



CLEAN WATER ACTION

CONNECTICUT

Testimony of Roger Smith, Campaign Director, Clean Water Action Commerce/ Energy and Technology Committee March 17, 2009

Testimony in support of Raised Bills 1129, 1130:
AN ACT CONCERNING ENERGY AND THE STATE'S ECONOMY

Clean Water Action is a national environmental non-profit with 25,000 Connecticut members. We have worked on energy-related issues in Connecticut since 1998, and strongly support measures to reinvent our energy system through energy efficiency and the use of renewable energy.

We support the goal of the Energy Efficiency Partners program, to provide a level of stable funding and support for clean technologies that have fallen through the cracks of the CT Energy Efficiency Fund and CT Clean Energy Fund. We favor the technologies receiving support under the first iteration of this program including thermal ice storage and efficient gas chillers, and support expansion of the program to other effective and underutilized technologies, such as solar thermal.

It has been tremendously frustrating that the DPUC has failed to implement the "efficiency-first" requirement of the 2007 energy law, rejecting an increase in efficiency through the Integrated Resource Plan which could have enabled the CT Energy Efficiency Fund to invest in new technologies and start new programs. It is also disturbing that the governor is attempting to gut the limited programs we do have.

We submit this testimony in the spirit of helping the committees to work to expand funding for worthwhile efficiency projects in a way that protects the businesses and residents who will be paying for these programs. The following are a few ways we feel the legislation can be improved:

I. Take precautions to avoid duplication

1. To ensure that efficient technologies are not supported by more than one ratepayer fund, the membership of the Energy Innovation Council should include the "Energy Conservation Management Board" which oversees the CT Energy Efficiency Fund.
2. Technologies already supported by DPUC programs, the CT Clean Energy Fund or CT Energy Efficiency Fund should be explicitly *excluded* from the Efficiency Partners program. The benefit of the partners is to build a market for promising but under-supported technologies. We suggest this language be restored and modified as follows:

"No Connecticut electric efficiency partner shall receive funding pursuant to this subsection if such partner has received or is receiving funding from the Energy Conservation and Load Management Fund, Renewable Energy Investment Fund, or programs overseen by the Department of Public Utility Control or Office of Policy and Management, for such technology."

3. Example of duplication: efficient combined heat and power systems (which we strongly support as a key technology to reduce global warming emissions and fossil fuel use) are already well-supported under the DPUC Distributed Generation Capital grants program (pursuant to the 2005 Energy Independence Act). To date this successful program has supported over 225 MW of combined heat and power projects, investing over \$100 million in ratepayer dollars.

II. The Role of Utilities

1. Financing

Clean Water Action agrees that the electric distribution and natural gas utilities have a role to play in furthering energy efficient and clean energy technology. One of the primary barriers to the implementation of these technologies is financing (especially in today's economic situation). This bill could do more to encourage private developers to be able to sign long-term contracts with utilities as a way to finance projects. Perhaps technologies eligible under the Efficiency Partners program could also be eligible for expanded low or no-interest on-bill financing (there is currently on-bill financing for non-residential customers but it is capped due to shortfalls with the CT Energy Efficiency Fund). We suggest removing the language allowing the Clean Energy Fund to also provide such loans, given its severe funding shortfall and total budget of only \$30 million/year (half of this program). The Efficiency Partners funding should be above and beyond that of the existing programs.

2. Preserving a marketplace which rewards competition

The advantage of third-party entities competing in a marketplace to provide efficiency and clean renewable energy is that they bear the risk for success and failure, and they have clear incentives to control costs (as it maximizes their profit). Regulated entities bear little to no risk for cost-overruns and their ability to recoup costs plus a rate of return puts them on an uneven playing field with independent parties, crowding out private investment. We need to maximize the result of every dollar of ratepayer investment.

We support a role for the utilities in the generation of Class I renewable energy so long as it is *limited and additional*. As drafted, this bill does not constrain their involvement in renewable energy.

