



Connecticut Department of
**ENERGY &
ENVIRONMENTAL
PROTECTION**

**STATE OF CONNECTICUT
DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION**

Public Hearing – March 1, 2018
Energy and Technology Committee

Testimony Submitted and Presented by Commissioner Robert J. Klee

Senate Bill No. 9– AAC CONNECTICUT’S ENERGY FUTURE

Thank you for the opportunity to present testimony regarding **Senate Bill No. 9– AAC CONNECTICUT’S ENERGY FUTURE**.

We enter this legislative session with a common recognition, on the part of Governor Malloy, on the part of this Committee and this General Assembly, on a bipartisan basis, that now is the time to address Connecticut’s energy future.

In Connecticut we understand the connection between energy and climate change. We have learned from our successes in deploying renewables, establishing micro grids, and creating world class efficiency programs and a pioneering Green Bank. We also recognize the virtue of frugality and smart investment, and the perils of electric rates that burden residents and hamper economic growth. We believe Connecticut’s energy future must build on past successes while stewarding ratepayer dollars with care.

We know that Connecticut’s energy future must see significant increases in clean, carbon free energy in order to meet our climate goals.

SB 9 proposes increasing the Renewable Portfolio Standard (RPS) to 40% by 2030 to make Connecticut a national leader in cleaning up the electric grid.

Connecticut’s energy future must be built with sustained, smart investments, with an eye to containing the costs of energy for our residents and businesses, large and small.

SB 9 seeks to create a next generation distributed generation program that ensures continued aggressive deployment of solar and other renewable resources at a savings to ratepayers of over \$1 billion compared with current programs. It builds on the success of the LREC/ZREC program to drive down the cost of renewables while ramping up deployment over time.

Connecticut’s energy future must put energy efficiency first. Our goal must be to cut energy waste across our economy, from low income homes to our largest industries, and all points in between.

SB 9 sets an energy efficiency target in statute, and provides a new procurement process to augment the state's base energy efficiency programs. It restores the state's commitment to energy efficiency following the unfortunate budgetary sweeps.

Connecticut's energy future must leverage innovation and investment from the private sector.

SB 9 places our Connecticut Green Bank, an award-winning catalyst for the clean energy economy that leverages nearly \$10 of private investment for every dollar it spends, on a path to self-sustainability. Our vision is that by 2025, the Green bank can continue its transformative work without a dime of ratepayer funds.

These are big ideas. We must take the time to listen to all stakeholders, from project developers, to residential customers, to the thousands of Connecticut residents employed in the energy efficiency field, and so many others. You will hear later from stakeholders, some of whom support this bill, others who have concerns, and many who like some parts more than others. I can assure you that we are having those conversations, we are listening, and we are learning from what we are hearing.

We look forward to working closely with this committee, which has been so integral to Connecticut's leadership on energy, as the session progresses.

Summary by Section

Section 1: This section increases the Renewable Portfolio Standard (RPS) to 40% by 2030 to help Connecticut meet its GHG reduction requirements. There are no changes anywhere in this language to Class I eligibility. Class II and III would stay at their 2020 levels—four percent each—to 2030.

Sections 2-3: This section reduces the Alternative Compliance Payment (ACP) from electric distribution companies and electric suppliers for failure to meet the Class I renewable energy requirements of the RPS. In order to limit ratepayer risk, this proposal reduces the ACP to 4 cents/kilowatt hour beginning in 2021.

Sections 4-5: These sections provide for a successor program to the existing distributed generation programs that are expiring in the coming years.

This successor program introduces two approaches to compensating distributed generation that utilize best practices from current incentive programs. One is a competitive auction process, modeled after LREC/ZREC but including bids for both energy and RECs, for commercial/industrial, state, municipal, agricultural and shared solar customers. These auctions would result in a 20 year contract for winning bids.

For residential rooftop solar customers not well suited to an auction, this bill calls for PURA to set a reasonable rate that ensures that developers cover their costs and earn a fair rate of return.

Most significantly, this proposal will increase the megawatts deployed of renewable energy (we estimate about 100 MW/year on average to keep pace with current growth) at a savings of over \$1 billion in ratepayer dollars over 20 years compared with the continuation of current programs.¹

A few key facts to note about these approaches:

1. These approaches are sometimes called a feed-in tariff. Rhode Island and Vermont currently use this approach.

¹ The net ratepayer savings would be approximately \$1.34B over twenty years assuming the \$35M annual purchases for twelve years from 2019 through 2030 authorized under S.B. 9 compared to an expansion of existing programs.

