STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC UTILITY CONTROL
THE ENERGY & TECHNOLOGY COMMITTEE

Senate Bill 463: AAC FINANCING OF ENERGY EFFICIENCY AND RENEWABLE ENERGY

March 18, 2010

TESTIMONY OF CHAIRMAN KEVIN M. DELGOBBO

The Department of Public Utility Control (Department) submits the following comments on Senate Bill No. 463. This Act would reduce the RPS requirements and use the money to fund no interest loans for conservation programs and renewable projects. The Department agrees that such a financing concept has extraordinary merit with regard to a low interest financing program to encourage conservation and renewable development. The Department notes that the funding mechanism behind this proposal is to create a pool of money through the reduction of the RPS standards. The Department does have significant concerns on whether this may prove to be the best method to accomplish the overall low interest financing objective of this Raised Bill. Consequently, the Department objects at this time to such a type of underlying pool funding mechanism for the reasons discussed below.

The Department would recommend that any adjustments to Class I requirements be well vetted by all the stakeholders involved in a lengthier forum which would allow for broader consideration of all impacts. To legislatively lower the requirements during such a short legislative session could have a host of unintended consequences and negative impact on the development of in-state renewables by reducing REC pricing. This may also send the wrong signal to the market and create greater uncertainty as to what other changes the legislature may take in the future for this particular market.

As we are all well aware, President Obama is moving forward with significant energy legislation that would in part, include a national RPS standard. At this time, it appears that Connecticut's RPS requirements would align with the adoption of a federal initiative as it is currently proposed. However, if this Raised Bill was to become law along with a federal enactment; the unintended consequence might well be that the state law would contradict the federal provisions.

The Department also notes that the New England Governor's have been collaborating and have also been strident in their concerns that certain provisions of the anticipated federal siting legislation contain negative implications for the region. The Governors have been unanimous in arguing against this federal effort as contrary to states' rights and the New England regions' efforts to site renewables through their own processes. Furthermore, since the state is currently on the path to meeting its RPS goals under the current framework, to the extent this bill would alter our course may diminish the Governors' ability to be persuasive on this point in its efforts to oppose any federal siting for renewables.

Lastly, the 2010 IRP proceeding is scheduled to begin next month. The Department believes that this would be an ideal forum to examine these issues in more detail. The Department also reiterates its concern that electric ratepayer money not be used to finance oil and gas projects and therefore, would request that these references be stricken from the bill.

Section 5 of the proposed bill would also revive the 2005 Energy Independence Act's DG monetary grant program. The DG program was very successful but has since been concluded. The Department agrees that it is time to look at offering DG incentives once again. As the Department testified in SB 416, it is particularly open to CHP projects. However, the Department does not believe grants should be given for backup generators. There is currently a surplus of emergency generators. The Department further notes that ISO-NE has been reluctant to give them capacity value and their performance is generally not up to expectations.

Section 5 (b) would also award substantial incentives to the electric distribution companies to encourage distributed generation projects. These incentives will raise rates to customers, are not necessary and would surely make the DG program not cost effective. The incentives are more than the actual grants to customers in the fist year. The incentive is $250/kW while the grant is $200/kW. The incentives decline to $30/kW in 2013 and $25/kW thereafter. These are more reasonable incentive levels. The Department would recommend that the incentive to the EDC's be $25/kW each year.