



# STATE OF CONNECTICUT

## PUBLIC UTILITIES REGULATORY AUTHORITY

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Energy and Technology Committee

Testimony submitted by Katie S. Dykes, Chair, Public Utilities Regulatory Authority

#### **Senate Bill No. 9 AAC Connecticut's Energy Future**

Thank you for the opportunity to submit testimony regarding **Senate Bill No. 9 AAC Connecticut's Energy Future**. Connecticut has committed to greenhouse gas reduction goals in Conn. Gen. Stat. § 22a-200a to reduce greenhouse gas emissions 10% below 1990 levels in 2020, and 80% below 2001 levels in 2050. The Governor's Council on Climate Change has recently recommended adoption of a mid-term target of 45% reduction by 2030. Achieving these goals will require significant decarbonization of the electric sector, including continued deployment of zero-carbon renewable resources and energy efficiency.

In [comments on the draft 2017 Comprehensive Energy Strategy](#), PURA noted that Connecticut endures some of the highest electricity rates in the continental U.S. It is imperative that this scale-up of carbon reduction policies be achieved at the least cost to ratepayers. Pioneering programs such as the Conservation & Load Management program, LREC/ZREC, net metering, and the Renewable Portfolio Standard have succeeded in attracting investment in clean energy technologies. Technology costs have fallen significantly, and so should the cost of ratepayer support. It is time now to consider how to build on the state's early success, updating programs to sharpen competition, remove disincentives to new technologies like storage, and strengthen the integrity of ratepayer funding streams. These reforms are essential if the state is to scale up its clean energy investments.

The goals contained in S.B. 9 are well-considered and important steps towards meeting Connecticut's commitment to greenhouse gas reduction. I wish to highlight with these comments the cost-effective features of the proposed bill and to suggest measures to improve the cost-effectiveness.

Sections 1, 2 and 3 of S.B. 9 work in concert to increase the required amount of Class I generation utilized to serve Connecticut retail load from 20% to 40% over the period 2020 to 2030 as part of the Renewable Portfolio Standard (RPS) while reducing the Alternative Compliance Payment (ACP) from 5.5¢/kWh to 4.0¢/kWh, which acts as a cap on the cost of the requirement. The increased RPS requirement is significant and will have direct costs to retail electric customers. However, the adjustment to the ACP works to offset these potentially high costs by lowering the existing price cap, which is appropriate and consistent with lower renewable technology costs over time. Further cost mitigation would result from a focus on utilizing the most cost-effective measures to deploy additional clean energy sources so that the RPS requirement can be met at minimal cost to ratepayers.

Sections 4 and 5 of S.B. 9 set a future end date (2040) for use of net metering as an incentive for certain renewable/low emission resource programs while continuing the procurement of zero/low emission generation projects that serve the distribution system (replaces the expiring LREC/ZREC program). The transition from net metering to a cents-per-kilowatt-hour rate (feed-in tariff, or FIT) established by PURA is a very positive feature. Net metering incentive was useful and necessary to jumpstart investment in behind-the-meter renewable generation, the statutory net metering construct has several limitations.

Many solar facilities reach their peak production a few hours before customer electricity demand peaks on the distribution system. But because net metering credits customers for power flows to the electric grid from onsite generation at the same avoided retail rate on a monthly basis, no matter when the hour when it occurs, the net metering structure disincentivizes solar customers from optimizing their consumption and production with the needs of the grid and other ratepayers, including through investment in storage. A feed-in tariff has the added value of making the incentive level being provided more transparent and flexible, to adapt to market conditions over time.

For Section 6, which requires the reduction of annual energy consumption by 1.6 million MMBtu, PURA suggests adding a cost-effectiveness hurdle so that the requirement does not become one that must be achieved at any price.

We support the goal of Section 7 to safeguard ratepayer investments in conservation and energy efficiency resources from diversion to other, non-energy related uses, including sweeps to the general fund. As a general

matter, PURA supports the use of contracting mechanisms, which are more impervious to diversion. Connecticut has achieved significant savings from utilizing competitive procurements for renewable resources, for example. The key will be to ensure that the features that have made renewable procurements so successful—broad participation from a range of bidders; verifiable resource performance—can be implemented for efficiency as well. PURA would welcome the opportunity to discuss with the Committee opportunities to strengthen PURA’s review standard in Section 8.

This concludes PURA’s comments on S.B. 9. Thank you once again for the opportunity to submit testimony on this proposal. If you should require any additional information, please contact Nick Neeley at 860-827-2625 or [Nicholas.Neeley@ct.gov](mailto:Nicholas.Neeley@ct.gov).