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TESTIMONY OF

THE RENEWABLE ENERGY AND EFFICIENCY BUSINESS ASSOCIATION, INC.

Energy and Technology Committee

March 19, 2013

RE: PROPOSED SUBSTITUTE BILL 1138: AN ACT CONCERNING CONNECTICUT'S CLEAN ENERGY GOALS

Good morning. Senator Duff, Representative Reed and members of the Energy & Technology Committee. My name is Paul R. Michaud and I am the Executive Director and Founder of The Renewable Energy and Efficiency Business Association (“REEBA”). REEBA is a trade association of renewable energy and efficiency businesses with over 100 members. REEBA’s mission is to promote the sustainable deployment of renewable energy, demand-side-management, and energy efficiency in Connecticut. On behalf of REEBA, I thank you for this opportunity to offer comments today on Proposed Substitute Bill No. 1138. For the following reasons, REEBA strongly opposes this bill.

Lack of Transparency

At the outset, I would like to discuss the lack of transparency and failure to ensure an open dialogue on the part of the Department of Energy and Environmental Protection (DEEP) regarding this critical energy matter. Little more than four months ago, DEEP released its draft Comprehensive Energy Strategy. In that draft, DEEP discussed the commissioning of an RPS Study, which would consider—in REEBA’s view—some extreme changes to the state’s RPS. Understandably, many in the renewable energy business community sought to comment on, and provide input to, the RPS Study. DEEP itself has acknowledged the value that such stakeholder input provides in the policy making process. During a November 2012 DEEP technical conference regarding the draft Comprehensive Energy Strategy many stakeholders sought to present testimony on the proposed changes to the RPS outlined in the draft Comprehensive Strategy. DEEP, however, requested stakeholders hold all comments related to the RPS Study, and indicated that DEEP would make available an alternative process for stakeholders to provide input on the RPS Study later.

After four months of silence, today marks the first opportunity for the renewable energy business community to provide input on the results of the RPS Study, which we still have not seen yet. This bill was publicly released just this past Friday, and the RPS Study has yet to be released. Obviously, all stakeholders understand the time pressures that DEEP faces. Additionally, stakeholders such as REEBA also understand the economic risks associated with the uncertainty inherent in regulatory programs such as the RPS. However, this bill proposes a dramatic departure from the principles of the RPS program. These measures will have a huge financial impact to fledgling renewable energy companies in this state. Hurrying such measures through the legislative process prohibits valuable public input and stymies a well thought-out and reasoned approach to these issues.

In REEBA's view, the rush to push these measures through Committee without input from the renewable energy business community undermines the credibility of the measures.

Despite the unavailability of the RPS Study to the public, REEBA has had an opportunity to review this bill. Put simply, this bill proposes striking and unprecedented changes to Connecticut's RPS and has the potential to obstruct considerably the development of renewable energy in the state. REEBA strongly urges the Committee to reject this bill. Among other things, this bill first aims to create a new RPS class that would include large utility-owned Canadian hydropower. Second, it would limit a renewable energy facility's ability to sell renewable energy credits (RECs) to other states, or else lose its Class I eligibility in Connecticut. Third, while broadening Class I to include utility-owned hydro, this bill simultaneously reduces the eligibility of biomass and other currently eligible renewable technologies, and excludes renewable thermal sources altogether.

Canadian Hydro Power

REEBA strongly objects to the inclusion of large utility-based Canadian hydropower in the RPS. More than a decade ago, this Committee took a commanding step forward in encouraging the development of renewable energy by establishing the RPS. The key policy driver behind the RPS is the notion that renewable energy technologies would benefit from economic subsidies to compete with traditional forms of energy. Recognizing this, the RPS provides needed revenue streams, through REC payments, to renewable energy projects that would otherwise be uneconomical. Without the RPS, many renewable energy projects would be unable to compete with traditional fossil-fuel fired generation. With this understanding, the Connecticut RPS has provided much needed economic incentives to the fledgling renewable energy industry, as it jockeys to gain a footing in the state's energy portfolio mix. Unlike traditional forms of energy, the economic incentives the RPS provides currently plays a critical part in ensuring that renewable energy projects move forward and will eventually enhance the ability of such projects to economically compete with fossil-fuel fired energy in the future.

In contrast, utility-owned Canadian hydropower does not need any economic incentives for commercial viability. In fact, utility-scale hydropower is fully financeable on its own accord. Traditional electric utility companies constructed many large-scale hydropower projects decades ago without the economic support of programs such as the RPS. In addition, today, these Canadian hydropower projects continue to remain economic, despite any additional revenue provided by REC payments. Thus, this bill proposes for the first time in the history of the RPS to provide economic incentives for a well-established and already competitive energy generating technology.

Instead of seeking to enter into long-term contracts for out-of-region hydropower, Connecticut should be seeking to enter into long-term contracts for in-region renewable energy generation that is critically dependent on economic support. Unlike utility-scale Canadian hydro, the renewable energy industry critically relies on the economic incentives provided by the RPS. Redirecting this money away from the renewable energy community and towards utility hydropower is the wrong policy choice for Connecticut.

In-State Only REC Trading

This bill also makes many significant changes to the RPS that will result in the elimination of many currently eligible sources of renewable generation. For example, lines 23 through 27 of this bill provide:

“... on and after January 1, 2014, any renewable energy source described under this subparagraph used for compliance with renewable portfolio standards or renewable energy goals in another state shall not be considered a Class I renewable energy source...”

This language not only unfairly, and perhaps unconstitutionally, discriminates against interstate commerce; such language also threatens current renewable energy facilities that choose to sell their RECs to other states with competitive REC markets. REEBA fails to see any justifiable policy rationale for excluding these types of resources.

Limitations on Biomass

The bill also targets biomass. Lines 100 through 103 seek to eliminate eligibility for biomass projects that were constructed prior to 2003. This provision unfairly targets a number of potential renewable energy facilities located right here in Connecticut. As this Committee is well aware, many of Connecticut’s older generation sources must ultimately be repowered. Biomass conversions offer a great way to develop renewable resources in Connecticut.

Other Renewable Thermal Energy Sources

The bill also excludes the fledgling renewable thermal energy industries like the geothermal heat pump, solar thermal, and biodiesel industries. These sources of renewable energy provide benefits to homeowners and businesses through reduced energy costs, while providing jobs, business opportunities and tax revenue here in Connecticut. In addition, businesses are ready to measure, aggregate and trade thermal RECs using methods that are consistent with the established NEPOOL Generation Information System methods.

Conclusion

Proposed Substitute Bill No. 1138 should be rejected because (1) the RPS Study supporting the bill is unavailable to the public making the bill lack any transparency, (2) the bill proposes to create a new RPS class that would include large utility-owned Canadian hydropower, which does not need an RPS mandate to thrive, (3) the bill would limit a renewable energy facility’s ability to sell RECs to other states, or else lose its Class I eligibility in Connecticut, which may be unconstitutional, and (4) the bill reduces the eligibility of biomass and other currently eligible renewable technologies, and excludes renewable thermal sources altogether, making it more difficult for Connecticut to meet its RPS obligations.

On behalf of REEBA’s 100 members, I thank you for the opportunity to provide testimony on Proposed Substitute Bill No. 1138.