

STATE OF CONNECTICUT
ENERGY AND TECHNOLOGY COMMITTEE

TESTIMONY OF JAMES S. POTTER
IN RESPONSE TO SB 6636

ON BEHALF OF
CLEARVIEW RENEWABLE ENERGY, LLC
and
CLEARVIEW EAST CANAAN ENERGY, LLC

March 10, 2009

1 **INTRODUCTION**

2 **Please state your name, title and business address.**

3 My name is James S. Potter. I am a Principal of Clearview Power, LLC, a developer of
4 energy infrastructure projects, which includes Clearview Renewable Energy, LLC and
5 Clearview East Canaan Energy, LLC, each of which are Participants in this proceeding.
6 My business address is 163 North Shore Road, Hampton, NH 03842.

7 **Please describe your professional background and qualifications.**

8 I have been involved in the energy industry for more than 24 years, including experience
9 in plant construction and project development, project acquisition, wholesale power
10 marketing and operation. I have worked extensively on both domestic power project
11 development and acquisitions and international project development activity.

12 I was responsible for the development of multiple complex power projects
13 exceeding in the aggregate over \$1.0 billion in value and acquisition of domestic energy
14 companies and power assets exceeding \$700 million in value. I was responsible for
15 acquisition and then subsequent operation of a portfolio of generation and transmission
16 assets located here in New England. My experience includes the application of many
17 unique environmental control technologies, solutions and practices on all projects that
18 were completed.

19 **What is the purpose of your testimony in this matter?**

20 I am submitting this testimony in order to convey our support for Raised Bill No. 6636.
21 This testimony focuses on the CRE project, however the Bill would also benefit the
22 CECE project as well.

23 **What are the benefits of Raised Bill 6636?**

24 Raised Bill No. 6636 provides the structural changes necessary for a successful financing
25 of the Project. This will result in the following major benefits to the State of Connecticut:

- 26 • A cost of service structure will provide a viable project financing option which does
27 not exist with the current capital markets.
- 28 • Provides the Project with the potential and probable access to grant monies available
29 under the Recovery and Reinvestment Act equal to 30% of the Projects construction
30 costs which will then be credited pursuant to a cost of service structure resulting in a
31 very low cost biomass facility providing low cost power to Connecticut rate payers.

- 1 • Creates an alignment of interests between the State and the Project. The Project
2 would provide a viable end use for utility wood waste, community based wood waste
3 and state wood waste. In addition, the Project would reduce wood waste disposal
4 costs while producing a valuable organic fertilizer ash byproduct.
- 5 • Provides pricing/risk structure resulting in lower cost power to CT consumers.
- 6 • Provides all the benefits associated with a successful development, construction and
7 operation of CRE to Kofkoff Egg Farms, the Town of Bozrah, the State and the States
8 water quality through compliance with CAFO.
- 9 • Results in significant construction jobs creation, permanent operation and
10 maintenance jobs and long term retention of Kofkoff Egg Farms jobs.
- 11 • Creates opportunity for the State to actively engage it's capacity to manage it's own
12 wood lands, manage individual town wood waste disposal costs and provides capacity
13 to manage unexpected wood waste production scenarios at no incremental costs.

14 **Why is Raised Bill No. 6636 necessary?**

15 Raised bill No. 6636 provides the underlying pricing structure necessary to finance a
16 power project in today's capital markets. As discussed in Testimony filed by John
17 Schopfer, Managing Director of Mesirow Financial, Inc., "the capital markets in the
18 United States have been in turmoil. The markets have not been receptive to new money
19 issues, particularly issues with credit quality rated below AA/Aa by major rating
20 agencies." Revenue certainty for the project, while simultaneously securing the benefits
21 of lower cost construction and grant monies from the Recovery and Reinvestment Act
22 provide the scenario where a cost of service structure will create a financeable project
23 resulting in significant rate payer benefits.

24
25 **What are the benefits of the Clearview Renewable Energy Project**

26 The Clearview Renewable Energy, LLC project provides the State of Connecticut rate-
27 payers with significant savings while also providing unprecedented economic and
28 environmental benefits. It is a unique project, integrally linked to a significant and
29 important agriculture sector business that resolves the long standing challenge of
30 complying with the regulations of the U.S. Environmental Protection Agency (USEPA)
31 while preserving the economic benefits of the Kofkoff Egg Farms operations.

1 **What are the Environmental benefits to the State.**

2 CRE's project design, its use of air cooled condensers, its gasification of clean wood
3 waste with all the attendant benefits that provides, its production of 45 tons per day of
4 organic ash fertilizer, combined with providing the creative solution to meeting EPA's
5 Concentrated Animal Feeding Operations (CAFO) regulations for Kofkoff Egg Farms
6 clearly defines the Project as providing impressive environmental benefits. These benefits
7 are well known to State officials and regional environmental groups, ultimately forming
8 the basis for the formalized support from CT DEP Commissioner McCarthy and the
9 Connecticut Fund for the Environment, a highly respected environmental group.

