

**Testimony of Roger Smith, Campaign Director, Clean Water Action
Energy and Technology Committee March 15, 2011**

Testimony Raised S.B. No. 1

AN ACT DEFINING BIOSOLIDS AS A CLASS I RENEWABLE ENERGY SOURCE

Clean Water Action is an environmental non-profit with 24,000 Connecticut members. We have worked on energy-related issues in Connecticut since 1998, and have worked to support renewable energy and energy efficiency at the state level and working with municipalities.

Clean Water Action strongly supports sections of the bill creating a sustainable market for solar power to bring it to scale, creating coordinated all-fuels energy financing programs, creating a streamlined state-level performance contracting program and consolidating energy entities into a new agency. The following are our thoughts for improvement:

1. Feed-in-tariffs vs Renewable Energy Credits

We urge Connecticut to continue the path to support renewable energy through the Renewable Portfolio Standard and tradable renewable energy credits. Currently renewable energy supply is outpacing demand set by the RPS and as a result Class I REC prices have fallen considerably, to approximately \$15/REC. The statutory ceiling is \$55/REC. The best way to keep REC prices reasonable is not to undermine market confidence by changing the definitions but by *increasing* confidence by requiring electric suppliers to enter into long-term contracts for RECs and/or RECs + other energy attributes. Long-term contracts greatly reduce risk, and lower risk means lower prices.

In New Jersey, for example, solar producers lack stable long-term contracts and as a result build the risk of volatility into the solar REC price. Without a very high solar REC price today they are unable to finance systems. In Colorado, where there are stable long-term contracts, REC prices are much lower. The CT SREC provisions are closer to Colorado than New Jersey.

Feed-in-tariffs are another way to give developers price stability. The fundamental challenge with feed-in-tariffs (or related, but much more bureaucratic “contract for differences”) is how to properly set the price. One price will not work for a range of technologies. Feed-in-tariffs assume that a central planner has enough insight into the true costs of energy production to

pick a price that is not too low (if it's too low, nothing will get built) and not too high (as in Europe there will be a boom of development until policymakers decide they are overpaying for renewables and limit program funding.) In deregulated markets, a PUC does not have access to the books of private renewable energy developers. With a well-designed competitive solicitation for long-term contracts you can solve both the certainty problem and use market forces to set a reasonable incentive price. This gets renewable energy built at a lower cost to ratepayers. The solar provisions in SB 1, with competitive solicitations for long-term contracts, are designed to achieve these very ends.

2. Clean Energy Fund

Clean Water Action is concerned that moving the Clean Energy Fund into a state agency will threaten its ability to process rebates and make loans in a timely way and that its ratepayer derived funding should be kept separate from the general fund. We would support establishing CCEF as its own quasi-public agency and having it report to the new DEEP but not actually turning it into part of a state agency.

3. End Energy Finance silos

Connecticut currently has too many silos for consumer finance of energy-related measures and we are concerned that this bill will create several more. Currently there is a residential CT Energy Loan program (Efficiency Fund), CT Solar Lease (Clean Energy Fund), CT Housing Investment Fund, efficiency funding for commercial entities (Efficiency Fund), loans for cogeneration (DPUC) and a \$18 million finance program established last session that will be multi-sector (CHEFA.)

None of these programs are at a scale that will attract significant private investment. Investors want a standardized product but each of our state programs has its own track record and unique set of rules. Additionally, from a customer perspective, it is extremely confusing to have multiple entities give loans for related projects for a single household, business or municipality! We urge the committee to work with the non-profit Clean Energy Finance Center to create a quasi-public finance entity that will work with DEEP to bring together state programs and provide for strong leverage of taxpayer and ratepayers dollars. This will achieve far greater energy benefits than our current programs.

4. Class I energy definitions- exclude large hydropower

Clean Water Action is concerned with river health and drinking water quality nationally and here in Connecticut. Large scale hydro and dams harms the environment and does not deliver global warming benefits as flooding rots vegetation and emits carbon and methane into the atmosphere. Removing the 5MW, run of the river and the post-2003 requirements means that the Class I RPS would have lower standards than Class II. Class I would likely be swamped

with “renewable” energy that isn’t new, would be competitive without subsidy and thereby deliver *no new energy system benefits or additional emission reductions*. **This change would mainly serve to transfer wealth from Connecticut to Canada for no public purpose.** It may be cheap but it has no value. If the legislature would like to revisit the current run-of-the-river and megawatt requirements, both of which are indirect ways to protect river health, we would alternatively support requiring Low Impact Hydropower Institute (LIHI) certification for Class I as that directly addresses environmental impacts. We cannot support this bill with this language as written.

5. Keep Class I for clean renewable electricity generation only.

We ask the legislature to protect the integrity of Class I renewable energy sources. The Renewable Portfolio Standard can only deliver on its goal of creating financial incentives to build more renewable energy if the definitions remain stable. **Please reject any proposals to add sewage sludge incineration, waste heat capture from sludge incinerators, electric vehicles, solar hot water heating or anything else that is not a clean source of renewable electricity generation to Class I.** Solar hot water and waste heat capture currently qualify as a Class III efficiency resource and we support a modest ramp-up of Class III to incentivize efficiency measures.

6. State energy planning

We support the integration of environment and energy into a consolidated Department so long as this does not compromise the non-energy related mission of the DEP (including conservation, maintaining parks, etc.) With such a change we should revisit the state’s energy planning process. We support the removal of the utilities from formulating the draft Integrated Resource Plan as they have certain interest that are not aligned with that of the public. The existing Integrated Resource Plan is overly narrow in its focus and should not be electricity only. We must focus on other energy sources as well, in particular heating fuels. With a new DEEP and expanded IRP focus we should entirely reconstitute the CEAB to better serve its new function.

7. Repowering the “Sooty Six”

Clean Water Action does not support using public dollars to pay for the repowering of aging oil and coal facilities in Connecticut. These plants were purchased by independent generators as part of deregulation. With additional efficiency and renewable energy investments it is likely at least several of these plants will no longer be needed. The IRP projects no capacity needs over the next decade and the state is under no obligation to bail out private companies.

Thank you for your consideration,
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