

Testimony of William E. Dornbos

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Acadia Center

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Before the Energy & Technology Committee

Supporting:

H.B. 7009, AAC Electric and Zero-Emission Vehicles

H.B. 6838, AAC the Encouragement of Local Economic Development and Access to Residential Renewable Energy

S.B. 928, AAC Shared Clean Energy Facilities

Opposing:

S.B. 1078, AAC Affordable and Reliable Energy

Honorable Chairpersons Doyle and Reed, Ranking Members Formica and Ackert, and Committee Members:

Acadia Center appreciates this opportunity to provide written testimony to the Energy and Technology Committee regarding the four bills referenced above. Acadia Center is a nonprofit research and advocacy organization committed to advancing the clean energy future. Acadia Center is at the forefront of efforts to build clean, low carbon, and consumer friendly economies.

H.B. 7009, AAC Electric and Zero-Emission Vehicles

Position: Acadia Center strongly supports. We have previously submitted extensive written testimony in support of comprehensive policy reforms that will accelerate the adoption of zero-emission vehicles (ZEVs), such as electric vehicles and fuel cell vehicles. Please see the testimony we filed (and presented) at the Committee's February 10, 2015 public hearing for more details. We are also a founding member of the Connecticut Electric Vehicle Coalition.

Acadia Center supports the package of reforms laid out in H.B. 7009. While financial incentives remain the most effective tool for increasing the sales of zero-emission vehicles – as has been demonstrated in other states that offer such incentives, like Georgia – the non-financial incentives and other reforms set out in H.B. 7009 will provide a strong boost towards achieving Connecticut's target of over 100,000 ZEVs on the road by 2025. Passage of H.B. 7009 will also help maximize the significant economic and environmental benefits of zero-emission vehicles for Connecticut and its citizens.

The potential economic benefits are compelling. The current transportation system is almost entirely dependent on gasoline and diesel, resulting in a transfer of wealth from New England to other regions and countries. In 2012, for example, drivers in Connecticut spent over \$6.4 billion on gasoline and diesel, of which approximately \$5.1 billion (79 percent) left the state as payments to petroleum producers and refiners in other regions and countries.

ZEVs will help reduce our overreliance on imported fossil fuels while also saving consumers money on operating costs. Even at recent electricity and gasoline prices, the fuel costs of a battery-electric vehicle like the Nissan Leaf are approximately 25 percent lower than the fuel costs of a conventional medium sedan. Shifting a greater portion of driving to electric vehicles will reduce our total expenditure on transportation fuels and slow the flow of wealth out of Connecticut.

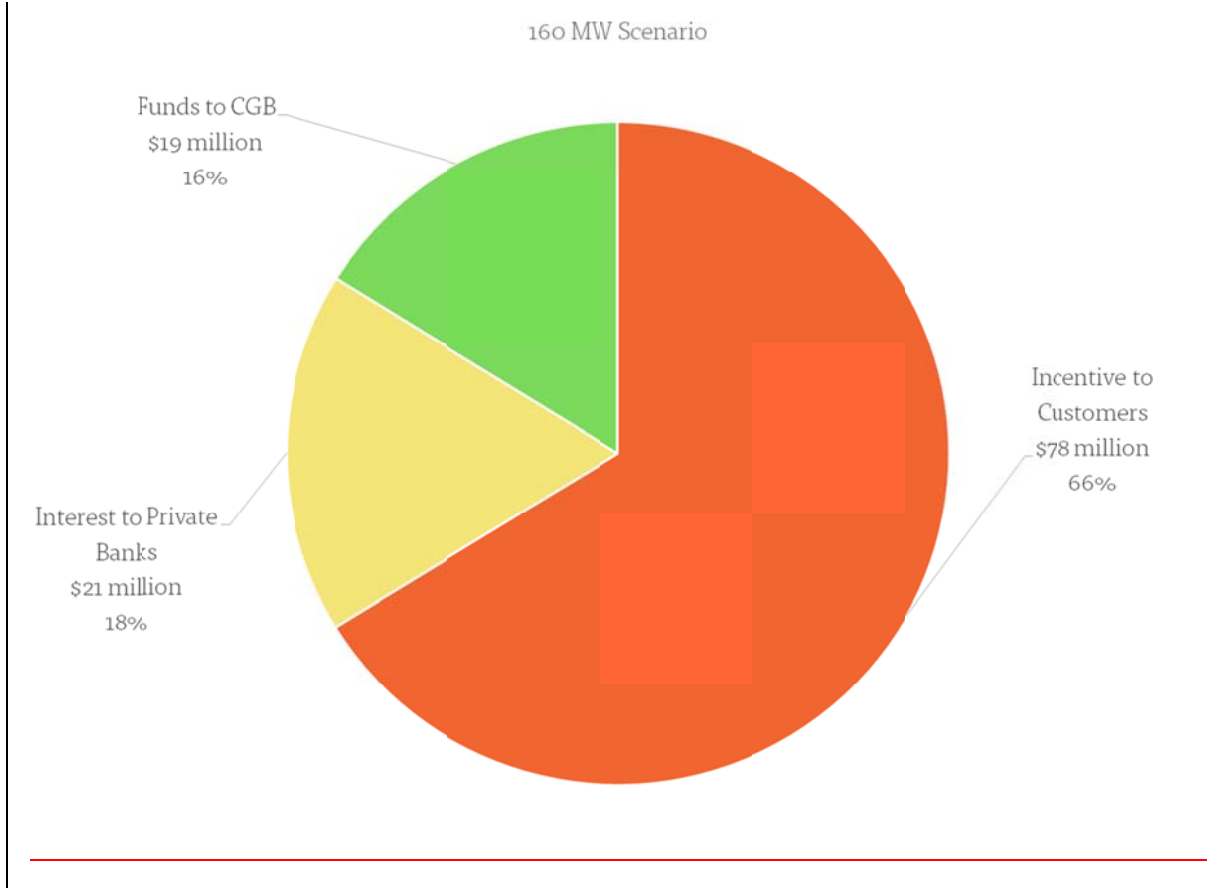
The potential climate benefits are also compelling. Shifting our transportation needs to electricity and increasing renewable generation capacity are critical to driving down greenhouse gas emissions from the transportation sector. As the carbon intensity of the regional energy mix decreases, the environmental and climate benefits of electric vehicles increase. Already in New England, electric vehicles can reduce transportation emissions by over 60 percent when compared to a vehicle with a traditional internal combustion engine. Furthermore, large electricity generators are covered by the Regional Greenhouse Gas Initiative, providing security that overall emissions will not increase due to EV adoption.

