

**STATE OF CONNECTICUT  
COMMITTEE ON FINANCE, REVENUE AND BONDING**

**Governor's Bill No. 1007 – An Act Concerning the Governor's Recommendations on Revenue**

---

**PUBLIC HEARING TESTIMONY OF  
JAMES S. SCHNEIDER  
ON BEHALF OF  
KIMBERLY-CLARK CORPORATION**

---

James S. Schneider  
Kimberly-Clark Corporation  
1400 Holcomb Bridge Road  
Roswell, GA 30076  
Phone: 770-587-7283  
Email: james.schneider@kcc.com

March 10, 2011

**Testimony of James S. Schneider  
Kimberly-Clark Corporation  
Governor's Bill No. 1007**

Kimberly-Clark Corporation ("K-C") appreciates this opportunity to offer limited comments on Section 37 of the Governor's Bill No. 1007 ("Bill 1007"), specifically to express K-C's concern regarding the bill's proposed tax on "electric generation facilities." K-C respectfully submits that the proposed tax (\$0.002/kWh or \$2.00/MWh) on electricity generation facilities selling electricity to the regional bulk power grid: (1) undercuts the State's goals of decreasing costs to retail customers in the State, (2) jeopardizes the economic viability of Combined Heat and Power ("CHP") systems specifically encouraged by Public Act No. 05-01 and (3) weakens the State's energy independence goals. For the reasons discussed herein, Section 37's proposed tax on electricity generation facilities should be removed from Bill 1007 or, at the very minimum, Connecticut employers that built, in direct response to Public Act No. 05-01, customer-side distributed resources, including CHP systems, should be exempt from application of this tax.

K-C understands that the State of Connecticut is confronting serious budget challenges. K-C respectfully submits, however, the State's response to these budget challenges should not be to levy an additional charge on electricity, which is a fundamental cost of doing business for all Connecticut businesses. Under the existing energy market model, electric generation facilities subject to this tax can reasonably be expected to build these costs into their market offers to the grid. Thus, a tax on electric generation facilities' electricity sales to the grid risks creating a pass-through tax on Connecticut electricity customers. When electricity costs in

Connecticut are already the highest<sup>1</sup> in the contiguous United States, a tax on electricity generation sales does not advance the State's economic development and energy independence objectives.

K-C is particularly concerned that the proposed tax, without clarification, could be extended to those Connecticut employers, like K-C, that took advantage of the incentives offered by Public Act No. 05-01 and installed customer-side distributed resources, specifically on-site CHP systems, as a way to reduce energy costs, become competitive and remain in the State despite steep electricity costs. As this Committee is aware, through Public Act No. 05-01, this General Assembly had the foresight to recognize that an array of incentives was necessary to encourage energy-intensive businesses in the State to install customer-side distributed resources to retain energy-intensive businesses in the State, if not attract new businesses, given Connecticut's high electricity costs. By virtue of Public Act No. 05-01's cost-benefit analysis requirement, not only did these incentives benefit the Connecticut businesses that invested in customer-side distributed resources such as CHP, but these incentives also afforded long-term benefits to Connecticut ratepayers by increasing the amount of available capacity in the State at a fraction of the cost of traditional rate-based generation.

K-C was itself encouraged by Public Act No. 05-01 to develop and construct a highly efficient 35 MW CHP System at K-C's New Milford Mill. The CHP system uses clean burning natural gas and meets all of the mill's electric and thermal power needs. The mill is proud to employ more than 300 people with family-sustaining wages. To maximize the efficiency of the

---

<sup>1</sup> See information compiled by U.S. Energy Information Administration:  
<http://www.eia.doe.gov/electricity/data.cfm#sales>

CHP, K-C designed the CHP system to meet K-C's thermal load. As a result, K-C generates excess electricity that is exported to the grid.<sup>2</sup> While K-C is appropriately considered a "customer-side distributed resource" under Public Act No. 05-01 and not necessarily an "electric generation facility," K-C is concerned that Bill 1007 could be interpreted broadly to apply to the excess electricity that K-C generates as a function of its CHP design to maximize thermal efficiency, which results in electricity exports to the grid. If the proposed tax were imposed on K-C's operations, K-C's costs to do business in Connecticut would increase by more than a quarter of a million dollars. On top of other cost pressures that K-C faces with its CHP system operation (namely an oversupply in the administrative Class III program), the proposed tax would have a serious adverse impact on K-C's Public Act No. 05-01 CHP project.

K-C respectfully submits that imposing a tax on customer-side distributed resources that export electricity to the bulk power markets defeats the purpose of Public Act No. 05-01. Such a tax would unfairly penalize, if not jeopardize the economic viability of, customer-side distributed resource projects sized to maximize efficiency and, as a result, produce excess generation exported to the grid. During this time of economic challenge for many businesses in the State, the public interest is not well served by imposing a tax on the excess generation produced by those projects that the State, through Public Act No. 05-01, encouraged to be developed. Such a tax would be an unreasonable obstacle to those businesses that responded to the call of Public Act No. 05-01 and invested in the State and the State's energy infrastructure.

---

<sup>2</sup> As an important note, K-C transfers the capacity benefit of its excess generation to the benefit of CL&P ratepayers per the Department of Public Utility Control administrative requirements.

**Testimony of James S. Schneider  
Kimberly-Clark Corporation  
Governor's Bill No. 1007**

For that reason, to the extent the State decides to impose a tax on electricity uploaded to the grid (which K-C does not support as discussed above), customer-side distributed resources developed in response to Public Act No. 05-01 should be expressly exempt. Exemptions to the Section 37 tax are contemplated in Bill 1007 in subsection (e) for other similarly preferred electricity sources, such as electric generation facilities that use fuel cells or alternative energy systems. K-C strongly recommends that the exemption in Section 37(e) be clarified to include customer-side distributed resources, consistent with Public Act No. 05-01's objectives. Exempting customer-side distributed resources, specifically CHP systems, will continue Connecticut's public interest objectives of retaining employers in the State that have made investments to control their own energy costs and improve the State's energy infrastructure.

Thank you for your consideration of K-C's concerns with the tax proposed in Bill No. 1007's Section 37. K-C respectfully encourages the Governor's Office and this General Assembly to adopt reasonable measures to respond to the State's budgeting challenges that do not thwart the State's economic development and energy independence goals.