The Energy and Technology Committee

Public Hearing, March 7, 2013

Office of Consumer Counsel

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Testimony of Elin Swanson Katz

Raised Bill No. 6530,
An Act Concerning Development of Connecticut-Based Renewable Energy Sources

Raised Bill No. 6531,
An Act Preserving and Retaining the Environmental Benefits of In-State Resources Recovery Facilities

Raised Bill No. 6532,
An Act Concerning Certification of Class I and Class II Renewable Energy Sources and Class III Sources, Renewable Energy Credits and Alternative Compliance Payments

Raised Bill No. 6535,
An Act Redefining Class I Renewable Energy Sources

The Office of Consumer Counsel (OCC) has carefully reviewed the above bills and would like to make some comments that apply to all of them collectively, followed by a few specific comments on each. Two of these bills (6531, 6535) would change the class definitions for renewable energy sources, one (6532) would drastically reduce the alternative compliance payments that set the ceiling price for renewable energy credits (RECs), and the fourth (6530) would have the Public Utilities Regulatory Authority (PURA) open a docket to develop Connecticut-based renewable energy sources. OCC notes that the Department of Energy and Environmental Protection (DEEP), as a discrete part of the Comprehensive Energy Strategy process, is already performing a comprehensive analysis of Connecticut's renewable energy situation and the strategic steps that should be taken to meet the renewable portfolio standard (RPS)

requirements, which are quite ambitious by the end of the decade. It is OCC's understanding that DEEP's RPS report is nearing completion. As a general matter, OCC believes it would be best to consider changes to the RPS requirements, the value of RECs, and the further development of in-state renewable energy, only after evaluating that report. Part of the reason that the Legislature established a Department of Energy in DEEP was so that it could develop reports, policies, and strategies on complex subjects such as this one. Moreover, OCC notes that we have integrated resource planning (IRP) processes and comprehensive energy strategy (CES) processes so that DEEP, with stakeholder input, can consider the impacts of energy developments in a holistic way, rather than one-by-one. Changing one item of renewable energy policy, such as a class definition or the alternative compliance payment level, can have a profound impact on other areas of renewable energy policy and development.

As to the specific bills:

H.B. No. 6530 would have PURA initiate a docket to develop Connecticut-based renewable energy sources. Developing Connecticut-based resources to meet RPS can certainly create economic activity and jobs, as well as improve the local environment. On the other hand, sometimes renewable energy projects developed elsewhere can be less expensive. OCC anticipates that the balancing of these interests is already being considered in the DEEP RPS study, and the results of that study should be evaluated before further proceedings are considered.

H.B. No. 6531 would establish a new Class IIA RPS requirement that would apply to certain trash-to-energy facilities. Lines 191-195 of this provision would require that Class IIA RECs would be valued at no less than 4.5 cents per kilowatt-hour, whereas ordinary Class II RECs that these same facilities receive today are valued at significantly lower prices. This proposal, like similar proposals we have seen over the last few legislative sessions, would cause a large and unwarranted subsidy to run from the general class of ratepayers to the trash-to-energy facilities. Any shortfall in the revenue of trash-to-energy facilities should come from the municipalities they serve, not the general class of electric ratepayers. Like other aspects of RPS policy, OCC does

not believe that this change should be made without further study by DEEP, either as part of the pending RPS report or in a subsequent study.

H.B. No. 6532 seeks in Section 1 through 3 thereof to establish a certification program for Class I, Class II, and Class III sources. OCC is not aware that there have been problems in this area that warrant the need for a certification program, but will not comment on that issue pending the receipt of further data. It is possible that the certification program creates excessive or unenforceable requirements for out-of-state sources, but OCC would have to review that issue further as well. Section 4-6, but particularly Section 6, would cause a drastic change to REC markets by reducing the alternative compliance payments (payments made by wholesale suppliers to standard service when they fail to supply enough RECs to meet the RPS) at 3.1 cents per kilowatt-hour, whereas the present alternative compliance payment level is 5.5 cents per kilowatt-hour. OCC's understanding is that the alternative compliance payment level sets a cap on the value of RECs, and that Class I RECs in particular are worth well above 3.1 cents per kilowatt-hour at present. Thus, this proposal would reduce electric bills for ratepayers, which OCC of course generally finds attractive, but on the other hand it would also suddenly change the commercial expectations of many renewable energy sources who are enjoying receiving five cents or more per kWh for RECs. It is possible that some renewable energy sources would either discontinue operations or suspend construction with this reduction to the alternative compliance payment, but OCC does not know that for certain. Another part of HB 6532, Section 10, would reopen Connecticut's RPS to accept RECs from states to our west, including New York, Pennsylvania, New Jersey Maryland and Delaware (the RPS was tightened a few years ago to exclude those states and require that RECs come from sources in, or delivering to, New England). This can make sense from an environmental perspective, given that prevailing winds flow west to east, and again would lower REC values, bringing lower bills but also perhaps disappointing the commercial expectations of renewable energy sources. In any event, reducing of the alternative compliance payment levels or expanding the geographic reach of the RPS requirements are major and multi-faceted issues that should not be done lightly. It is possible that issues like these are already

being considered by DEEP in the RPS study, but even if not, OCC believe these issues warrant additional study prior to adoption.

H.B. 6535 would add “anaerobic digestion of organic waste” to the Class I definition and treat thermal energy arising therefrom, or from various other sources like geothermal or biodiesel, as a Class I product. This proposal is difficult to understand, in that Class I RECs are priced in terms of electric energy, that is, dollars per megawatt-hour, and thermal energy is not electric energy. Moreover, even if that seemingly intractable problem could somehow be solved, OCC is concerned with having electric ratepayers paying a subsidy for production of energy that has no clear connection to electricity. We now have periodic Comprehensive Energy Strategy processes that occur. OCC suggests that promotion of anaerobic digestion or other products to create thermal energy should be considered as part of that process, not by changing RPS, an electricity standard.