



Ridgewood Renewable Power

Stephen D. Galowitz
Managing Director

March 19, 2010

The Honorable John W. Fonfara
Energy and Technology Committee
Room 3900, Legislative Office Building
Hartford, CT 06106

Re: Comments to Raised Bill 463 – An Act Concerning Financing of Energy Efficiency and Renewable Energy

Dear Chairman Fonfara:

As you know, Ridgewood Renewable Power is an owner, operator and, most importantly, developer of renewable energy projects across the country. In its testimony to this committee year after year, Ridgewood has consistently emphasized that the most important factor in supporting and encouraging renewable energy development is building and maintaining developer and investor confidence in the New England renewable energy market by maintaining legislative and regulatory stability and predictability.

The bill before you today represents the polar opposite of stability and predictability and would undermine all the progress made in recent years in New England's renewable energy regulatory markets. The bill would decimate the demand for renewable energy on which project development relies and with it the essential confidence of builders and funding sources. While the bill appears designed to replace the existing RPS demand with some form of state-run administrative funding program, the mere introduction of this bill is a devastating blow to renewable energy markets in New England and will be counter-productive to the bill's stated purpose.

To understand how critical confidence in the legislative and regulatory backdrop is we must remember that renewable energy projects have very long lead times and very long operating lives. Site acquisition, air and other permitting, equipment order/delivery lead times, interconnection queues and, of course, securing financing, are some of the causes of the large gap between concept and commercial operation. These gaps are normally measured in years. Even when projects commence operation, the time required for an investor to repay debt and realize a return are typically 15 years or longer. Such long time horizons require builders and investors to make real commitments to the New England market and without confidence in the legislative and regulatory factors such commitments will not be made.

While we understand that it may be frustrating, this committee must be patient and allow the existing regulatory incentives an opportunity to work. Gyration from one strategy to another is

The Honorable John W. Fonfara

March 19, 2010

Page 2

a recipe for certain failure because the development process simply cannot respond quickly enough to react to rapid changes in the regulatory environment. This will cause builders and investors in renewable energy generation to conclude that New England does not provide an attractive environment for their efforts and they will look elsewhere either in other regions of the U.S. or abroad. This lack of confidence will have a material negative impact on the effectiveness of any incentive program offered by the State as builders and investors will be highly reluctant to assume the future availability of any such programs in their plans.

The truth is that, although development of renewable energy projects in Connecticut may not be proceeding as fast as many of us would like, the RPS is working. Renewable energy supplies in New England have increased bringing REC prices down and the reliance on the alternative compliance price is almost non-existent.

It must also be recognized that the RPS program should not and cannot be evaluated from a parochial state-centric point of view by looking just at renewable energy projects built in Connecticut. The electricity market in New England is regional and this larger market is part of what has attracted renewable energy construction and investment into the region. The state REC markets and the general economy in New England are closely connected and mutually self-supporting:

- Projects are built in Connecticut by out-of-state energy developers while projects are built out-of-state by Connecticut energy developers
- Connecticut residents work at out-of-state renewable energy companies or at out-of-state projects while residents of other states work at Connecticut renewable energy companies or on Connecticut projects
- Connecticut load serving entities buy RECs from out-of-state projects and out-of-state load serving entities buy RECs from Connecticut projects

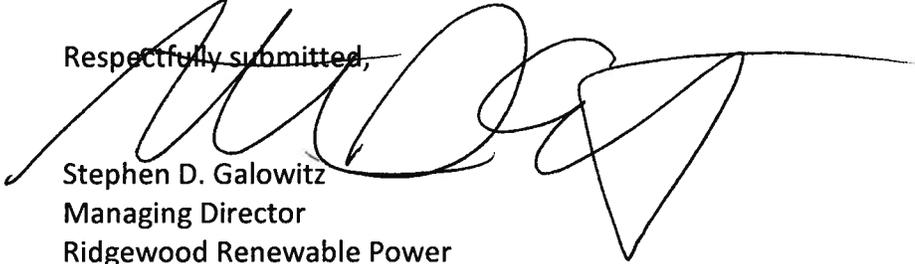
Any attempt to assess the success of the RPS program by looking solely at the number of renewable energy projects developed in Connecticut is short sighted and fails to recognize the substantial benefits to Connecticut produced by renewable energy projects in the region. Restricting the availability of renewable energy incentives to in-state projects only is the wrong approach because it can only do damage by serving to cripple renewable energy prospects for the whole region. [It also happens to violate the dormant commerce clause of the U.S. Constitution.]

Finally, as noted in the comments of others, many of the operating plants in the region currently participating in the RPS marketplace without long-term contracts - both within Connecticut and regionally - would be threatened with shutdown. The reduction in REC prices that will surely result from the halving of the RPS requirements will reduce the operating revenues of these plants and many may no longer be able to cover operating costs.

The Honorable John W. Fonfara
March 19, 2010
Page 3

In summary, we strongly oppose this bill and urge the legislature to “stay the course” and refrain from making drastic changes to the renewable energy regulatory structure in Connecticut.

Respectfully submitted,

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Stephen D. Galowitz
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