10 **Connecticut long-term energy price suppression potential.**

11 As determined by the Utilities and confirmed in their joint filing to the DPUC on August
12 11, 2007, the CRE project would provide a total of \$42 million in ratepayer benefits.
13 However, the capital markets have dramatically changed resulting in a project that cannot
14 proceed. Therefore, the structural changes allowed under Bill 6636 will create the ability
15 for the project to proceed while providing the same or greater rate payer benefits. These
16 benefits can only be realized with the structural changes allowed under Bill 6636. The
17 opportunity for a project to re-structure it's compensation to cost of service will likely
18 result in lower overall costs and greater benefits to rate payers due to a number of factors
19 including the following,

- 20 • Construction costs are trending downward from the same period used in the
21 original Round 2 RFP response.
- 22 • Grant monies available from the recently passed Recovery and Reinvestment Act
23 would be applied to offset the cost of constructing the facility. This represents a
24 reduction in construction cost of 30%.

25
26 **What are the long term economic development benefits to the State of Connecticut?**

27 The CRE Project is located adjacent to the Kofkoff Egg Farms operations in Bozrah,
28 Connecticut. It is integrally connected to the Farms' operations by providing thermal
29 energy through an efficient cogeneration program while also providing a long-term
30 solution to poultry manure disposal and CAFO compliance, providing a key solution to a
31 critical agriculture business that per the CT Department of Economic and Community

1 Development analysis provides \$161 million in benefits in gross state product to
2 Connecticut each year and employs over 300 local residents.

3
4 **Please summarize the economic and environmental benefits of the proposed Project.**

5 The economic benefits of the CRE Project to the State are significant and can be
6 summarized as follows:

- 7 • Provides rate payer benefits
- 8 • Retains major Connecticut agriculture business:
- 9 • Preserves Annual Gross State Product of \$161 million as determined by an
10 analysis completed by the Connecticut DECD.
- 11 • Preserves over 300 existing jobs while providing opportunities for future capital
12 improvements.
- 13 • Maintains significant tax base from existing Farm operations (either largest or
14 second largest) in four Eastern Connecticut Communities.
- 15 • Lowers the cost of renewable power provided to Connecticut's ratepayers.
- 16 • Energy efficiency benefits through utilization of co-generated thermal energy to
17 Farm.
- 18 • Superior greenhouse gas emission reductions through displacement of fossil fuel
19 generation, avoiding land spreading of poultry manure with its attendant
20 emissions from decomposition and significant reduction of oil and propane use
21 by the Farm for egg washing and barn heating through cogeneration and supply
22 by CRE of high temperature hot water.
- 23 • Allows for continued purchase by Kofkoff of corn from multiple local farmers
24 located in Eastern Connecticut.
- 25 • Production of roughly 45 tons per day of high value, clean organic ash
26 providing for new economic opportunities in sales, marketing, packaging and
27 transportation.
- 28 • Provides efficient, long-term solution to clean wood waste disposal for many
29 Connecticut communities.

30 **Environmental Benefits:**

31 The environmental benefits are significant and can be summarized as follows;

- 1 • State's best greenhouse gas and carbon reduction opportunity. Equivalent to
2 removing nearly 35,000 cars/year from Connecticut's roads as determined by
3 the US EPA's CHP division.
- 4 • Connecticut's best CAFO solution for poultry manure management providing
5 significant reductions in phosphate and nitrogen emissions and improved water
6 quality.
- 7 • Produces 45 tons per day of clean, beneficial ash for reuse as organic fertilizer.
- 8 • Utilizes dry, air-cooled condenser design versus wet cooling towers,
9 significantly reducing water consumption.

10 **Economic Benefits**

11 The CRE Project will provide rate payer benefits and fuel diversity while providing
12 clean Class 1 renewable energy and capacity and significant state and local economic and
13 environmental benefits. CRE's location and integration with daily operations of the
14 Kofkoff Egg Farms facility is a critical, unique and defining factor for the Project. All
15 new modern power projects provide local communities and the region with construction
16 related jobs and ongoing employment opportunities combined with significant new tax
17 base. These are important attributes to communities that typically need the new tax base
18 while also understanding the many beneficial features of modern, quiet and efficient
19 generating resources. The CRE Project however, performs another vitally important
20 function. In addition to producing 30MWs of clean renewable power and up to 20
21 million BTUs per hour of high temperature hot water, it solves a major challenge for
22 Kofkoff by providing a safe, clean, long-term and reliable solution to poultry manure
23 disposal and compliance with new US EPA regulations referred to as CAFO. CRE's co-
24 combustion of clean wood waste and poultry manure proved to be the only solution that
25 could practically manage odor control issues while meeting the economic challenges of
26 the competitive egg production business. Therefore, without the proposed CRE Project,
27 the long-term viability of the existing egg farm operations would be in serious jeopardy.

