



CONNECTICUT CLEAN ENERGY FUND

Statement of the Connecticut Clean Energy Fund Regarding Raised Bill 5365 An Act Concerning Electric Distribution Companies

The Connecticut Clean Energy Fund (CCEF or Fund) is opposed to Section 1 and Section 2 of RB 5365 which would give the electric distribution companies (EDCs) the unrestricted ability to generate renewable energy directly to the grid and behind the customer's meter. We believe that this would give the EDCs an unfair advantage in the competitive market place and in effect, stifle the small businesses that have developed over the past 5 years as a result of the state renewable incentives offered by the CCEF.

The proposed Bill provides the EDCs with access to ratepayer dollars through the complete recovery of costs plus an allowed return on investment for construction, purchase and operation of renewable facilities. The current renewable businesses do not have this same access to capital nor the luxury of an allowed return. These small entrepreneurial businesses have been the state's pioneers in creating renewable energy-based businesses—"the green jobs" that we are all interested in growing for the benefit of the state's economy and environment.

For example, Connecticut's solar industry includes a number of small local companies and solar developers with an estimated 300 jobs. These companies took the risk to start up in a new market a few years ago when the CCEF introduced Connecticut's solar program and have taken the risk of making a return on their investment as opposed to an assured cost of service plus return on investment. They have created a competitive marketplace and are poised for continued growth if sustained funding can be established. In addition, in these economically difficult times, there are more electricians and others that are anxious to diversify their businesses into solar and other renewable areas. CCEF's list of eligible and provisional installer companies in the State has grown from 25 a year ago to 44 today; a 76 percent increase. This growth and diversification is threatened if an EDC with its vast financial, marketing and personnel resources can compete directly for the same customers as the small renewable energy companies.

And what happens if the CCEF incentive programs are fully subscribed, as is the case currently with our non-residential solar program? This Bill would allow the EDCs to "own" the market since they can fully recover their costs from the ratepayers through the cost of service model while the small businesses would have no access to incentives that are necessary to make the projects economically viable.

Although renewable energy is still dependent on subsidies to be competitive with the grid, CCEF has been able to drive the incentive level down by 60 percent over the past four years. The typical incentive covers 35 percent of the project cost leveraging 70

percent of the cost from private and federal funding rather than using 100 percent ratepayer dollars as is done under the EDC model. Our goal is to continue to drive the incentives down until renewables are at grid parity and no incentive is needed.

The CCEF is not aware of any data substantiating that the EDCs can save the ratepayers money by being able to construct, own and operate renewable systems more cheaply than the private market. In fact, in a study recently completed by Navigant Consulting for the CCEF, their analysis showed no cost savings from utility owned renewable projects as compared to the current competitive marketplace.

The Fund suggests three possible approaches to creating a level playing field; 1) the EDCs could be required to form competitive unregulated affiliates and to use those affiliates to compete; or 2) the cost-of-service cost recovery model could be made available to all businesses financing renewable energy systems or 3) the EDCs could be the supplier of last resort as proposed by the EDCs themselves in the 2009 Integrated Resource Plan. *“The 2009 IRP concluded that the EDCs should be considered as alternate developers of renewable energy facilities if the market does not respond with cost-effective contracts at prices that approximate a renewable generator’s costs. This conclusion remains valid in that allowing the EDCs to be the developers of last resort will help to ensure the development of renewable facilities if neither of the options discussed above are successful.”*

CCEF believes that an area where the utilities are more uniquely suited to generate renewable energy is in direct grid connected projects. Although small by utility standards, grid connected projects of 1 MW or larger require greater financing and the technical expertise of the utilities. A pilot program could be developed whereby an EDC develops and operates a limited number of grid-connected Class I renewable energy generation projects. The EDC would be required to procure independent analysis and comparison of the ratepayer borne costs and benefits of EDC-owned and operated, rate based renewable generation with non-EDC owned and operated renewable generation. The Legislature and the Department of Public Utility Control would then have valuable information necessary for further action on this issue.