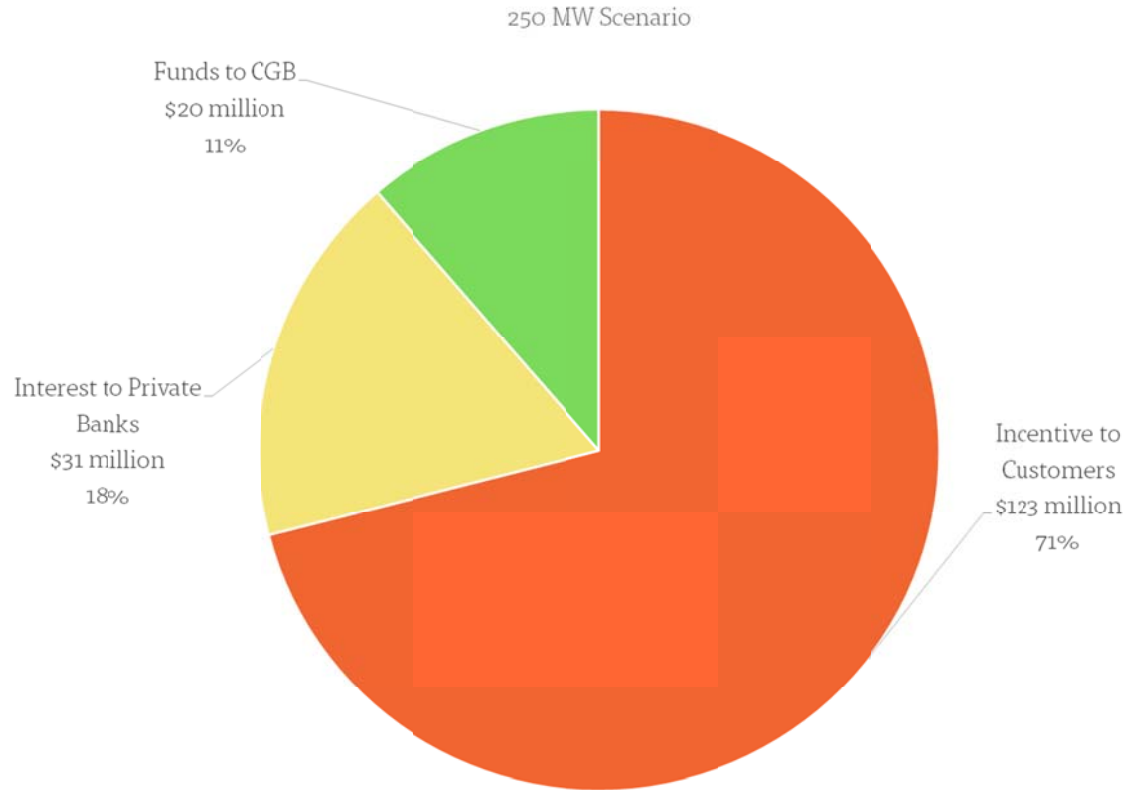
Many of the reforms in H.B. 7009 are important because they make it easier for consumers to use and enjoy zero-emission vehicles. While Connecticut has made strong progress on building out public charging infrastructure for electric vehicles to increase “range confidence”, even more can be done to help consumers refuel their ZEVs at home, at work, or while traveling long distances. H.B. 7009 improves ZEV owner convenience through such reforms as: free public parking for ZEVs, customized electricity pricing for electric vehicles to help facilitate lower-cost charging at home overnight, and improved signage and payment options at charging or refueling stations. Other reforms in H.B. 7009 will help prepare our power grid and new buildings for significantly increased numbers of ZEV vehicles. Better planning now will help ensure that the transition to ZEVs is a smooth and efficient one.