28 The economic consequences to the State of the loss of this critical agriculture
29 sector business would be staggering. The State, through the Department of Economic and
30 Community Development, completed an extensive study to determine the economic
31 importance of the Kofkoff Egg Farms operations. This study was conducted in June 2003

1 as part of a broader economic support program. The study, using the Regional Economic
2 Models, Inc. (REMI) model, concluded that loss of the egg farm operations would have a
3 significant and broad impact on the State and local economies. Some of the study's
4 important findings include:

- 5 • Loss of the egg farms operations would result in the immediate loss of over 300
6 jobs.
- 7 • The study concludes, "In addition to the 300 jobs at the egg farm, the loss of the
8 industry would reduce new jobs in all sectors of the economy by 1,385 in year
9 2003 [the year the study was conducted] and 1,126 in 2022. . . . On average over
10 the 20-year horizon the loss would reduce new jobs in all sectors of the
11 economy by 1,214."
- 12 • The study further states, "Of particular importance is that the combined total
13 loss of direct output of \$90 million and indirect output as measured by the
14 change in gross state product of \$71 million exceeds \$161 million." These
15 numbers are annual estimates of the total losses to the State.
- 16 • The egg farm operations supply an estimated 90% of the wholesale egg needs of
17 the State of Connecticut. Loss of the local production of eggs would have a
18 serious impact on wholesale egg prices. The study states, "The model does not
19 forecast egg prices, however, and in all likelihood, egg market prices faced by
20 consumers would be substantially higher - another economic consequence of the
21 decline of the industry."
- 22 • Kofkoff requires an average of 500 tons per day of feed material. Although
23 Kofkoff purchases a portion of its corn needs from local farmers who would
24 also be victims to the loss of Kofkoff, the vast majority of its grain/feed
25 requirements are delivered on the New England Central Railroad (NECR). This
26 represents an estimated 40% of freight volume on the NECR system. The study
27 states, "The loss of its largest customer, even short term, could result in the
28 further loss of customers as the rail company will need to raise freight fees on
29 their remaining customers which may in turn seek cheaper transport, still further
30 weakening the stressed carrier. The economic trauma of losing close to 40% of
31 its revenue could force the rail company out of business altogether. The

1 shipping alternatives available to the former rail customers would most likely
2 take the form of trucking which would undoubtedly increase their shipping
3 costs. This situation would add additional traffic to Connecticut's already
4 congested highway system. The economic impact of the loss of this rail service,
5 the added shipping costs imposed on its former customers and the added cost in
6 terms of lost productivity and air quality degradation caused by increased
7 highway congestion have not been estimated, however it is clear that there
8 would be an impact and that the impact would most likely have significant local
9 consequences. . . .”

- 10 • The study further concludes, “. . . the loss of egg farm sales, the loss of grain
11 feed sales, the loss of rail customer transportation service, the loss of electricity
12 and fuel operating expenses has a significant negative consequence for the
13 Connecticut economy. . . .”
- 14 • Loss of the Egg Farm would further severely impact the tax base of four Towns
15 in Eastern Connecticut. Kofkoff is either the largest or second largest taxpayer
16 in the towns of Bozrah, Franklin, Lebanon and Colchester.

17 In conclusion, the CRE Project provides the only viable solution to Kofkoff Egg
18 Farms' poultry manure disposal challenge and compliance with the US EPA's CAFO
19 regulations. The loss of the Kofkoff Egg Farm would result in serious economic
20 consequences to the State and local economy. The CRE proposal of integrating its
21 proposed project with Kofkoff, the co-combustion of poultry manure and clean wood
22 waste, while saving Connecticut ratepayers money is the most economically beneficial
23 solution.

24 **Please describe in detail the environmental benefits derived by the State and local**
25 **community.**

26 Once again, the underlying environmental benefits are directly linked to the
27 integration of the CRE Project to the Kofkoff Egg Farms operations and as a result,
28 providing the only solution to Kofkoff's poultry manure disposal challenge.

29 The goal of any CAFO compliance program is to move the nutrients to regions
30 where disposal of such nutrients is performed on land that has not reached a saturation
31 point. The CRE Project will gasify/combust poultry manure with clean waste wood,

1 producing an excellent ash by product meeting the definition and criteria for labeling as
2 an Organic Fertilizer. This product will be easily marketable to the newly popular and
3 resurgent organic farming industry, providing an effective and environmentally beneficial
4 reuse of an ash byproduct and resulting in the wider dispersion of the nutrients to areas
5 focused on organic farming.

6 In addition to the regional water quality benefits derived from solving the State's
7 CAFO compliance problems, the CRE Project will also become the State's best
8 greenhouse gas and carbon reduction opportunity. The US EPA's Combined Heat and
9 Power Partnership, a Climate Protection Partnership Division, contacted CRE
10 representatives as a result of their serious interest in the proposed project. They offered to
11 conduct a modeling exercise to determine the greenhouse gas benefits derived from the
12 development, construction and operation of the CRE Project. The offsetting of existing
13 power resources with carbon neutral wood fueled resources combined with the
14 displacement of existing oil and propane consumption through supply of cogenerated
15 thermal energy, a unique element of the CRE Project, provides significant greenhouse gas
16 reduction benefits. The study concluded that the CRE Project would displace 203,935
17 tons of green house gasses each year. This is equivalent to removing 34,762 cars from the
18 roads each year.

19
20 This concludes my testimony on SB 6636, thank you.
21