ENERGY AND TECHNOLOGY COMMITTEE
March 10, 2016

SENATE BILL NO. 394: AN ACT CONCERNING VIRTUAL NET METERING AND CERTAIN ZERO OR LOW EMISSION GENERATION PROJECTS

TESTIMONY SUBMITTED BY:

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Senator Doyle, Representative Reed, Senator Formica, Representative Eckert and members of the Energy and Technology Committee, The Metropolitan District (the "District") submits this testimony in strong support of Senate Bill No. 394, entitled "*An Act Concerning Virtual Net Metering and Certain Zero or Low Emission Generation Projects.*" The District is currently undertaking a number of renewable energy initiatives that will benefit District member towns and ratepayers. An expansion of virtual net metering is critical to the success of these projects, and other important clean energy initiatives being advanced by Connecticut municipalities.

The District provides critical water supply and sewage treatment services to approximately 400,000 people within the municipalities of Bloomfield, East Hartford, Hartford, Newington, Rocky Hill, West Hartford, Wethersfield and Windsor. Additionally, the District provides drinking water to portions of Farmington, Glastonbury, East Granby, Portland, and South Windsor. Energy use represents a significant expenditure of the District's operating budget. The District's extensive water distribution and sewage collection system consumes approximately 45 million kilowatt-hours of electricity per year at its facilities, at an approximate annual cost of $6 million. In order to meet the terms and conditions of an EPA Consent Decree and a DEEP Consent Order, the District has implemented several critical capital improvement projects, which, in part, expands the District's sewage collection system. Due in part to this expansion, the District projects increased electrical consumption and, therefore, increased costs of operation. The District is committed to investing in renewable energy projects to curb its dependence on fossil fuel energy sources, helping Connecticut meet renewable energy goals and reduce energy costs. Stabilizing energy costs will help the District continue to provide critical infrastructure services and improvements at reasonable rates to its customers.

The District is currently undertaking new renewable energy initiatives including three solar PV projects and an in-conduit hydroelectric project. These projects reflect the District's commitment to sustainability, to providing benefits for member towns and rate payers, and to supporting the State's clean energy goals. In particular, the Barkhamsted Hydro Project No. 1 reflects the serious commitment of the District to providing clean energy and energy cost savings to its members and rate payers. This in-conduit hydroelectric project in New Hartford has been under development for over two years, and the District has expended significant resources to date related to design, procurement, and construction.

The project will be owned and operated by the District, and energy from the project will be virtually net metered to other District accounts. The District received Zero Emission Renewable Energy Credits (ZRECs) for the project in 2014. The District's application to Eversource for the ZRECs noted that the project is dependent on virtual net metering. The project was specifically designed to take advantage of virtual net metering; it is located at a remote underutilized facility that can be easily retrofitted as a hydro project with no

environmental or community impacts to generate clean power and help reduce energy costs at other District locations that are not as well suited for on-site generation.

The state's current virtual net metering program was established by Public Act 13-298, as amended by Public Act 13-247. Conn. Gen. Stat. §16-244(u)(8)(e) establishes a $10 million cap per year for virtual net metering credits to eligible municipal, state, and agricultural customer hosts. The statute specifies that each category of eligible customer host shall not receive more than 40% of the annual $10 million cap. Recently, the District became aware the municipal portion of the $10 million cap has been exceeded.

Raising the cap for municipal projects will allow the District to realize the benefits of renewable energy initiatives that have long been in development with the expectation that virtual net metering would be available, as set forth by Conn. Gen. Stat. §16-244(u). The District's Barkhamsted Hydro No. 1 project is just one example of renewable energy projects under development by municipalities, all of which will result in benefits to local communities and their residents and help support the state's renewable energy industry. For the District in particular, given the critical public service role that the District provides and the cost to the towns for the added electrical expenses as noted above, the District should be able to fully capture economic benefits associated with renewable energy facilities.

The District strongly supports the intent of this bill and recommends an increase to the municipal virtual net metering cap to ensure the success of "shovel ready" projects, and in some cases projects that are already in construction. An increase in the cap will also help support Connecticut's renewable energy market and the efforts of countless municipalities and local citizens to create clean energy projects.

However, in its consideration of the bill, we ask that the Committee consider a modification to the requirement that the virtual net metering application be submitted before April 1, 2016. If the cap is increased sufficiently, all municipal projects that meet the requirements of the utilities' virtual net metering application requirements should be eligible for the program, regardless of when their application is submitted. The intent of this bill is to expand access to virtual net metering for municipalities, and to provide assurance that projects that are currently in development will be economically viable. Given the long permitting and development timeline associated with renewable energy projects, the April 1, 2016 deadline seems overly restrictive and contrary to the intent of the Bill.

We would recommend that municipal projects qualify if: A) they have an administratively complete virtual net metering application submitted; B) have entered into a contract with an electric distribution company pursuant to sections 16-244r and 16-244s or section 16-244t; and (C) obtained all required local, state and federal permits and approvals, as applicable. We believe those three qualifications are a proper checklist for a viable virtual net metering project. If, however, a date is required for purposes of the bill, the District respectfully suggests that the date be September 1, 2016 as opposed to April 1, 2016.

Senate Bill No. 394 will result in significant benefits to Connecticut municipalities. Accordingly, the District strongly encourages the Committee to endorse this bill, along with the amendment as suggested herein. Thank you for your attention.