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February 7, 2008

CEAB  
c/c Gretchen Deans  
CERC  
805 Brook Street, Bldg 4  
Rocky Hill, Connecticut 06067

**RE: The Procurement Plan for Connecticut submitted to the CEAB by the  
Connecticut Light and Power Company and the United Illuminating Company**

Dear Ms. Deans:

Attached please find the written comments of Noble Environmental Power ("Noble") regarding the above-referenced Procurement Plan. A copy of the comments was submitted to you today, by electronic mail.

Please do not hesitate to contact me if you have any questions regarding this submission.

Sincerely,

A handwritten signature in black ink, appearing to read "Anna Giovinetto".

Anna Giovinetto  
Vice President, Public Affairs  
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giovinettoa@noblepower.com

**Prepared Written Comments  
Filed with the  
Connecticut Energy Advisory Board  
February 7, 2008**

**Statement of Noble Environmental Power  
On The Integrated Resource Plan for Connecticut  
Submitted by Brattle Group, Connecticut Light & Power  
And United Illuminating Company**

Noble Environmental Power (“Noble”) files these written comments with the Connecticut Energy Advisory Board (“CEAB”) in response to the CEAB’s “Request for Written Comment and Notice of Public Hearing on Electric Distribution Companies’ Procurement Plan for Connecticut”. The comments address the Integrated Resource Plan (“the Plan”) for Connecticut prepared by the Brattle Group and submitted by Connecticut Light and Power (“CL&P”) and the United Illuminating Company (“UI”), dated January 1, 2008. The Plan and the CEAB’s review of the Plan are mandated by section 51 of Public Act 07-242 (the “Act”).

Noble appreciates the opportunity afforded by the CEAB for the receipt of written comments. It also thanks the CEAB, in advance, for its diligent effort in conducting the hearing on February 11.

The Plan, following the Act’s purpose, is intended to be a controlling framework for the procurement of power supply by Connecticut’s two major electric distribution companies (“EDCs”) over the next decade. As required by the Act, the CEAB must review and comment on the Plan, followed by review and approval/modification by the Department of Public Utility Control (“DPUC”).

Noble is a leading renewable energy developer headquartered in Essex, Connecticut. Noble has more than 4,000 MW of windparks under development in ten states, including 800-1,000 MW of windparks under development in Vermont, New Hampshire, and Maine. Given the Plan’s very important role in shaping the wholesale power market in Connecticut and potentially in New England,

Noble has a substantial interest in the Plan, its evolution through its regulatory review before the DPUC and CEAB and its implementation, as it may be modified in the final DPUC approval.

The primary focus of Noble's comments is on the discussion of renewable energy resources contained in the Plan and is two-fold. First, Noble has reservations about the dire predictions the Plan makes in terms of the balance between supply and demand of New England's renewable resources and the consequences of Connecticut's presumed limited renewable resource potential. Second, Noble suggests ways of improving policy and market outcomes which are mentioned in the Plan.

Noble's intent is to identify actions which enhance the stability of the state's Renewable Portfolio Standard ("RPS"), and to achieve the RPS procurement targets on a more cost effective basis.

### **Comments Regarding the Plan's Assessment of New England REC Supply and Demand**

Noble submits that the Plan's forecast regarding future renewable energy credit ("REC") supply and demand is overly pessimistic. Readily available market information, as well as other analyses of the New England REC market paint a less constrained picture of future REC availability than the Plan presents. The best indication of future supply is the rate of current development of renewable energy resources in the region, which is steady. Historical projections of the expansion of supply, implicit in the Plan's scenario analysis, are not as useful in this regard.

### **Comments Regarding Connecticut's Resource Potential and REC Prices**

Noble also disagrees with the analysis and policy prescriptions presented in the Plan regarding Connecticut's resource potential and its discussion of high REC prices. The Plan points out that Connecticut has significantly lower Class I renewable resource potential (especially wind) than other states in New England, and as a result, compliance with the RPS depends substantially on RECs from other states in New England and adjacent power areas.

The Plan argues that this has negative consequences for Connecticut's economy, which appears to suggest that the only benefits to Connecticut ratepayers result from projects developed in-state.

Noble wishes to make two points in response:

1. First, renewable energy resources are not unlike other energy resources – sometimes it is necessary to “import” them from other states or other regions. The coal, oil, and natural gas used to produce Connecticut's electricity do not originate in Connecticut, and thus there is nothing unusual about the fact that (for example) the wind energy used to meet Connecticut's renewable energy targets is “imported” from elsewhere in New England or from adjacent power pools.
  
2. Second, although renewable energy generation sources can bring considerable economic development benefits to the areas in which they are located, an additional (and potentially more significant) economic benefit is the addition of stably-priced electricity to the wholesale market.
  - a. For example, Noble commissioned a study by GE Energy of the impact on electricity rates of adding 800 MW of wind energy to New York's grid. The study predicted that the windparks would save New York ratepayers more than \$40 million annually. The study also found that due to the interconnectedness of the New York and New England power markets, these same windparks would save New England ratepayers \$27 million annually, even though the power remained in New York. Thus, the addition of low-cost, stably-priced renewables can have a measurable impact on wholesale electricity prices.