2. Implementation may require a generation meter and a consumption meter. All of our LREC/ZREC and SHREC programs today already require two meters. This proposal changes how the utilities account for the generation and consumption on a customer's bill.
3. This proposed structure does not give credit at the full electric retail rate for energy production that is simultaneous with demand. This provides a more transparent and fair accounting for energy consumption and production.
4. This proposal encourages PURA to incentivize energy storage paired with distributed generation, provided the system has distribution system benefits. Storage will be especially valuable to the grid system if it reduces peak demand and enhances reliability. This bill highlights the need for PURA to design rates with these considerations, and provide additional incentives as needed.

Finally, a few key numbers to keep in mind: wholesale energy prices have averaged around 3 cents/kWh. The grid-scale wind and solar projects that DEEP has selected most recently came in around 9-10 cents/kWh. Our shared solar pilot saw prices under 17 cents/kWh. Our residential retail electricity rates—with generation, transmission, distribution, and other components—have most recently been in the 20 cents/kWh range. With net metering, residential solar in Connecticut is paid this retail rate plus the added incentive of the REC, with total compensation near 23 cents. When you examine these numbers, it is not a question of whether distributed generation is *valuable*—it manifestly is, as evidenced by the ambitious climate and renewable energy targets proposed in this bill. It is a question of whether Connecticut ratepayers need to be paying the rates that are dictated by retail electricity prices, rather than a price that more closely reflects the *cost inputs plus a fair rate of return* needed to see widespread deployment.

Most states that implemented net metering in the 1990s have revisited the underlying structure: some successfully, some not. While it is not easy to accomplish the goal of driving significant distributed generation development *and* containing costs, we think this proposal is a critical step in this direction.

Section 6: This section establishes an energy efficiency target through 2025 that keeps Connecticut on track with its recent annual energy efficiency gains. Specifically, the number 1.6 million MMBTU represents the combined average thermal and electric efficiency we will need to achieve in 2020 -2025 to stay on track to meet our Global Warming Solutions Act goals. This goal can serve as a guidepost for continued investment and implementation of Connecticut's diverse portfolio of energy efficiency programs. The legislative diversion of energy efficiency and Regional Greenhouse Gas Initiative (RGGI) revenue, totaling over \$127 million from ratepayer revenue plus RGGI revenue in fiscal years 2018 and 2019 has impeded progress. This section, coupled with later sections of this bill, sets a target to restore that progress.

Sections 7-8: These sections create a sustainable funding mechanism to implement the statewide Conservation and Load Management Plan. This proposal establishes a new procurement mechanism while retaining the current structure of the Conservation and Load Management Plan and the Energy Efficiency Board. This means that the utility companies develop a statewide Conservation and Load Management Plan, with the Energy Efficiency Board assisting in the development and implementation of the Plan, which DEEP reviews and approves, or modifies. What is new is that instead of relying on a mill charge to fund a portion of the Plan, DEEP, in consultation with the PURA procurement manager and the Office of the Consumer Counsel, each of the electric distribution companies, and the Energy Efficiency Board (or "EEB"), would solicit up to 25 MW per year in efficiency projects to supplement the utilities' financing and implementation of the Conservation and Load Management Plan. This approach would ensure that investments are committed for the long term through competitively procured contracts, providing certainty for contractors and customers planning capital investments. The EEB currently advises the utilities on the development and implementation of the Conservation and Load Management Plan and this role would continue, including in advising how to assure the evaluation, measurement, and verification of savings.

Section 9: This section provides an additional mill charge for the Green Bank and establishes a sunset for its ratepayer funding. In an effort to remedy the consequences of the diversions from the CT Green Bank in state fiscal years 2018 and 2019 that threaten jobs and private investment in our state, this proposal provides a temporary mill increase

scheduled to sunset in 2025. This proposal is intended to allow the CT Green Bank to establish a sufficient portfolio to become a self-sustaining enterprise by 2025, eliminating the need for future ratepayer support.

Sections 10-25: These sections provide technical and conforming changes, consistent with Sections 7-8.

In summary, DEEP supports **Senate Bill No. 9 – AAC CONNECTICUT'S ENERGY FUTURE** and looks forward to working with the Committee and stakeholders to clarify and refine any elements to ensure we advance Connecticut's energy future.

Thank you for the opportunity to present testimony on this proposal. If you should require any additional information, please contact Lee Sawyer, DEEP's Legislative Liaison, at 860.424.3332 or Lee.Sawyer@ct.gov .