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SUMMARY OF RENEWABLE PORTFOLIO STANDARD BILL (SB 1138/LCO 4767)

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You asked for a summary of SB 1138, An Act Concerning Connecticut's Clean Energy Goals, currently before the Energy and Technology Committee. Please note this analysis is based on LCO 4767, the version of the bill the Energy and Technology Committee heard. The bill may undergo substantial revisions before the committee takes final action on it.

SUMMARY

By law, electric companies and competitive suppliers must get part of their power from renewable resources, a requirement known as the renewable portfolio standard (RPS). There are three classes of such resources, and the requirements for Class I resources such as wind and solar power increase over time. Currently, the companies and suppliers must get 10% of their power from such resources; this requirement rises in stages until it reaches 20% in 2020. They must get an additional (1) 3% of their power from Class I or Class II resources and (2) 4% from class III resources. Energy from certain resources, such as biomass, is considered class I or class II depending on its characteristics.

The bill (1) modifies what counts as a renewable resource under the RPS, (2) establishes additional RPS increases each year from 2021 through 2025, and (3) allows the Department of Energy and Environmental Protection (DEEP) commissioner to solicit proposals from renewable generators and direct the electric companies to enter into agreements with them, subject to review and approval by the Public Utilities Regulatory Authority (PURA).

DEFINITION OF RESOURCES UNDER THE RPS (SECTIONS 1-3)

The bill expands the scope of Class I resources by making hydropower facilities with a capacity of up to 30 megawatts (MW) and a certificate from the Low Impact Hydropower Institute eligible for this classification. Current law, limits eligibility to those with a capacity of up to 5 MW that do not cause an appreciable change in the river flow. On the other hand, it reduces, starting January 1, 2015, the amount of nitrogen oxides that biomass facilities can produce and be considered Class I resources. It lowers the limit from .075 pounds to .02 per million British thermal units. By law, the emission limit does not apply to biomass facilities with a capacity of less than 0.5 MW that began construction before July 1, 2003.

Starting January 1, 2014, the bill makes electrical generation from Class I resources ineligible to count towards Connecticut RPS if it is used to comply with another state's RPS or renewable energy goals. Most of the states in the northeast have an RPS; Vermont has renewable energy goals. It also bars resources from being newly classified as Class I after December 31, 2012 unless they began operation on or after July 1, 2003 (it appears that this provision applies to all Class I facilities, although it may just apply to those that use biomass).

The bill establishes a new type of renewable energy under the RPS called a "Class I contracted tier renewable energy source." This is any Class I resource or hydropower facility that (1) began operation on or after January 1, 2003 and (2) is located in New England or an area abutting the northern boundary of the New England Power Pool Generation Information System geographic eligibility area that is not connected with any other control area not a part of this area. It appears that this provision would allow electricity from large-scale hydropower resources in Canada to qualify. Under the bill, the hydropower resources in this tier cannot be used to comply with the Class I RPS requirements.

By law, in order for the electricity from a biomass resource to qualify as a renewable resource, it must be generated from sustainable fuel. Under current law, construction and demolition waste and certain other types of biomass are generally not considered sustainable, but they may be used in four types of facilities. The bill eliminates two of these exceptions. But it allows fuel used at any facility that PURA certified as being a class I resource before December 31, 2012 to continue to count as being sustainable if:

1. the fuel is harvested sustainably and does not include construction and demolition waste and
2. starting January 1, 2014, the facility where it is used buys carbon dioxide emission allowances through the Regional Greenhouse Gas Initiative (RGGI) to offset the emissions from transporting the fuel to the facility.

The bill limits the types of resources that count as Class III. Under current law, these resources are the (1) energy produced by certain cogeneration or waste heat recovery facilities and (2) electric savings produced by conservation programs that began on or after January 1, 2006. Starting January 1, 2014, the bill restricts eligibility to those resources that have not received support from ratepayers or the proceeds of RGGI cap and trade program for electric generators in the northeast.

RPS REQUIREMENTS

Starting in 2014, the bill allows part of the Class I requirement to be met by using Class I contracted tier renewable energy sources such as large-scale hydropower. It also adds steps in the RPS requirements each year from 2021 through 2025, as shown in Table I. By law, electric companies and competitive suppliers must get an additional 3% of their power from Class I or Class II resources.

Table 1: RPS Requirements

<i>Year</i>	<i>Current Class I Requirement (%)</i>	<i>Bill's Class I Requirement (%)</i>	<i>Percentage that Can Come from Contracted Tier Resources under the Bill</i>
2014	11	11	2
2015	12.5	12.5	3
2016	14	14	3
2017	15.5	15.5	3
2018	17	17	3.5
2019	19.5	19.5	4
2020	20	20	4.5
2021	20	21	5
2022	20	22	5.5
2023	20	23	6
2024	20	24	6.5
2025 and thereafter	20	25	7.5

PURCHASES

Starting March 31, 2013, the bill allows the DEEP commissioner, in conjunction with the electric companies and the official who procures power for their standard service, to solicit proposals from providers of new Class I renewable energy sources. He can do so in coordination with other New England states or on his own initiative.

If the commissioner finds the proposals to be in the ratepayers' interest and consistent with the state's energy goals, he may direct the electric companies to enter into power purchase agreements for terms of up to 20 years for up to 150 megawatts of electricity generated by Class I renewable energy sources on behalf of all electric company customers to comply with all or part of the RPS obligations of the companies and electric suppliers.

The agreements are subject to PURA review and approval. Their costs must be recovered through a fully reconciling component of electric rates to all electric company customers (including those who buy their power from suppliers).

Starting July 1, 2013, the bill similarly allows the commissioner to solicit proposals from providers of Class I or Class I contracted tier renewable energy sources. He may direct the electric companies to enter into power purchase agreements for periods of up to 20 years on behalf of all electric company customers to comply with all or part of the RPS obligations of the companies and suppliers. Provider selection must be based on delivered price and consistent with state energy policy goals, including promoting reductions in peak electric loads and promoting renewable energy technologies. The agreements are subject to the PURA approval and cost recovery provisions described above.

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