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**TESTIMONY OF ENE (ENVIRONMENT NORTHEAST)**
**BEFORE THE ENERGY AND TECHNOLOGY COMMITTEE**

**Opposing Proposed Substitute Bill 1138, AAC Connecticut's Clean Energy Goals**

**March 19, 2013**

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ENE (Environment Northeast) is a non-profit research and advocacy organization that focuses on energy, air quality and climate change solutions for New England and Eastern Canada. ENE has been active in Connecticut since 1999 and appreciates this opportunity to provide written testimony to the Energy and Technology Committee on *Proposed Substitute Bill 1138, An Act Concerning Connecticut's Clean Energy Goals*.

Aside from the very real concerns about flawed process, our opposition to this bill rests primarily on five areas of concern:

(1) The alteration of the Class I tier of the Renewable Portfolio Standard ("RPS") to allow for the inclusion of large-scale, commercialized hydropower;

(2) The need for stronger standards for biomass eligibility, including a full definition for the key term, "sustainable biomass fuel";

(3) The tangential and unnecessary involvement of the Regional Greenhouse Gas Initiative ("RGGI") in the provision concerning biomass fuel transportation emissions;

(4) The counterproductive elimination of Class III RPS support for the state's energy efficiency programs; and

(5) The need to define, in statute, critical criteria and requirements for long-term contracts to ensure the lowest-cost energy resource procurement – particularly regarding the urgent issue of transmission costs.

It is important to note that we believe there are reasonable solutions to these five deficiencies, and we look forward to working with the Committee to implement them.

## Commercialized Hydropower, the RPS, and the Real Backstop of Efficiency

We oppose giving large-scale, commercialized hydropower Class I eligibility through the new "contracted tier" defined in Section 1 of 1138. The fundamental purpose of the RPS is to help commercialize emerging technologies for generating clean, low-carbon electricity. Large-scale hydropower is a mature generating technology that is already cost-competitive with other

conventional, fossil-fuel-based generation like coal, oil, and natural gas. It does not need market or ratepayer support.

What including large hydropower does is risk weakening the traditional core of the RPS at a time when we should be evaluating how best to accelerate the growth of the cleanest renewables – particularly wind and solar power. To the extent that the Class I tier requires backstopping by large-scale hydropower, and we do not accept that premise, that role can nevertheless be played by large hydro through direct procurement by the state outside the context of the RPS. We urge the Committee to divorce the issue of large hydro procurement from the unrelated issue of RPS performance.

Besides, a better, faster, lower-cost backstop for Connecticut's RPS is actually available to the state right now – full investment in all cost-effective energy efficiency. Curbing Connecticut's energy demand can help the state fulfill its RPS by making its targets easier to meet in coming years.

ISO-NE has recently forecast Connecticut's energy demand over the next 10 years while factoring in our current base level of investment in electric efficiency. The forecast found that demand in Connecticut would rise slightly from 2012 to 2016 – from about 32,800 GWh to about 33,300 GWh, respectively – and then essentially level off from 2016 to 2022. This is practically a flat energy demand curve for our state even <u>without</u> the full benefit of the ramp up in efficiency investment to all cost-effective levels called for by the Governor and DEEP.

We urge the Committee to pass H.B. 6360 (with slight modifications as per our previously submitted testimony) to ensure that the ramp up in efficiency happens as soon as possible. This is the real backstop we need for any RPS cost or performance concerns.

**Biomass Eligibility**

We recommend that the Committee tighten the standards for biomass eligibility and we offer preliminary thoughts on that issue here. In recent years, scientific analysis has called into question the conventional wisdom that all sources of biomass provide climate emissions benefits when compared to traditional fossil fuel generation. There has also been growing concern about the amount of available biomass in the region and the sustainability of its use. In light of these concerns, ENE supports the inclusion of biomass within Renewable Portfolio Standards as long as the appropriate pollution control technologies and sustainable, low-carbon fuel are used.

Biomass combustion can produce high levels of traditional pollutants, such as nitrous oxides (NOx) and particulate matter (PM). ENE strongly supported Connecticut's RPS limit of .075 lb/MMBtu of NOx when it was initially proposed, and strongly supports the addition of a .02 lb/MMBtu limit on PM, as proposed in Section 1 of 1138. The Massachusetts DOER has in place an even tighter standard – a Best Available Control Technology limit of .012 lb/MMBtu of PM for biomass fuel fired steam electric generation units. The existing Pinetree Power Fitchburg biomass facility currently meets this limit, and several proposed large new biomass facilities in the state are planning on meeting this limit as well.[1]

[1] Some of the proposed facilities, such as the Russell Power Plant, will not go forward due to changes in the efficiency requirements for RECs under recent revisions to the RPS, but the existing PM standards were not a factor.

The proposed bill does not significantly alter the current definition of "sustainable biomass fuels", which is limited to fuel that is cultivated and harvested in a sustainable manner, but provides no further explanation of what that means. ENE believes the current definition is inadequate to address concerns over overharvesting or the greenhouse gas emissions from biomass combustion.