H.B. 6838, AAC the Encouragement of Local Economic Development and Access to Residential Renewable Energy

Position: Acadia Center supports, with refinements. Acadia Center is highly supportive of H.B. 6838, which significantly increases the pool of funding for direct financial incentives for residential solar PV, and building on Class 1 renewable energy credits (RECs) is an effective way to accomplish this overall increase in incentives. The additional funding supplied by ratepayers under H.B. 6838 will only be the difference between the price of a Class 1 REC and the price of the new solar home renewable energy credit (SHREC), rather than the full amount. This is a reasonable and sound approach. Acadia Center strongly supports the use of targeted, market-based incentives to overcome the market barriers that prevent solar PV, and clean energy more generally, from achieving widespread consumer adoption.

While supportive of the overall approach in H.B. 6838, we do have refinements to suggest that should help improve the long-term performance of the expanded SHREC program. These refinements focus on two areas: incentive cost-efficiency and customer choice. First, we believe the incentives could be better defined and targeted to ensure that H.B. 6838 imposes the lowest possible cost on ratepayers – while still achieving its important energy policy goal of incentivizing much greater deployment of rooftop solar PV than the current residential incentive program. As currently designed, significant portions of the SHREC revenue stream do not go to customers, as shown in the two figures below, which are based on the report released by the Connecticut Green Bank.





These apportionments represent the scenarios modeled in the report, using a 2% rate of inflation. While these numbers reveal an imbalanced allocation of SHREC funds that reach customers, as H.B. 6838 is currently drafted, the imbalance could be even more significant. The percentage of the SHREC revenue stream that customers would receive could be substantially lower than shown here since there are no explicit limits set on the gap between the incentive level and the SHREC price.

Second, we also believe that SHREC participants should be given control over the SHRECs created by the energy generation of their PV systems, and thus should be allowed to decide whether to keep them for themselves or transfer them to the Green Bank or to a competitive, third-party capital provider in exchange for an upfront incentive.

To address these two overarching concerns, we recommend the following refinements to H.B. 6838:

- Allow customers to choose to keep SHRECs or to assign them to a third party. Potential issues with federal income tax liabilities may be minimized by changing all references of SHREC to “solar home renewable performance based incentive” within the bill.
- Cap the incentives using a formula tied to the previous year’s average installation costs (otherwise there is no requirement in H.B. 6838 that the difference between the Class 1 REC and the SHREC values will be limited by the actual incentive level necessary to affect consumer behavior);
- Limit SHREC prices to only the incentive to customers and reasonable financing costs, and do not include administrative costs (this further protects ratepayers);

- Allow more flexibility in changing incentive schedules in the future (in other words, remove or reduce the 20% requirement found at the end of section 1(d)); and,
- Modify the language in section 1(d) regarding “incentives that are sufficient to provide the residential consumer with a competitive electricity price” to include the constraint that incentives are only offered when they will significantly change adoption rates.

S.B. 928, AAC Shared Clean Energy Facilities

Position: Acadia Center supports, with refinements. Acadia Center strongly supports increasing the deployment of distributed clean energy. Shared clean energy facilities, in particular, will be an important feature of a modern, sustainable power grid. They offer the exciting promise of community-focused clean power. If they are placed within a grid modernization policy framework, and are properly designed and implemented, shared clean energy facilities could help cut energy costs for our residents and businesses, optimize our grid investments to the benefit of all grid participants, and improve the grid’s reliability and resilience through their distributed nature. Shared clean energy facilities also have the potential to spread the economic benefits of clean energy more widely – not everyone can put solar panels on their roof, for instance. The many potential benefits of shared clean energy are significant and undeniable.

