



**CONNECTICUT
CLEAN ENERGY FUND**

**Comments of the Connecticut Clean Energy Fund on
Committee Bill No. 1, An Act Concerning Connecticut's Energy Future**

Section 8

The Connecticut Clean Energy Fund (CCEF, also known as the Renewable Energy Investment Fund) is greatly concerned with the proposed deletions of the provisions limiting hydropower facilities to run-of-the-river with a generating capacity not over five megawatts that began operation after July 1, 2003, from the Class I definition. These changes will allow large out-of-state hydropower facilities to be eligible for Class I status, which quite possibly will generate so many Connecticut renewable energy credits that the market for such credits will be in such over supply that it will severely suppress the development of any in-state renewable resources relying on a Connecticut renewable energy credit as part of its financing strategy. The CCEF urges the committee to reinstate the original language for Class I hydropower.

Additionally, the CCEF is just as concerned that a significant amount of renewable energy credits generated from Class I resources and technologies are from generating facilities that have been financed and are in operations without needing Connecticut renewable energy credits to secure external financing. The CCEF supports Class I renewable energy credits for new projects that rely on Class I renewable energy credits as a revenue stream in their pro formas to support their efforts to secure and service external financing over the financeable life of their projects. Projects that have been financed previously without needing Connecticut Class I renewable energy credits to secure financing but are using this incentive to supplement their operating income should be placed in another class because Class I should focus on new projects adding renewable generation to the State's generation portfolio. If the intention of this legislation is to support large hydro within the renewable energy portfolio standards (RPS) structure, then it should be considered in a class other than Class I.

The CCEF respectfully reminds the Committee that the Connecticut Energy Advisory Board (CEAB) is currently reviewing the Class I RPS using a stakeholder process, which will be valuable in understanding and determining the objectives of the RPS relative to the amount, location and vintage of renewable energy resources it is designed support.

Section 51

The CCEF supports the objectives of Section 51, which enables municipalities to establish "a sustainable energy program", and thus allows for a Property Accessed Clean Energy (PACE) mechanism to further support renewable energy and energy efficiency projects. The CCEF believes that PACE and other strategic financing

opportunities are necessary and desirable to further support in-state RE/EE developments. The CCEF recognizes that there have been issues associated with PACE programs throughout the nation, including but not limited to, mortgages, creditors, and lien positions. As drafted, Section 51 may inadvertently avoid greater opportunities to further leverage the financing markets. With 169 municipalities having the ability to create independent financing programs, CCEF recommends developing a council to serve as an ombudsman or information center and clearinghouse as municipalities consider their options. The aforementioned options might include, program and financing partnerships, administrative synergies, technical support, and other coordinated, collaborated, and aggregated efforts. The ultimate goal should be to create a portfolio of financing and other renewable energy and energy efficiency project-support mechanisms that provide a long-term sustainable financing infrastructure.

Section 52

The CCEF supports the new language in this section which allows Project 150 to exceed the one-hundred-fifty-megawatt limit for wind generation, Class 1 renewable energy resources and alternative renewable energy sources. The CCEF has long advocated for legislation increasing the megawatt limit for Project 150 to allow additional projects to be contracted as a hedge against project attrition. However, given the fact that no Project 150 contracted projects have been constructed or placed in service for various reasons, first and foremost being the difficulty in attracting external financing in the current financial markets, the CCEF suggests either of the following to give previously contracted and new projects a greater likelihood of being built.

1. If Project 150 is to be continued, then the pricing mechanism should be changed to recover costs to construct, own and operate such contracted generating facilities, including a reasonable return on investment. With this pricing mechanism, a new solicitation would select projects for contracts from new projects and from currently contracted projects that are willing to have their contracts terminated for the opportunity to compete for a new contract.

or

2. The Department of Public Utility Control (DPUC), or any successor agency to the DPUC, initiate a competitive renewable generation solicitation pursuant to its authority to do so in the integrated resource plan (IRP) statutes, specifically Conn. Gen. Stat. § 16a-3b. Using a pricing mechanism that would recover costs to construct, own and operate such renewable generating facilities, including a reasonable return on investment, the solicitation would select projects from new projects and from currently contracted projects that are willing to have their contracts terminated for the opportunity to compete for a new contract.

Section 57

The CCEF supports Section 57 in its entirety. The CCEF residential solar photovoltaic programs have been offering financial incentives in the form of expected performance-based buydowns with money collected from electric distribution companies' ratepayers for some time. The other mandates of this section are reasonable, manageable and achievable. The CCEF notes that the goals of achieving the installation of thirty megawatts of residential solar photovoltaic systems in ten years, while reducing financial incentives, may present a challenge. Such financial incentives must make the cost of operating a solar photovoltaic system at least economically competitive with grid power. The amount of financial incentives could be a limiting factor in achieving the thirty-megawatt goal if solar photovoltaic installation costs do not decline at a rate that allows financial incentives to decline.

