

Testimony of Mark Mirabito
on
HB 6636
“An Act Concerning the Connecticut Clean Energy Fund”
before the
Energy and Technology Committee
March 10, 2009

Good afternoon. My name is Mark Mirabito and I am project manager for Tamarack Energy's Watertown Renewable Power project. We are very appreciative of the opportunity to speak to you this afternoon in support of Raised Bill No. 6636, "An Act Concerning the Connecticut Clean Energy Fund." Tamarack Energy has been working with the Connecticut Clean Energy Fund and the DPUC for several years, pursuant to a statutorily mandated program, to develop a cost-effective, renewable energy project in this state. Our project is a 30 megawatt biomass (clean waste wood) facility that originally received a contract in the Round One solicitation of what is now called Project 150 – a program to increase clean energy supplies in Connecticut. Under the agreement with the Clean Energy Fund, we signed a long-term contract to sell electricity generated by the project to CL&P in the spring of 2007.

Since signing the long-term contract, the project has been in active development with most permitting, interconnection, and preliminary engineering activities complete. As Representative Williams can attest, the project has received a positive welcoming from Watertown officials and the community at large. It is expected that the Watertown

Renewable Power project will create approximately 200 construction jobs, up to 20 permanent plant positions and 100 additional, forestry-related jobs. As one of Watertown's largest taxpayers, the project will have a positive economic impact by contributing significantly to the local tax base without increasing the demand for tax funded services.

Despite extensive and exhaustive efforts on our part over the past two years, we have found that the pricing structure in the contract – equal to the locational marginal price plus four and one-half cents per kilowatt hour – has proven to be unfinancable. The current contract structure subjects the project to significant market volatility risk which has made the project virtually impossible to finance in the context of the current worldwide credit crisis, inflated construction costs and falling natural gas prices (which set the locational marginal price of power in New England). A contract that was desirable when the project originally applied to the Project 150 program in 2005 is simply not viable in today's energy financing and generation markets.

The bill before you today would allow us to make a request the DPUC to convert the existing pricing structure in our current contract to a cost of service structure. This revised pricing structure will not only give potential project investors the stable revenues and fuel price risk mitigation they require in order to finance these renewable projects, it will also provide ratepayers with the protection of a locked-in, stable energy rate not found in the original pricing structure. Under the original approach, dramatically increasing gas prices would have translated into much higher prices for the electricity generated by these renewable projects. Under the cost of service contract structure envisioned by this bill, ratepayers will be protected against such price spikes.

The bill helps ratepayers in another way. It allows us to sell the full output of our project to CL&P. Our existing contract is limited by rule of the Round One solicitation to 15 megawatts. I believe that enactment of this bill will allow our project to be built with the full output under contract, enabling the state to come closer to reaching its current goal of 150 megawatts of Class One renewable power without relying on alternative renewable projects that are more costly to the electric consumer in Connecticut.

Thank you for your attention. I am happy to answer any questions you may have.