200 Corporate Place, 3rd Floor T: 860-563-0015
Rocky Hill, Connecticut 06067 F: 860-563-4877
www.ctcleanenergy.com

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Statement of the Connecticut Clean Energy Fund Regarding Raised Senate Bill 1132 An Act Concerning Energy Inefficient State Buildings

The Connecticut Clean Energy Fund (CCEF or the Fund) strongly supports RB 1132's intent to rapidly identify, develop, and install energy efficient and renewable energy technologies at municipal and state facilities. However, we do have some concerns about certain proposals within RB 1132.

Under Section 91 of Public Act 07-242, the legislature directed the CCEF to establish a municipal renewable energy and efficient energy generation grant program that would be financed through bond funding. CCEF created an application process and procedures to implement such a program but the bond funds have never been approved. Under the program, we were particularly excited about the possibilities of integrating technologies to provide the most cost effective and efficient use of energy.

Through our On Site Renewable Distributed Generation programs, the CCEF has funded both fuel cell and solar municipal projects. In many cases, the funding is provided through private sector third-party providers who own the equipment and lease it to the municipality. These third-party providers receive payment through a long term power purchase agreement allowing the municipality to have a fixed contract over a period of 10-15 years for the electricity being produced by the renewable system. The third-party is able to monetize the federal tax credits thus lowering the overall cost of the project to the municipality (which cannot take advantage of the tax credits) and requiring less of an incentive amount from the CCEF. This model has worked extremely well and thus far, 15 schools and other non-profit institutions have utilized this financing structure as well as a number of businesses.

Private sector businesses have pioneered this innovative financing model to the great benefit of both businesses and municipalities alike. The CCEF does not have a problem with the EDCs providing a similar financing mechanism, especially in these difficult financial times. However, both the funding source and the cost recovery methodology should be open to private third party funding sources as well.

Also, according to RB 1132, the EDCs may fund the program at a level up to one percent of its annual revenues. For CL&P and UI combined, this amounts to annual program funding of up to approximately $45 million, not including any CCEF funds that might be used, for this one program. The CCEF receives approximately $30 million annually through the systems benefits charge to fund all of its programs throughout the entire state. The CCEF's already limited funding should not be stretched further to contribute to a potentially very well-funded EDC program.

CCEF would suggest that a more equitable approach would be to make available to all third-party financiers the cost-of-service cost recovery model for this proposed program as well as the $45 million dollars of ratepayer funds. The CCEF would be happy to provide its expertise by assisting in the design of such a model and in the evaluation of any proposed municipal and state proposed projects' technical and financial feasibility.