Given the financial incentives offered in Section 57, the CCEF does not support the additional incentive for existing residential solar photovoltaic installations provided in Section 59 (b). From their inception, the CCEF residential solar photovoltaic programs have not considered renewable energy credits in its determination of rebate levels because of the lack of a market for residential solar photovoltaic renewable energy credits from individual homeowners. Renewable energy credit brokers have not pursued residential renewable energy credits because the amount generated by a single residential project is small and they would have to aggregate many residential projects to make such an endeavor profitable. Allowing existing residential solar photovoltaic system owners to sell their renewable energy credit under Section 59 (b) will provide them with an additional incentive beyond what they need to fairly recover installation and operating costs.

The CCEF notes that Section 57 becomes effective on July 1, 2011, and that subsection (c) of this section requires the CCEF to publish this residential solar program in its comprehensive plan covering the two-year period beginning July 1, 2011. Given that the current comprehensive plan covers the period from July 1, 2010, through June 30, 2012, the CCEF asks for some flexibility with the dates in this section.

Section 59

While the CCEF supports this section's effort of fostering a diversity of solar photovoltaic project sizes, the CCEF is concerned that because of the cost cap in Section 56, there might not be sufficient funds to implement all of the programs subject to that cap, which include the programs outlined in Sections 57 through 62 and in Section 89.

Section 60

This section directs DEEP, in consultation with the Office of Policy and Management and the Department of Public Works, to complete a comprehensive solar feasibility

study of state-owned or -operated facilities with a load of fifty kilowatts or more. The CCEF offers its expertise to this endeavor and will gladly assist DEEP in any way possible.

Section 62

The CCEF supports the development of coordinated programs to create a self-sustaining market for solar thermal systems. The CCEF suggests that these programs include all resources that solar thermal systems can displace, not just electricity, natural gas and oil, thereby making these programs fuel-neutral.

Section 70

The CCEF supports this section with one minor modification. The language directs the DEEP to require the ECMB, the CCEF, and the electric distribution companies to establish a program that provides financial assistance for conservation and load management projects in underserved areas. Funding for the program will be provided by both the Connecticut Energy Efficiency Fund and the CCEF. The CCEF requests that language be added making clear that in addition to providing financial assistance in underserved areas for conservation and load management projects, the program shall also provide financial assistance for renewable energy projects. The CCEF believes that if CCEF funds are used to support any program, then that program should be used to support clean, renewable energy installations.

The language we are requesting is:

In Line 5096, after the word "projects" add "and renewable energy projects".

Section 83

Regarding DEEP establishment of a funding program for on-site anaerobic digestion of agricultural waste for the production of electricity and heat, the CCEF would like to note that it has in the past and will continue to consider these projects as eligible for its support.

Regarding the virtual net metering pilot program, the CCEF reiterates its support for the concept of virtual net metering as outlined in the Connecticut Clean Energy Fund's (CCEF) testimony this year on Raised Bill 1141, An Act Concerning Net Metering. Specifically, the CCEF supports a pilot program. However the CCEF believes that the thirty-customer pilot program proposed in this section may be too limited to provide enough valuable information to analyze the benefits and costs associated with a larger virtual net metering program.

Section 89

The CCEF supports the establishment of a feed-in tariff which will include renewable energy resources such as wind, fuel cells, and biomass, as well as geothermal and energy efficiency projects. The CCEF has long advocated fair and reasonable financial incentives for all renewable energy resources for the same reasons expressed for solar photovoltaic. The CCEF is, however, concerned that this section is subject to the funding cap mandated in Section 56 but has no expressed goal for megawatts constructed and placed in service within the funding cap imposed by Section 56.

Technical Corrections

- Section 52: The changes to Conn. Gen. Stat. §§ 16-244c(c)(3) and (c)(4) both refer to “section 30 of this act”, while the change to § 16-244c(c)(5) refers to “section 66 of this act”. The reference to section 66 makes more sense in context than do the references to section 30.
- Section 56: This section refers to subsection (i) of Conn. Gen. Stat. § 16-245n. The CCEF is unaware of such a subsection, as § 16-245n currently ends with subsection (h) and no subsection (i) is created through this bill.
- Section 58: This section refers to “subsection (a) of section 21 of this act”. Section 21 of this act does not have a subsection (a).
- Section 62: This section directs DEEP to consult with, among others, the Renewable Energy Investment Fund. The CCEF notes that in all other related references in this bill, consultation occurs with the Renewable Energy Investments Board, not with the Fund.