

**STATE OF CONNECTICUT  
ENERGY & TECHNOLOGY COMMITTEE**

Raised Bill No. 450 – An Act Concerning Energy Conservation and Renewable Energy

**Written Testimony of  
Susan E. Bruce  
On Behalf of the Class III CHP Organization ("C3CO"),  
Northeast Clean Heat and Power Initiative ("NECHPI"),  
and the United States Clean Heat and Power Association ("USCHPA")**

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WRITTEN TESTIMONY OF SUSAN E. BRUCE  
ON BEHALF OF CLASS III CHP ORGANIZATION  
AND OTHER CHP SUPPORTERS  
ON RAISED BILL NO. 450

The Class III CHP Organization ("C3CO") appreciates this opportunity to support Raised Bill No. 450 ("Bill 450") and its proposal to modify the State's renewable portfolio standards ("RPS") to allow micro-grids, including combined heat and power ("CHP") that qualify as Class III resources, to satisfy no less than 25% of the Class I requirement.

I am counsel for C3CO, an *ad hoc* coalition working on behalf of Connecticut hospitals, universities, municipalities, businesses, and CHP developers that have invested in, or plan to invest in, customer-side distributed generation utilizing CHP technology that meets Connecticut's Class III criteria. C3CO members include Danbury Hospital, Element Markets, Middlesex Hospital, Rand-Whitney Containerboard, and Kimberly-Clark Corporation. I also comment on behalf of the Northeast Clean Heat and Power Initiative ("NECHPI") and United States Clean Heat and Power Association ("USCHPA"). NECHPI is an education and advocacy group representing individuals, organizations, and state and federal agencies committed to promoting and implementing efficient CHP, district energy, micro-grids, and waste heat recovery in the Northeastern United States. USCHPA is a trade association whose membership includes manufacturers, suppliers, and developers of CHP systems.

C3CO, NECHPI, and USCHPA support the accommodation of micro-grids as an offset to Connecticut's Class I requirement. This important proposed legislation supports Public Act No. 11-80's mandate to reduce energy costs, advance environmental goals, and recognize the value of in-state renewable electricity sources, including the benefit of additional jobs, and, equally importantly, advances Connecticut's micro-grid initiative.

In addition, as detailed by two C3CO members testifying today – Middlesex Hospital and Kimberly-Clark Corporation – Bill 450 is consistent with Public Act No. 05-01's twin goals. First, it would create a stable revenue stream for CHP to encourage development and/or operation of new and existing CHP. In addition, it promotes Connecticut's economy, as evidenced by the in-state siting requirement for Class III

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CHP, which ensures Connecticut ratepayers' investment in such renewable resources will remain in the State.

Connecticut's RPS utilizes market-based incentives to accomplish defined public policy objectives. Connecticut has proven itself to be a progressive leader in renewable energy policy. Mid-course adjustments are now necessary to ensure that Connecticut's RPS continues to satisfy the energy, economic, and security challenges of today and into the future.

As recognized in the Connecticut Department of Environmental Protection's 2012 Integrated Resource Plan ("IRP") proceeding, in which C3CO is an active participant, Connecticut customers face three RPS challenges. First, a shortage of qualified Class I resources, which, according to our analysis, has led to 95% of the Class I obligation to be met largely with generation from a limited number of resources outside the state of Connecticut. If left unaddressed, this scenario will increase the overall cost of electricity for Connecticut customers.

Second, a serious imbalance in the Class III program threatens Connecticut's leadership role in advancing CHP. The current Class III requirement is almost exclusively satisfied by the Class III credits earned by the State's successful Conservation and Load Management ("C&LM") program. The current market is at the floor price and saturated, creating real challenges for CHP developers to find willing buyers for their renewable energy credits ("RECs"). If the draft IRP's recommendation to double C&LM funding were adopted, the imbalance would worsen, and CHP developers would face the real and likely possibility of not finding any willing buyers for any of their RECs, jeopardizing a pivotal source of support to offset CHP's significant capital and operating costs. This would have a chilling, if not fatal affect, on CHP development in the State.

Third, the experience of the Two Storms in Fall 2011 underscore the need for improved system reliability. Encouraging the development of micro-grids, which would certainly comprise Class III CHP, would enhance distribution system reliability and achieve other public interest benefits.

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Bill 450's proposal to permit qualifying micro-grids to offset no less than 25% of Class I RPS requirements represents a practical solution to Connecticut's multi-faceted energy dilemma. This approach is responsive to Act 11-80's directives to minimize the costs of renewable resource procurement borne by Connecticut customers and optimize the use of in-state generation. Bill 450 further complements Connecticut's micro-grid initiative for distribution system security, in which CHP will feature prominently.

Notably, Connecticut is not alone in striving to realize renewable policy objectives in a cost-effective manner by supporting renewable generation development within its boundaries. For example, Massachusetts has been successful in promoting in-state CHP to meet its APS Minimum Standard requirements. The New Jersey Legislature is currently considering House Bill No. 1383 in which lawmakers propose to require electric suppliers to meet RPS requirements largely from in-state renewable resources, with CHP representing a significant source of renewable generation. Thus, Bill 450's legislative solution is not inconsistent with similar efforts in other states.

We encourage Connecticut to take action now to address these real and growing problems before the window of opportunity of this legislative session closes and further CHP and micro-grid development is compromised. We believe that Bill 450 represents a measured step to support CHP and micro-grid development and to reduce ratepayer costs without impairing opportunities to the C&LM fund, which we recognize as an important facet of the State's energy policy. At the same time, with a common view of the problem we are trying to solve, C3CO, NECHPI and USCHPA are open to working to adjust the proposal, as necessary, to make sure a solution is developed that best addresses the important renewable energy and security matters facing Connecticut.

Thank you for your consideration of C3CO, NECHPI and USCHPA's testimony in support of Raised Bill No. 450. We respectfully encourage the Governor's Office and this General Assembly to adopt reasonable measures to respond to the State's

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renewable energy challenges in a timely and cost-effective manner. I am available to answer questions regarding my testimony.