



STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC UTILITY CONTROL

THE ENERGY & TECHNOLOGY COMMITTEE

House Bill 5362: AAC RENEWABLE ENERGY

March 4, 2010

TESTIMONY OF CHAIRMAN KEVIN M. DELGOBBO

The Department of Public Utility Control (Department) opposes House Bill No. 5362 as currently written. House Bill No. 5362 contains several provisions to implement a residential solar photovoltaic installations program. The Department notes that the current bill is largely based on last year's HB 6635. This proposal replicates many of the provisions this Department opposed in testimony last year as being overly complicated and costly. Specifically, this bill contains multiple incentives and programs that could cost out at \$1.0 billion to more than \$1.8 billion based on an average cost of \$7500 kW. While the Department supports the creation of more renewable energy and the enhancement of green collar jobs in the state, it does have some serious concerns with the bill as currently proposed and will outline those thoughts below. Therefore, the Department believes that while laudable and with some inherent value, this proposal represents too large of an adverse impact to ratepayers at this time.

Section 1 and **Section 2** create a 30 MW residential solar program for the next decade costing roughly, \$225 million. Funding for this program would come from money collected from ratepayers under the surcharge authorized in Conn. Gen. Stat. § 16-245n not to exceed one-third of the total CCEF Fund and would be supplemented, *not offset* by any federal funding available. While any rates approved by this section would be funded from CCEF funds, it would use one third of their total funding of approximately \$30 million annually for the next 22 years. By foregoing less expensive Class 1 resources ratepayers will ultimately pay more to meet the renewable energy requirements. Moreover, the DPUC believes that the state can take great pride in the solar programs available through funding by the Renewable Energy Investment Fund (CCEF). The Department is also concerned that this bill circumvents the CCEF's ability to allocate dollars to programs as defined in their Comprehensive Plan, which is the result of the CCEF Board's deliberations and series of public hearings.

Section 3 contemplates a process for long-term solar power purchase agreements for a minimum of 15 years as well as a solar renewable energy certificates program (minimum 4, 350,000 MWh). **This is an extremely expensive program.** At \$100/MWh, this equates to \$435 million and \$1.3 billion if the RECs cost \$300/MWh. The Department supports a long-term contract as a means to further stimulate and support various renewable opportunities in Connecticut and would like this section to be broadened to include more diversity. Moreover, subsection(c) appears to require EDCs to purchase

SRECs, but no similar requirement that would apply to all load serving entities with RPS compliance obligations.

Section 4 creates an obligation for the EDCs to conduct a 10 year solar RFP. Secondly, if the EDCs are unable to fulfill this requirement, CCEF is required to reissue an additional RFP. Again, the Department states that this program is unwarranted and duplicative of existing programs which are submitted to the Department for its review. Thus, there is no need at this time for EDCs or the CCEF to propose and conduct similar solicitations. This ultimately increases cost to the companies and ratepayers, by way of example: for an additional 50 MW costs would be approximately, \$375 million.

Section 5 establishes a solar program for state buildings to be conducted by the Office of Policy Management (OPM). There is no mention of additional resources for funding this RFP outside of existing funds.

Section 6 requires the EDCs to create a tariff for solar projects that are at least 1 to 7 and a half MW and are connected to the grid. It also allows for EDCs to own and operate solar facilities. The cost of such tariff payments is eligible to be recovered through rates. Ratebasing the cost of this section shifts all the solar project risks and costs to ratepayers and could result in higher bills for ratepayers. It is the Department 's understanding that the fundamental conclusion of Speaker Donovan's Rate Relief Group focused on lowering rates. Well intentioned programs such as these however, ultimately create more pressure on rates. For example, an additional 25 MW under this program would cost an additional \$187.5 million.

Section 7 authorized the CCEF to use the Conservation and Load Management Fund to develop programs for a solar thermal, natural gas and fuel oil customers. The Department is concerned with the cross-subsidization of electric ratepayer money to finance other sources of energy productions.

Section 8 allows the CCEF to create an additional incentive of up to 5% for the use of major system components manufactured or assembled in Connecticut.

Section 9 establishes a cap for annual costs recoverable from ratepayers. Clearly, this section is intended to provide some level of protection for use of ratepayer funds. However, the fact that such a cap can be modified or removed at any time limits the real protection that ratepayers can expect to receive. The Department also has serious concerns that on the one hand, this proposal would promise in statute a very broad and expansive list of programs while on the other hand, another provision of the same law would cap or qualify that promise.

The Department thanks the Committee for this opportunity to testify and is ready to work with this Committee to promote renewables in this state.