

**STATE OF CONNECTICUT
ENERGY & TECHNOLOGY COMMITTEE**

Proposed Substitute Bill No. 1138 (LCO No. 4767) –
An Act Concerning Clean Energy Goals

**Public Hearing Testimony of
James S. Schneider
on Behalf of
Kimberly-Clark Corporation**

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

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**PUBLIC HEARING TESTIMONY OF JAMES S. SCHNEIDER
ON BEHALF OF KIMBERLY-CLARK CORPORATION
ON PROPOSED SUBSTITUTE BILL NO. 1138 (LCO NO. 4767)**

Good afternoon. My name is Jim Schneider, and I am the Energy Supply Manager for Kimberly-Clark Corporation's ("K-C") U.S. facilities, including K-C's mill in New Milford, Connecticut.

K-C thanks the members of the Energy & Technology Committee ("Committee") for the opportunity to express K-C's strong support for Proposed Substitute Bill No. 1138, LCO No. 4767 ("LCO 4767"), which proposes to change the definition of "Class III sources" by phasing out ratepayer-funded Conservation and Load Management ("C&LM") projects, beginning on January 1, 2014. The prompt passage of LCO 4767 is necessary to introduce a change that will gradually and effectively alleviate the glut of Class III credits that jeopardizes the Class III market's viability.

As this Committee is aware, K-C was encourage by Public Act 05-01 to build a 35 MW Class III Combined Heat and Power ("CHP") system at K-C's New Milford Mill, which is proud to employ more than 300 people at family-sustaining wages. The CHP unit plays a critical role in allowing K-C to control its energy costs and remain competitive in the State. K-C's multi-million dollar investment decision relied upon projections that Class III credit revenues would defray some of the project's significant development and ongoing operating costs.

Due to CHP investments by K-C and other Connecticut manufacturers, educational institutions, and medical facilities prompted by effective public policy, Connecticut has led the nation in CHP development. Continued success, however, has been increasingly threatened by the severe and worsening Class III imbalance, which LCO 4767 seeks to remedy.

The Class III imbalance is due to the flood of credits produced by C&LM projects, which have saturated the market and transformed Class III developers' fear of not being able to sell credits, even at the floor price, into a reality. The

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attachment to my testimony illustrates this point. The Comprehensive Energy Strategy's recommendation for increased C&LM funding will likely worsen the situation.

The present imbalance is a serious concern for businesses that relied upon Class III revenues to justify their CHP investment and continue doing business in the State. This grave saturation level also chills investment -- now and into the future -- in new Class III CHP resources. In addition to providing business and industry with an effective cost-management tool, Class III CHP will play an important role in the success of the Governor's microgrid initiative.

For Class III CHP to remain a viable option to support Connecticut's microgrid initiative and promote economic development, the supply-demand imbalance must be corrected to provide the incentives needed to stimulate investment. Immediate action, as set forth in LCO 4767, is necessary. Taking prompt action will dispel the cloud of regulatory uncertainty over the Class III market and give market participants time to respond to these changes.

Thank you for your consideration of K-C's testimony on LCO 4767 and the need to take swift action to implement its proposed changes to Class III. K-C truly appreciates the Committee's efforts to remedy the serious Class III market imbalance. I am available to answer any questions.