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Written Testimony of SunEdison LLC

In Support of Governor's Bill No. 6360 – An Act Concerning Implementation of Connecticut's Comprehensive Energy Strategy

Fred Zalcman, Managing Director of Regulatory Affairs – Northeast States

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Senator Duff, Representative Reed, and members of the Joint Energy Committee, it is a privilege to be here today testifying in support of Governor's Bill No. 6360 and the numerous other bills introduced this session to expand opportunities for virtual net metering.

My name is Fred Zalcman and I am the Managing Director of Regulatory Affairs for SunEdison, LLC, North America's leading solar energy services provider. Founded in 2003, SunEdison currently employs 600 people in our Belmont, California headquarters facility and in our regional operation centers throughout the world. SunEdison is a wholly owned subsidiary of MEMC¹, a global leader in the manufacture and sale of wafers, the basic building block to the semiconductor and solar industries.

SunEdison currently has over 1,000 MW of solar capacity under management. Here in Connecticut we operate 16 rooftop solar facilities, providing over 3 MW in clean and predictably priced solar capacity to our commercial and municipal customers, including the City of Stamford, Staples, Kohls and Whole Foods. SunEdison is also partnering with the Connecticut Conference of Municipalities (CCM) to offer solar energy as an energy option to cities and towns across the state.

SunEdison appreciates this opportunity to comment on the legislative package to advance a Comprehensive Energy Strategy for Connecticut, and we applaud the Malloy Administration for its leadership in offering solar policies and programs to reduce the cost and increase the deployment of this clean, abundant, local and renewable energy technology.

¹ Listed on the New York Stock Exchange under the ticker symbol "WFR" and included in the S&P 500 Index.

Specifically, we support GB 6360's provisions to remove the impediments to municipal virtual net metering, and to expand eligibility to other customer groups. Properly structured, virtual net metering opens up new opportunities for towns to deploy solar generating systems on available roof space and idle land - such as landfills, brownfields and parking lots – to meet the electricity needs of remote loads at school complexes, police and fire stations, and town halls that might not otherwise be amenable to on-site solar generation because of shading or structural issues. Enabling towns to control their energy costs with virtually net metered solar generation will help ease municipal budget constraints, and flow through electric bill savings to local businesses and residents in the form of lower taxes.

Over the past year, SunEdison responded to several RFP's issued by Connecticut municipalities for virtual net metered systems at town landfills. Unfortunately, we are not aware of any of these projects moving forward - not because of waning enthusiasm for solar energy, but because the current virtual net metering regime embodied in Section 121 of P.A. 11-80 has proven to be simply unworkable.

Section 5 of GB 6630 would modify the existing virtual net metering framework in three specific ways to serve as a more effective vehicle for large-scale municipal solar installations.

- First, the current requirement that municipalities **own** the virtual net metering system presents an insurmountable barrier since cash-strapped towns do not have the upfront capital to invest in large-scale solar systems. Moreover, municipally-owned systems cannot leverage the 30% federal investment tax credit since they are not taxable entities. Section 5 would remove this barrier by allowing third party ownership models, used in the vast majority of municipal projects, to be eligible to qualify for virtual net metering.
- Second, the existing \$1 million annual statewide cap on virtual net metering credits is prohibitively small and even under the best of circumstances cannot support more than a handful of projects statewide. GB 6360 would raise the cap, however given the strong and widespread community interest we are seeing in virtual net metering, we would recommend that this cap be further raised, or better yet, shifted to an installed capacity metric that is set at a percentage of the utility's historic peak load.²
- Third, the current valuation of net excess generation at wholesale is insufficient to offset the incremental cost of capacity required to serve satellite accounts, and in all likelihood does not fully capture the economic, environmental and grid-supporting value of solar energy generation. We believe GB 6360's revisions to value the virtual net metering credits at full energy plus 80% of all fixed charges is fair and reasonable, and adequately

² This and other proposed modifications to GB 6360 are detailed in the attached matrix and bill mark-up, offered by an *ad hoc* group of developers of distributed renewable technologies and supported by SunEdison.

compensates the utility for the minimal usage of the utilities' distribution network to serve satellite accounts.

