



**Connecticut
Light & Power**

The Northeast Utilities System



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**TESTIMONY OF JAY FLETCHER
THE CONNECTICUT LIGHT AND POWER COMPANY**

**Energy and Technology Committee
March 19, 2013**

RE: SENATE BILL NO. 1138, AN ACT CONCERNING CONNECTICUT'S CLEAN ENERGY GOALS

Good afternoon. My name is Jay Fletcher, Director of Regulatory Policy for Northeast Utilities Service Company. I am appearing on behalf of The Connecticut Light and Power Company. With me is James Shuckerow, Director of Electric Supply for NUSCO.

The proposed bill makes several changes to Connecticut's renewable portfolio standards ("RPS"). We support this bill, and believe that it is a good step forward in ensuring that Connecticut's clean energy goals are met, while maintaining an eye on the prices that customers must pay for such clean electricity. We look forward to working with the administration to carry out the provisions of this bill.

Section 1 of the bill creates a new sub-class of renewable energy, known as a Class I contracted tier energy source. We support this provision, and believe that Connecticut would be well served by allowing both Class I compliant renewable generation and hydropower to fulfill a portion of Connecticut's RPS standards. The Eastern Canadian provinces have significant amounts of clean, renewable hydropower, a portion of which can be brought into the New England and Connecticut markets. This power will not only help to clean our air, but may also do so at a cost that is anticipated to be lower than existing Class I renewable resources. We appreciate the bill's perspective that hydropower is a renewable resource, as the source of its generation, water, is abundant and will continue to be available. We also appreciate the perspective that hydropower should be viewed as a supplement to, and not a replacement for, conventional Class I resources. The baseload nature of hydropower makes it an appropriate supplement for the more variable nature of other Class I resources.

Section 4 of the bill modifies Connecticut's RPS targets to allow these contracted tier energy resources to meet a portion of the State's clean energy targets. The recently published Comprehensive Energy Strategy notes a concern that Connecticut has the highest RPS targets in all of New England, yet has the least potential for in-state renewable resources. The CES forecasts that the State will not have enough supply of Class I renewable energy sources to meet the State's goals, meaning that customers will have to pay the alternative compliance payment of 5.5 cents per kWh for each kWh that Connecticut falls short. The CES estimates that the cost of this non-compliance could reach \$250 million per year by 2022.

Allowing contracted tier resources to help meet Connecticut's clean energy goals should significantly lessen the impact of this supply/demand imbalance, and should reduce these alternative compliance payments. Connecticut will still be reliant on merchant development of both in-state and regional Class I renewable resources to meet its RPS targets. However, the inclusion of this new sub-class to help meet the State's targets should lessen the potential for large bill increases to customers to cover non-compliance with the targets if sufficient Class I resources are not developed.

Section 5 of the bill allows the Commissioner of DEEP to solicit proposals, either on their own, or through a regional process, for Class I and hydropower resources. We support this section, and believe that a regional approach is beneficial to ensure that resources are acquired at the most reasonable cost possible. We look forward to working with the Commissioner and the Procurement Manager to seek out these resources and to enter into a reasonable amount of fairly priced contracts. These solicitations will not only help Connecticut meet its goals, but may also provide the opportunity for significant resources to be acquired at a scale that would lower the overall cost. We would like to suggest that the committee consider including language that would allow the utility to recover any costs associated with such contracts. We have provided substitute language on the final page of this testimony.

We have additional comments on three sections of the bill. First, on Line 6, the definition of a Class I renewable resource has been changed from "methane gas from landfills" to "methane gas". We believe that the deletion of "from landfills" may now mean that any natural gas fired power generator, even large, central station generators, may be eligible for Class I credits.

Second, in Section 2, at lines 52 to 55, the definition of a Class III renewable source has been changed to exclude programs supported by ratepayers or auction revenues from the Regional Greenhouse Gas Initiative, effective January 1, 2014. We would like to remind the committee that certain combined heat and power facilities that qualify for Class III credits receive ratepayer funding, through the provisions of Public Act 05-01.

Finally, in regards to the cost recovery language for the electric distribution companies contained in paragraphs (h) and (i) of Section 5, we would suggest that the committee explore the possibility of providing a remuneration to the companies, as compensation for the costs and risks that may be incurred by the electric companies in the provision of such long-term agreements. The long term contract envisioned in Section 5 exposes the distribution companies to numerous uncertainties over the contract life. Changes in accounting and regulatory policy could have an adverse impact on the companies' balance sheet or may have other unanticipated requirements. We would suggest that the committee explore the inclusion of language similar to that used in Massachusetts to remunerate the distribution companies. Such language is provided on the following page.

Thank you for the opportunity to provide testimony on this bill.

Proposed substitute language for Section 5 of SB 1138:

(NEW) (h) On or after March 31, 2013, the Commissioner of Energy and Environmental Protection, in conjunction with the electric distribution companies and the procurement manager, may, in coordination with other states in the ISO-New England region, or on the commissioner's own, solicit proposals from providers of new Class I renewable energy sources. If the commissioner finds such proposals to be in the interest of ratepayers and consistent with the energy goals of the state, the commissioner may direct the electric distribution companies to enter into power purchase agreements for periods of not more than twenty years for not more than one hundred fifty megawatts of electricity generated by Class I renewable energy sources on behalf of all customers of electric distribution companies to comply with all or part of the renewable portfolio standards obligations of the electric suppliers and electric distribution companies pursuant to this section. Such agreements shall be subject to review and approval by the Public Utilities Regulatory Authority. ~~All~~The costs of such agreements shall be recovered through a fully reconciling component of electric rates to all customers of electric distribution companies. The authority, upon the approval of any agreements pursuant to this section, shall provide for an annual remuneration for the contracting electric distribution company equal to 2.75 percent of the annual payments under the contract to compensate the electric distribution company for accepting the financial obligation of the long-term contract.

(NEW) (i) On or after July 1, 2013, the Commissioner of Energy and Environmental Protection, in conjunction with the electric distribution companies and the procurement manager, may solicit proposals from providers of Class I renewable energy sources or Class I contracted tier renewable energy sources. The commissioner may direct the electric distribution companies to enter into power purchase agreements for periods of not more than twenty years on behalf of all customers of electric distribution companies to comply with all or part of the renewable portfolio standards obligations of the electric suppliers and electric distribution companies pursuant to this section. Such agreements shall be subject to review and approval by the Public Utilities Regulatory Authority. Providers of Class I renewable energy sources or Class I contracted tier renewable energy sources shall be selected on the basis of delivered price and consistent with the policy goals outlined in the Comprehensive Energy Strategy and section 129 of public act 11-80, including, but not limited to, peak load shaving and promotion of wind, solar and other renewable energy technologies. ~~All~~The costs of such agreements shall be recovered through a fully reconciling component of electric rates to all customers of electric distribution companies. The authority, upon the approval of any agreements pursuant to this section, shall provide for an annual remuneration for the contracting electric distribution company equal to 2.75 percent of the annual payments under the contract to compensate the electric distribution company for accepting the financial obligation of the long-term contract.