

CONNECTICUT SMALL POWER PRODUCERS ASSOCIATION

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"Promoting small, environmentally responsible energy projects in CT"

**To: Committee on Energy and Technology**

**From: CSPPA**

**Date: 3/18/13**

**RE: Substitute Bill No. 1138, LCO No. 4767**

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The Connecticut Small Power Producers Association (CSPPA) respectfully requests that you defeat this harmful bill.

Since 1985 CSPPA has been an association of people and companies involved or interested in small, environmentally responsible, electricity generating facilities in Connecticut. The majority of our members develop and/or own small renewable energy facilities which provide many societal and environmental benefits including reduced fossil fuel imports, reduced deficit, reduced air pollution, monetary investments, stimulation of local economies and jobs in our state.

The economic viability of renewable projects hinges on the revenue derived from the sale of Renewable Energy Credits (REC's). Project developers depend on the existing REC system to invest in projects. Without REC revenue hydro development would be at a standstill. Bill 1138 proposes a drastic change to the definition of Connecticut Class I REC's which will severely cripple both existing and planned renewable projects in Connecticut.

CSPPA opposes three proposed wording changes in the bill:

**1) Replacing "run-of-the-river" with "received a certificate from the Low Impact Hydropower Institution" (LIHI) - line 11 of bill:**

This change is unnecessary, it will pose economic hardship on project developers and it will decrease the efficiency of hydro projects. Obtaining a certificate from LIHI is a long and expensive task that is another burden for hydro developers in an industry that is extremely difficult economically.

LIHI is a private entity that purports to be able to qualify so called low impact projects via a litmus test. LIHI is unregulated, they are not necessarily professionals in the respective fields and their criteria can be arbitrary.

The governing board of LIHI includes people from Appalachian Mountain Club, Natural Wildlife Federation, Nature Conservancy and Natural Resource Defense Council. They each have their specific agendas with no concern for energy and economic matters such as dependence on foreign oil, air pollution, job stimulation, etc. With all due respect are these people qualified to rule with the stroke of a pen on disqualifying certain hydro projects from development in our great state?

LIHI does not properly balance all pros and cons and is simply unfair. It would be an unnecessary, expensive and time consuming requirement. In a world of overregulation and excessive red tape this is one thing we don't need. Let's help get our country back on its feet by eliminating this burdensome LIHI proposal.

Hydro projects are already subject to more regulation and oversight than any other type of energy technology except nuclear. All hydro projects in the US must obtain a FERC license or exemption. The FERC licensing process is extremely exhaustive and thorough. A FERC Exemption involves the same review as a license. Typically the FERC process involves consulting with a dozen agencies, countless studies, and strict review by FERC staff that are experienced and educated in their respective fields. FERC properly balances project impacts. Additional regulation is not needed.

Additionally, it is not fair to pose the LIHI burden on hydro and not other technologies, particularly when other technologies have less regulation. If a Low Impact Wind or Solar Institute emerged would you want to require them to obtain certifications?

We understand that a staffer at Rivers Alliance of CT has been pushing strongly for LIHI but that is a one sided request and it simply is not right here. Also, just because another state may adopt LIHI does not mean it's right. In the interest of putting renewables on line additional hurdles like LIHI should be avoided. We should be looking for ways to promote renewables, not ways to hamper them as LIHI would.

It is our understanding that the purpose of the RPS is simply to provide an incentive for the development of new renewable projects in Connecticut. Our question then is why would this bill be proposed

which places a burden on hydro projects in the form of requiring LIHI certification?

Case in point is a CSPPA member's 1 MW retired hydro site in Putnam, CT where Greg and Leanne bought the old mill and dam on the Quinebaug River and have spent several years and hundreds of thousands of dollars filing for the FERC license. After countless studies and mitigations the license was recently granted. Now they are finally ready to obtain financing. For the projected revenue presented to investors and banks they assume current rates for energy and CT Class I REC's. Now enter Bill 1138. If the bill passes they must now be subject to the expense and over one year delay in getting LIHI qualification. Also LIHI will certainly require expensive changes to the project. On top of that what should they assume now for the CT I REC revenue that they have been counting on? Most certainly the price would be significantly less if this bill passes as is. Greg and Leanne have put their life savings and countless hours in this project while relying on the current RPS system. Now bill 1138 threatens to pull out the rug from them because it will most certainly kill their project. As with other projects the demise of this hydro would have cascading ramifications. The hydro is pivotal to the development of their historical mill (oldest mill in the US) which represents over 300 jobs and doubling the footprint of downtown Putnam. It would be an absolute shame to paralyze this and other similar projects in our state by placing over regulation in the form of a LIHI requirement.

**2) Increasing qualified hydro from 5 to 30 MW - line 10 of bill:**

This change is also unnecessary. It will allow a plethora of out of state projects to potentially qualify thereby swamping the market with more supply thus dropping the CT Class I REC price to levels which will hamper new development. There are essentially no hydro sites available to develop in Connecticut over 5 MW. Rivers and dams that big simply don't exist in our state. We need to provide incentives for the small existing retired hydro dams we have; under 5 MW. If our goal is to promote development of renewables in Connecticut then why would we increase the size limit to 30 MW? Allowing out of state projects to qualify as CT Class I does nothing for our economy in Connecticut. If we want to prevent high REC prices then please change the other side of the supply/demand ratio by decreasing the RPS percentages. Please keep the project size as is; under 5 MW.

**3) If qualified in another state then you're not qualified for CT I - line 23 of bill:**

This will upset the entire New England market, it is unnecessary and it is not well defined. Does it pertain to ANY qualification in

another state including Class II, etc? What is the purpose of this? Is it looked at on a quarterly basis? This wordage adds another administrative burden and should be omitted.

**DEEP's Study:**

We realize that this bill reflects DEEP's DRAFT study titled "Restructuring Connecticut's Renewable Portfolio Standard" dated 3/18/13. But we ask the Committee to please consider the following:

- DEEP's DRAFT study is just that, a DRAFT. It is not final. After DEEP considers comments yet to be submitted the final version may be significantly different. It should not be adopted hastily and verbatim as this bill does.
- DEEP has an inherent eye for environmental protection thus another Band-Aid on hydro, such as LIHI, may seem appropriate to them. However the costs and the disincentive affecting hydro associated with LIHI may not be apparent to DEEP.
- DEEP's DRAFT study signs on to LIHI but it gives no reason or validation for it. It does this under the heading "Expand support for small hydropower" which is simply wrong - a LIHI requirement will undoubtedly discourage small hydro. Also, 30 MW is not small hydro.

Consequently we respectfully request that this bill be defeated, undertake a close review of the DEEP study when it's finalized, request further study by DEEP if necessary, hold an open workshop and incorporate comments of those trying to put renewables on line such as CSPPA.

We look forward to working with you on promoting the development of renewables in Connecticut. Please contact me if you have any questions.

Sincerely,

Duncan S. Broatch  
Chairperson