Lastly, while we believe the virtual net metering provisions of the Governor's bill will serve as an important catalyst to landfill-based solar development in Connecticut, the state's comprehensive strategy should go further if solar is to become a meaningful part of the state's overall resource mix. Specifically, we support the many measures referred to this committee to reduce the crushing burden of property taxes on non-residential solar energy systems. Our position on this issue is detailed in the written testimony we submitted on Senator Looney's bill (SB 203) to provide a property tax exemption for solar systems serving commercial and industrial consumers.

Thank you for your consideration of our views. We look forward to working with the members of the Joint Committee and the Administration as these important policies move forward.

Fred Zalcman
Managing Director of Govt. Affairs, Northeast States
SunEdison LLC
16 Windaway Road
Bethel, CT 06801
(301) 974-2721

VIRTUAL NET METERING

COMPARISON TABLE – EXISTING TO PROPOSED

PARAMETER	SECTION 121	GB 6360	COALITION PROPOSAL
Eligible segments	Municipalities only	Municipalities, state govt., agricultural customers	Same as GB 6360 plus commercial
Eligible systems	Class I	Class I, III	Same as GB 6360
System size	2 MW	3 MW	Same as GB 6360
Beneficial accounts - number	5 accounts	5 accounts; 10 for microgrids and agricultural net metering	10 accounts; 15 for microgrids and agricultural net metering
System ownership	Host must own	Own, lease, or long term K	Same as GB 6360
Value of NEM credits	Generation only	Generation plus 80% of all non-energy charges	Same as GB 6360
Aggregate cap	\$1 million in annual NEM credits statewide	\$10 million in annual NEM credits statewide	2% of utility peak load

PROPOSED REVISIONS TO SECTION 5 OF GB 6360

Red denotes proposed revisions to GB 6360.

Sec. 5. Section 16-244u of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2013*):

(a) As used in this section:

(1) "Beneficial account" means an in-state retail end user of an electric distribution company designated by a customer host or an agricultural customer host in such electric distribution company's service area to receive virtual net metering credits from a virtual net metering facility or agricultural virtual net metering facility;

(2) "Customer host" means an in-state retail end user of an electric distribution company that owns, leases or enters into a long-term contract for a virtual net metering facility and participates in virtual net metering;

(3) "Agricultural customer host" means an in-state retail end user of an electric distribution company that uses electricity for the purpose of agriculture, as defined in subsection (q) of section 1-1, owns an agricultural net metering facility and participates in agricultural virtual net metering;

[(3)] (4) (A) "Unassigned virtual net metering credit" means, in any given electric distribution company monthly billing period, a virtual net metering credit that remains after both the customer host and its beneficial accounts have been billed for zero kilowatt hours related [solely] to the generation service charges and eighty per cent of the distribution and other service charges on such billings through virtual net metering;

(B) "Unassigned agricultural virtual net metering credit" means, in any given electric distribution company monthly billing period, an agricultural virtual net metering credit that remains after both the agricultural customer host and its beneficial accounts have been billed for zero kilowatt hours related to the generation service charges and eighty per cent of the distribution and other service charges on such billings through agricultural virtual net metering;

[(4)] (5) "Virtual net metering" means the process of combining the electric meter readings and billings, including any virtual net metering credits, for a municipal, commercial, state or agricultural customer host and a beneficial account related to such customer host's account through an electric distribution company billing process related [solely] to the generation service charges and eighty per cent of the distribution and other service charges on such billings;

[(5)] (6) "Virtual net metering credit" means a credit equal to the retail cost per kilowatt hour the customer host may have otherwise been charged for each kilowatt hour produced by a virtual net metering facility that exceeds the total amount of kilowatt hours used during an electric distribution company monthly billing period; and

[(6)] (7) (A) "Virtual net metering facility" means a Class I renewable energy source or a Class III source that: [(A)] (i) Is served by an electric distribution company, owned, leased or subject to a long-term contract by a customer host and serves the electricity needs of the customer host and its beneficial accounts; [(B)] (ii) is within the same electric distribution company service territory as the customer host and its beneficial accounts; and [(C)] (iii) has a nameplate capacity rating of [two] three megawatts or less; and

(B) "Agricultural virtual net metering facility" means a Class I renewable energy source that is operated as part of an agricultural business, as defined in subsection (q) of section 1-1 that: (i) Is served by an electric distribution company on land owned or controlled by an agricultural customer host and serves the electricity needs of the agricultural customer host and its beneficial accounts; (ii) is within the same electric distribution company service territory as the agricultural customer host and its beneficial accounts; and (iii) has a nameplate capacity rating of three megawatts or less.

