with neither the plain language nor legislative history of the RGGI law.

"As a matter of policy, the purpose of RGGI is to reduce greenhouse gas emissions in the Northeast, while ensuring that ratepayers are protected.

"Ratepayers desperately deserve and need rate relief -- real relief from spiraling electricity prices, making our rates the highest in the continental U.S., double levels just a few years ago. I have fought vigorously and consistently for such rate reduction. The Rell Administration's proposed revisions, however well intended, would provide rate relief that the legislature deemed -- at best -- short term, speculative and small. They would come at the cost of larger, longer term rate reduction that the legislature seeks to achieve through uses specified in the statute."