Public dollars should be focused on generating power that is truly sustainable and renewable. Additional limitations on biomass fuel should be implemented to ensure that the fuel has a relatively short carbon payback period. Connecticut should draw from the example of Massachusetts when looking at how to define sustainability.

Under the new Massachusetts RPS rule, biomass eligibility is restricted to waste materials generated during harvesting and processing wood products, damaged or dying trees, energy crops grown on non-productive land, or material generated during land clearing, yard and road maintenance. These restrictions help ensure that RPS eligible feedstocks come from material that would have decayed rapidly and resulted in emissions anyway, or is otherwise a byproduct of harvesting and activities that are already occurring.

ENE recommends the Massachusetts approach as it more fully takes into account the most recent analyses of the lifecycle greenhouse gas emissions from biomass fuels. We recommend that the Committee insert this approach into 1138.[2]

**RGGI and Lifecycle Greenhouse Gas Emissions**

ENE opposes the provision in Section 3, lines 96 through 103, that seeks to require biomass facilities to remain RPS eligible by purchasing allowances through RGGI "to offset the emissions from the transportation of such fuel [biomass fuel] to such facility."

This piecemeal addition to the RGGI system is not the way to address the complicated issue of lifecycle emissions attributable to the transportation of biomass fuel. Other energy resources in RGGI are not currently evaluated on a lifecycle basis, and no RGGI compliance mechanism currently exists to handle the obligation created in Section 3 of 1138. ENE strongly recommends removal of this provision to avoid creating unnecessary and distracting complications for the RGGI program at this important time for the program.

**Removal of Class III Eligibility for State's Energy Efficiency Programs**

ENE also opposes the new language found in Section 2, lines 52 through 55, that eliminates the state's energy efficiency programs from eligibility in the Class III tier of the state's RPS.[3] This will result in the loss of about $2.5 million of additional revenue for those programs and comes

[2] We also recommend that Connecticut establish an efficiency standard for biomass facilities seeking RPS eligibility and anticipate submitting additional detail on that point during the RPS study comment period.
[3] We note that the language is broad enough in scope to eliminate Class III REC eligibility for not only the state's efficiency programs funded directly by the Connecticut Energy Efficiency Fund, but also for any such efficiency efforts led by CEFIA and funded in any way through its 1 mil ratepayer charge – a fact that could also harm the state's current emphasis on enhancing finance as a tool for supplementing its efficiency programs.

at a time when the state's leadership has been unable for almost two years now to implement a ramp up to full investment in all cost-effective energy efficiency. While ENE supports maximizing CHP, which is also in this Class III tier, we do not support effectively placing the state's CHP resource above energy efficiency, which is cleaner and lower-cost than CHP and can offer much greater energy, economic, and environmental benefits overall. This provision needs to be dropped.

**Support for Long-Term Contracting and the Need to Statutorily Define Goals and Contract Requirements – Particularly for Transmission Costs**

Section 5 of Proposed Substitute Bill 1138 provides the DEEP Commissioner with the new ability to solicit bids for long-term power purchase agreements and then to direct the state's electric distribution utilities to enter into those agreements found to be in the best interest of ratepayers.

ENE strongly supports this new statutory authority to seek out and enter into competitive, long-term contracts for renewable power, which is an approach we have long recommended due to numerous economic and procurement advantages. Long-term contracting will not only be an invaluable tool in assisting Connecticut in meeting its RPS targets and in pursuing coordinated regional procurement through NESCOE, but it will also serve as an important hedge play against rising fossil fuel prices.

ENE is concerned, however, that the proposed provisions of Section 5 do not establish with sufficient clarity the process and criteria for soliciting, evaluating, accepting, negotiating, entering into, and enforcing any long-term contracts procured under its authority. Contract structure and terms should also be addressed. Section 5 could further be strengthened by more explicitly stating the goals the state's long-term contracting would be seeking to satisfy.

We therefore encourage the Committee to give strong consideration to adding language that would address, among other things, the following issues: (1) a ceiling price above which a contract would not be approved; (2) a capacity floor of sufficient size to ensure utility-scale, least-cost resource procurement; (3) how these new long-term contracts will interact with existing RPS requirements for all load-serving entities; (4) how RECs will be used to satisfy the RPS and for what customers; (5) what happens to revenue associated with the sale of any energy or RECs; and (6) ensuring that these contracts factor in all relevant costs, including energy, capacity, and transmission costs, as the best way to fully assess and select projects based on their all-in cost, including transmission interconnection needs.

This last consideration is particularly crucial. Folding transmission costs into the contract price will put all competing energy resources, whether located far from load or smaller and located close to load, on an even playing field. If transmission costs are not paid for in the contract and are instead socialized through the regional mechanisms provided by ISO-NE, remote resources might be advantaged over resources closer to load, such as the in-state distributed generation the state's policymakers are seeking to maximize.

The Committee needs to ensure that Connecticut's ratepayers do not end up bearing the cost of new transmission lines built for contracted electricity through increased regional transmission rates set by ISO-NE. Connecticut and New England are already experiencing the highest average residential transmission rates in the nation, and with those costs expected to escalate dramatically

in the next few years, any long-term contracting that does not account for transmission costs will only exacerbate the situation.

Thank you for the opportunity to testify today.

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