The Utility role should be limited and non-exclusive- the utilities should not be able to take over markets for solar, biomass, fuel cells or other technologies, but rather be one player among many. If the utilities built 100MW of solar by 2012 (as this legislation seems to allow) it would be *10 times greater* than the current size of the private solar market in Connecticut.

The Utility role should be additional- the utilities have the ability to enter market segments that would be unprofitable for private entities, thanks to their access to rate-base financing, long-

term solvency and customer relationships. For solar PV, for example, they could create large, grid-side (not customer-side) systems on utility lands, at congested nodes on the grid, and do this at a scale that private entities would have difficulty financing on their own.

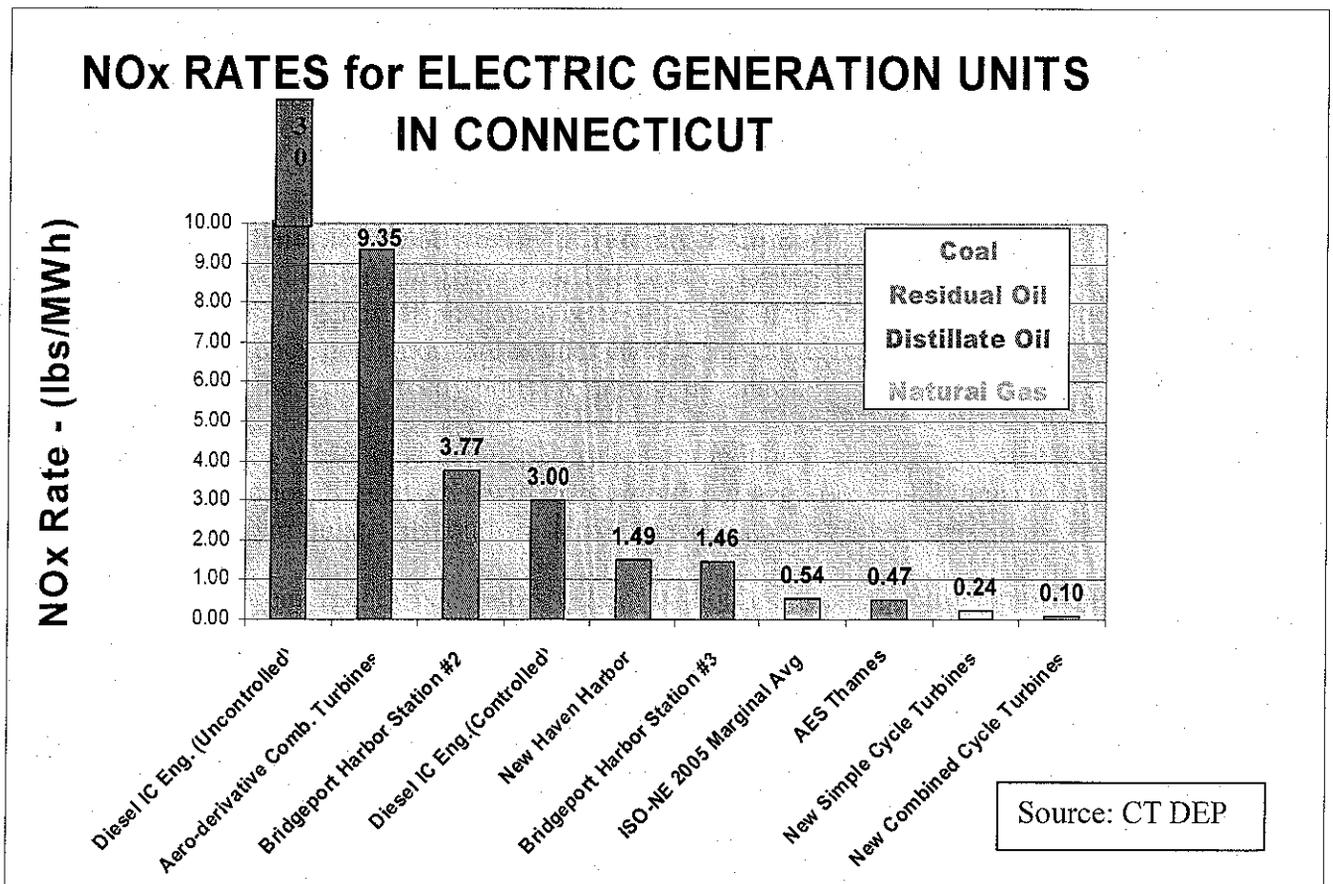
This bill needs language where the CT Clean Energy Fund is responsible for approving that any proposed utility-owned renewable energy projects will serve a role unfilled by private project developers, is not already subsidized by the Clean Energy Fund, and will not harm efforts to build a private in-state renewable energy industry.