(b) Each electric distribution company shall provide virtual net metering to its municipal, [customers] commercial, state or agricultural customer hosts and shall make any necessary interconnections for a virtual net metering facility. Upon request by a municipal, commercial, state or agricultural customer host to implement the provisions of this section, an electric distribution company shall install metering equipment, if necessary. For each municipal customer host, such metering equipment shall (1) measure electricity consumed from the electric distribution company's facilities; (2) deduct the amount of electricity produced but not consumed; and (3) register, for each monthly billing period, the net amount of electricity produced and, if applicable, consumed. If, in a given monthly billing period, a municipal, commercial, state or agricultural customer host supplies more electricity to the electric distribution system than the electric distribution company delivers to the municipal, commercial, state or agricultural customer host, the electric distribution company shall bill the municipal, commercial, state or agricultural customer host for zero kilowatt hours of generation and assign a virtual net metering credit to the municipal, commercial, state or agricultural customer host's beneficial accounts for the next monthly billing period. Such credit shall be applied against the generation service component [of] and eighty per cent of the distribution and other service charges billed to the beneficial [account] accounts. Such credit shall be allocated among such accounts in proportion to their consumption for the previous twelve billing periods.

(c) An electric distribution company shall carry forward any unassigned virtual net metering generation credits earned by the municipal, commercial, state or agricultural customer host from one monthly billing period to the next until the end of the calendar year. At the end of each calendar year, the electric distribution company shall compensate the municipal, commercial, state or agricultural customer host for any unassigned virtual net metering generation credits at the rate the electric distribution company pays for power procured to supply standard service customers pursuant to section 16-244c, and eighty per cent of the distribution and other service charges.

(d) At least sixty days before a municipal, commercial, state or agricultural customer host's virtual net metering facility becomes operational, the municipal, commercial, state or agricultural customer host shall provide written notice to the electric distribution company of its beneficial accounts and the percentage of virtual net metering credits it wishes to allocate to each beneficial account and the percentage of virtual net metering credits it wishes to allocate to each beneficial account. The municipal, commercial, state or agricultural customer host may change its list of beneficial accounts not more than once annually by providing another sixty days' written notice. The municipal, commercial, or state customer host shall not designate more than ten [five] beneficial accounts, except that for facility accounts connected to a microgrid, the municipal or state customer host may identify up to five additional nonstate or municipal critical facilities, as defined in subdivision (2) of subsection (a) of section 16-243y. The agricultural customer host shall not designate more than ten beneficial accounts each of which shall use electricity for the purpose of agriculture, as defined in subsection (q) of section 1-1.

(e) On or before February 1, 2012, the [Department of Energy and Environmental Protection] Public Utilities Regulatory Authority shall conduct a proceeding to develop the administrative processes and program specifications, including, but not limited to, a cap of [[one] ten million dollars per year apportioned to each electric distribution company based on consumer load for credits provided to beneficial accounts pursuant to subsection (c) of this section and payments made pursuant to subsection (d) of this section] two percent of each electric distribution company's 2012 peak demand. When eighty percent of this cap has been reached, the Public Utilities Regulatory Authority shall conduct a proceeding to determine whether the program should be expanded beyond the two percent cap.

(f) On or before January 1, 2013, and annually thereafter, each electric distribution company shall report to the [department] authority on the cost of its virtual net metering program pursuant to this section and the [department] authority shall combine such information and report it annually, in accordance with the provisions of section 11-4a, to the joint standing committee of the General Assembly having cognizance of matters relating to energy.