- b. Renewable energy resources like wind are particularly valuable in helping to mitigate the impact of high natural gas prices on wholesale electricity prices in New England, a problem the Plan identifies and recommends be addressed.

### **A Suggested Improvement to Connecticut's RPS: Long-Term REC Contracts**

Developing sufficient renewable energy resources to meet these RPS targets presents a challenge, although not an insurmountable one. Thus while Noble does not completely agree with the Plan's predictions, we do agree that RPS programs in several New England states will cause demand for RECs to continue to grow. While we view this as a good and desired outcome of the RPS, which after all, is designed to stimulate the development of renewable resources, we believe that potential REC shortages are an important issue which warrants attention.

Connecticut's RPS functions well in terms of sending signals to the market that new renewable energy projects should be constructed. What the RPS doesn't do well is address a fundamental obstacle to getting this new supply built -- namely, the need for long-term REC contracts to support financing these projects.

Specifically, the problem is that there is a disconnect between the time horizons of the buyers (competitive suppliers) and the sellers (renewable generators). Under the current terms of standard service ("SS") and supplier of last resort ("SOLR") procurement, competitive suppliers serve load for the EDCs -- and therefore have an obligation to purchase RECs -- for periods lasting one to three years. Conversely, renewable energy developers typically need a minimum of a 10-year contract to secure project financing.

Thus, the buyers aren't buying for periods long enough to help the sellers build the projects that will produce the necessary supply. This makes it harder for developers to finance projects, and the net result is that fewer new renewable generation facilities are constructed than might otherwise be.

The Plan suggests that enabling the EDCs to enter into long-term (e.g. 10 year) REC purchase contracts directly with generators might offer a possible solution to this shortcoming, a position that Noble supports (see our written comments in response to Docket 07-06-61, DPUC Examination of Electric Distribution Company Contracts for Renewable Energy Certificates).

However, the plan also states that this creates the potential risk of “stranded costs” resulting from the long-term procurement of RECs – the argument being that if the EDCs enter into long-term REC contracts at a certain price today, and the price of RECs falls considerably in the future, then the EDCs will have stranded costs resulting from the “overpriced” REC contracts.

This appears to contradict the arguments put forth in the rest of the Plan, which are that future demand for RECs will far outstrip supply, causing spot market REC prices to remain high.

Clearly, both scenarios cannot occur at the same time. More importantly, the “stranded cost” argument overlooks one of the central arguments for long-term procurement – namely, that REC prices under long-term contracts will generally be lower than spot market prices. This means that even if REC prices in the spot market fall, it is quite conceivable that the REC prices under the long-term contract could still be a better deal.

More renewable power will almost certainly be required to meet the REC deficit predicted by the Plan. A proportionate and targeted acquisition of REC supply through long-term procurements by the utilities can help meet the RPS targets in a cost-effective manner.

Long-term procurement of RECs will address the projected REC shortage by creating an incentive for the required investments to increase supply, and will bring about benefits to ratepayers by lowering the costs of meeting the RPS targets.

In other recent dockets, the Department has recognized that the lack of long-term off-take contracts is a critical impediment to realizing the large fixed-cost investments necessary to grow our

electric supply.<sup>1</sup> Long-term contracting in these other contexts has been recognized as a means of stimulating the investment necessary to get new generation built, and to thereby help stabilize electricity costs for consumers. Similar considerations apply to renewable energy sources. Long-term procurement of RECs will address the projected REC shortage by creating an incentive for the required investments to increase supply, and will bring about benefits to ratepayers by lowering the costs of meeting the RPS targets.

To summarize, Noble believe that the benefits from enabling the EDCs to procure RECs on a long-term basis are the following:

- Increased development of renewable energy sources.
- Increased availability of stably-priced electricity.
- Lower prices for both electricity and RECs.
- A win-win for ratepayers and renewable suppliers alike.

## **Conclusion**

The Plan's closing recommendations suggest that the structure and costs of Connecticut's RPS should be re-evaluated in the context of a regional re-examination of the goals and costs of similar policies in New England.

Noble strongly disagrees with this recommendation. Connecticut's RPS critical to providing a threshold level of confidence to the investment community and is already resulting in the development of new, clean, renewable generation sources in New England – Noble is living proof of this. Calling the purpose and goals of the RPS into question at this relatively early stage in the RPS program will undermine the confidence of investors and jeopardize the development of hundreds of megawatts of renewable energy projects.

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<sup>1</sup> *E.g.*, Decision, dated Dec. 14, 2007, DPUC Investigation of the Process and Criteria for Use in Implementing Section 50 of Public Act 07-242 – Peaking Generation, Docket No. 07-08-24.; Decision, dated Aug. 22, 2007, DPUC Review of Energy Independence Act Capacity Contracts, Docket No. 07-04-24.

The three main problems facing the New England energy market--high prices, volatile prices, and the need for new generation sources--can be addressed through increased usage of renewable energy sources, particularly wind energy. Energy from renewable sources like wind is cost-competitive with energy from fossil fuel sources, and in the long run, it will be less expensive than such fossil fuel sources. Connecticut's RPS program creates a strong incentive to develop the region's renewable energy resources, and enabling the utilities to procure RECs under long-term contracts will both facilitate project development and also minimize costs to ratepayers.