We want to ensure, however, that RB 928 fully realizes the promise of shared clean energy facilities as community power. We offer the following two changes in that spirit. First, we recommend that RB 928 be modified to ensure that all residents, regardless of their income level, have fair access to the many benefits of shared clean energy facilities. This could take the form of several different mechanisms, including, for example, (1) requiring that low and moderate income residents within close geographic proximity to the facility have the first option to purchase discounted or otherwise incentivized subscriptions, (2) designating a percentage of each shared clean energy facility for low or moderate income subscribers only, (3) requiring a competitive statewide solicitation for a set number of shared clean energy facilities that would have to be sited in low or moderate income communities and only sell subscriptions in those communities, or (4) requiring that some portion of the project’s actual power production be for low or moderate income residents, perhaps as part of a community microgrid.

Second, we recommend that the definition of an eligible subscriber in RB 928 be modified to place a geographic proximity limitation on its scope. This approach has recently been proposed for community solar pilot projects in Illinois and defines eligible subscribers as any resident connected within 5 miles of the shared renewables facility or connected to the same substation. (*See* Illinois Commerce Commission, Case No. 15-0156, filed February 27, 2015, Direct Testimony of Andrew Barbeau, p. 11.) This is a practical way to ensure that communities will directly benefit from any shared renewables facilities sited within their boundaries.

S.B. 1078, AAC Affordable and Reliable Energy

Position: Acadia Center opposes. While Acadia Center generally supports robust procurement tools for demand-side and clean energy resources, we cannot support the specific procurements proposed in S.B. 1078, at least as presently designed. We have recommendations for revisions to S.B. 1078 that, if adopted, would remove our current opposition to this bill.

For section 1, we recommend that the “measures” explicitly authorized by the language be broadened to include all demand-side resources and energy storage in order to remove any uncertainty about their inclusion.

Regarding section 3(b) of S.B. 1078, we generally support the concept of requests for proposals (RFPs), but are concerned in this instance that the RFPs are not sufficiently grounded in the relevant statutory requirements of Connecticut energy law, including the all cost-effective mandate found in Conn. Gen. Stat. §16a-3a(c) (which, as statute, supersedes the Comprehensive Energy Strategy and the Integrated Resources Plan). We recommend that the language here be modified to include “procuring all cost-effective energy efficiency” as one of the established goals of the IRP. In addition, we recommend that a selection preference be explicitly mandated for demand reduction proposals. All cost-effective demand-side proposals should be prioritized and accepted for any RFP for new energy resources before proceeding to other supply-side (or capacity) proposals. This will ensure that DEEP’s RFPs will always seek to optimize the demand of Connecticut’s electric system and therefore avoid overinvesting in new energy resources or infrastructure.

Regarding section 4 of S.B. 1078, this would appear to be a provision intended to address the winter electric pricing problem, as it sets out five specific resources types that might mitigate the problem and would be eligible for long-term contracts with the DEEP Commissioner. We believe a better procurement approach to solving the winter electric pricing problem would be for the Commissioner to issue an RFP that puts a well-defined problem – in this case, winter price spikes in wholesale electricity – before the regional market and then lets market actors offer up effective electric resource solutions that can reduce prices in Connecticut. In other words, this section of S.B. 1078 should be revised to limit solicitations issued under its authority to those that only seek to resolve electric energy resource problems with market-based electric energy resource solutions. Connecticut’s ratepayers would benefit from this procurement approach – one that would look to the market’s competitive forces to mitigate or solve the serious problem of winter price spikes.

Two other modifications are necessary for section 4 of S.B. 1078. First, the language does not specify the purpose of the long-term contracts – whether they are for energy, capacity, or both. That should be explicitly identified. Second, the sizing limitation on the procurement authority is unclear. Section 4(c) states that the Commissioner can select proposals “to meet up to the state’s proportional share of the regional energy load of natural gas capacity.” That could be a huge quantity of energy – potentially as much energy as all the electricity consumed in Connecticut in one year that was generated by natural gas power plants in the region (at least under one possible reading). This was not likely the intended aim of this language, as a procurement of that size would effectively allow the DEEP Commissioner to set electric rates for the entire state through procurement solicitations. To be effective, this quantity limitation on the Commissioner’s procurement authority should be rendered in an electric measure or unit (as was done with the procurements for Public Act 13-303) and should be targeted towards mitigating winter price spikes.

Finally, regarding section 5, we strongly recommend that it be eliminated from S.B. 1078. This section takes the unprecedented step of allowing the electric distribution companies to pursue cost recovery through electric rate cases for their procurements of new natural gas capacity. Electric rate payers will effectively be paying for new or expanded natural gas pipeline. This provision would be entirely unnecessary if the solicitations authorized by section 4 sought only electric energy resources – the most direct solution to the winter pricing problem.

Please do not hesitate to contact me if you have any questions. Thank you again for the opportunity to testify.

For more information:

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