III. Emergency Generators not worthy of ratepayer support

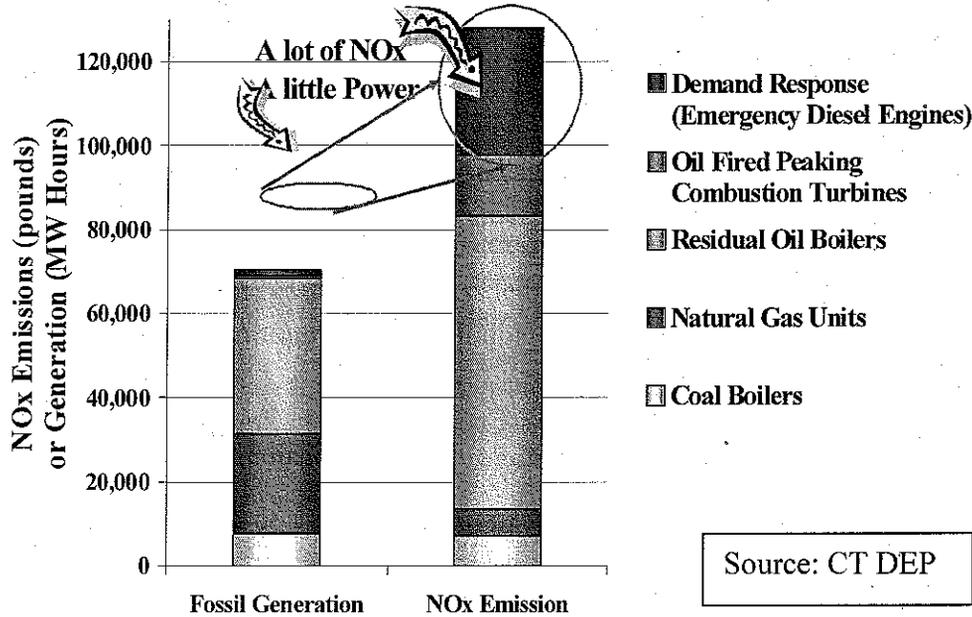
To ensure the environmental integrity of the Efficiency Partners Program, we ask that references to “customer-side emergency dispatchable generation resources” be removed from the legislation. Emergency generators are neither clean, renewable, reliable nor cost-effective, and the DEP estimates there are already 600MW around the state.

Health: Subsidizing diesel emergency generators to run in non-emergency situations at schools, hospitals, parks and local businesses will have *significant* negative health impacts including premature deaths, particularly in southwestern Connecticut.

High NOx rates for emergency generators with or without pollution controls make them a significant threat to meeting our federal Clean Air Act ozone requirements:



Connecticut Fossil Fuel Fired Electric Generating Units Peak Day Analysis



Capacity: According to the CT Energy Advisory Board’s integrated resource plan, Connecticut currently has an excess of generating capacity, making these units unnecessary as a peaking resource. As they do not run regularly, it is not apparent when emergency units have failed, compared with combined heat and power systems which run daily. Additionally, their lack of reliability meant that because CT passed a threshold for numbers of emergency generators, ISO NE no longer counts increases in CT emergency generators as capacity.

Finally, their lack of cost-effectiveness led the DPUC to suspend the capital grants DG program for emergency generators while continuing it for distributed combined heat and power systems (which we support).

Thank you for your consideration,

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