



Connecticut Department of
**ENERGY &
ENVIRONMENTAL
PROTECTION**

STATE OF CONNECTICUT
DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION

Public Hearing – March 14, 2014
Planning and Development Committee

Testimony Submitted by Commissioner Robert J. Klee
Presented By Deputy Commissioner Katie Dykes

Raised Senate Bill No. 404 – AN ACT CONCERNING BUILDING PERMIT FEES FOR CLASS I RENEWABLE ENERGY PROJECTS AND RENEWABLE ENERGY CREDITS FOR TRASH-TO-ENERGY FACILITIES

Thank you for the opportunity to present testimony regarding Raised Senate Bill No. 404 – AAC Building Permit Fees For Class I Renewable Energy Projects And Renewable Energy Credits For Trash-To-Energy Facilities. The Department of Energy and Environmental Protection (DEEP) welcomes the opportunity to offer the following testimony.

This bill as proposed limits fees associated with the processing and construction of Class I renewable energy source projects to administrative fees, and requires that a renewable energy certificate (REC) issued to trash-to-energy facilities certified as a Class II renewable energy source be not be less than one cent per kilowatt hour.

DEEP supports clean energy and has worked diligently to achieve our renewable portfolio standard (RPS) goals while balancing ratepayer cost. Currently, the Class II tier is oversupplied and exceeds the 3% requirement. DEEP provides the following information as background. Pursuant to general statute §16-1(a) (27), Class II renewable energy sources include energy derived from:

- Resource recovery facilities;
- a biomass facility that began operation before July 1, 1998, provided the average emission rate for such facility not exceeding 0.2 pounds of NOx per million BTU of heat input for the previous calendar quarter; or
- a run-of-the-river hydropower generating facility up to five megawatts that began operation prior to July 1, 2003.

The Class II requirement was initially set at 3% and remains constant through 2020. There are currently 122 generating plants across New England that meet the Connecticut Class II requirement, with a total capacity of 670 MW. More projects could qualify, but do not apply for eligibility because of the low Class II REC prices in Connecticut. If a minimum REC price were put in place for Class II, more facilities,

including facilities that are located out of state and that utilize resource recovery and other types of technologies may enter the market. The 122 sources currently qualified as Class II include 95 hydropower facilities, 17 resource recovery facilities, and 7 biomass plants. In 2010, 70% of the Class II requirement was met with RECs from resource recovery facilities, 16% from biomass, and 6% from small-scale hydro that does not qualify for Class I. In Connecticut, resource recovery facilities comprise the largest source of Class II generation. In 2013 there were eight Class II resource recovery facilities in the state, totaling 223 MW.¹ In addition, Connecticut has 15 Class II hydro generation facilities totaling 16.6 MWs.

Notwithstanding the above, DEEP notes that a large percentage, approximately 53% of Class II is from facilities located in other New England states. DEEP notes that the proposed legislation would establish a one cent floor that would largely benefit out of state generators that sell Class II energy and could result in Connecticut ratepayers bearing a disproportionate burden of supporting legacy generation. This was one of the issues DEEP identified in its 2013 report on Restructuring Connecticut's Renewable Portfolio Standard.²

The proposed legislation also eliminates Class I resources from qualifying in the Class II tier. This provision was established to provide a backstop support for the cleanest sources of generation—Class I—in the event of a potential future oversupply situation in Class I. In the event of an oversupply of Class I, Class I resources would be eligible for Class II RECs. In DEEP's 2013 RPS report, DEEP did not project an oversupply of Class I for the foreseeable future.

In any legislation impacting RPS policy in Connecticut, DEEP recommends that the General Assembly carefully consider the need to maintain regulatory certainty as an essential element in the development of a sustainable in-state renewable energy resource. Frequent changes to the RPS could have unintended consequences by creating regulatory uncertainty in the REC market that could drive renewable resources away from considering Connecticut as a viable market for investment.

Thank you for the opportunity to present testimony on this proposal. If you should require any additional information, please contact Robert LaFrance, DEEP's Director of Governmental Affairs, at 860.424.3401 or Robert.LaFrance@ct.gov (or, Elizabeth McAuliffe, DEEP Legislative Liaison, at 860.424.3458 or Elizabeth.McAuliffe@ct.gov).

¹ DEEP RPS Database

² Available at http://www.ct.gov/deep/cwp/view.asp?a=4405&Q=522124&deepNav_GID=2121