



House of Representatives

General Assembly

File No. 398

January Session, 2001

Substitute House Bill No. 6365

House of Representatives, April 23, 2001

The Committee on Environment reported through REP. STRATTON of the 17th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING CLEAN AIR STANDARDS FOR CERTAIN POWER PLANTS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) As used in sections 1 to 4, inclusive, of this act,
2 subsection (b) of section 12-587 of the general statutes, as amended by
3 this act, subsection (d) of section 16-50k of the general statutes, as
4 amended by this act, section 12-81 of the general statutes, as amended
5 by this act, section 16-244c of the general statutes, as amended by this
6 act, section 9 of this act and subsection (c) of section 16-245n of the
7 general statutes, as amended by this act:

8 (1) "Affected unit" means any emissions unit subject to the
9 provisions of section 22a-174-22b of the Regulations of Connecticut
10 State Agencies, the Post-2002 Nitrogen Oxides Budget Program;

11 (2) "Title IV source" means an affected unit that is also subject to
12 Phase II of the acid rain control requirements set forth in Title IV of the

13 federal Clean Air Act (42 USC 7651d, et seq.);

14 (3) "Average emissions rate" means a determination of the rate of
15 SO₂ emissions, measured in pounds of SO₂ per MMBtu, in any
16 calendar quarter from a single Title IV source that was constructed
17 prior to the effective date of this act. Average emissions rate for such a
18 source is calculated by dividing the total quarterly SO₂ emissions, in
19 pounds, from such source by the total quarterly heat input, in MMBtu,
20 for such source;

21 (4) "Sulfur dioxide" or "SO₂" means a gas that at standard conditions
22 has the molecular form SO₂;

23 (5) "MMBtu" means million BTU of heat input;

24 (6) "Calendar quarter" means the quarter years ending on the last
25 day of March, June, September and December;

26 (7) "Emission reduction measures" means the installation of
27 pollution control equipment, fuel or operational changes designed to
28 lower sulfur dioxide emissions at a facility;

29 (8) "Tonnage cap" means the maximum number of tons of sulfur
30 dioxide that a Title IV source may emit during a calendar quarter;

31 (9) "Representative quarterly heat input" means the actual heat
32 input at a Title IV source during a given control period, averaged on a
33 quarterly basis, except that if the heat input of the preceding or
34 subsequent quarters deviates by more than fifteen per cent, that month
35 shall not be included when calculating the representative quarterly
36 heat input for that Title IV source;

37 (10) "Given control period" means January 1, 1998, to December 31,
38 2000, inclusive, or the three years for which the most recent data is
39 available when the tonnage cap is established by the Department of
40 Environmental Protection, whichever is less;

41 (11) "Facility" means one or more units located at the same premises,
42 owned by the same entity.

43 Sec. 2. (NEW) (a) On and after December 31, 2004, the owner or
44 operator of a Title IV source shall, at each facility, through the use of
45 emission reduction measures or a tonnage cap:

46 (1) Combust liquid fuel, gaseous fuel or a combination of each
47 provided each fuel possesses a fuel sulfur limit of equal to or less than
48 0.3 per cent sulfur, by weight (dry basis); or

49 (2) Meet an average emission rate of equal to or less than 0.33
50 pounds sulfur dioxide per MMBtu for each calendar quarter for an
51 affected unit at a premises; or

52 (3) Meet an average emission rate of equal to or less than 0.3 pounds
53 sulfur dioxide per MMBtu calculated for each calendar quarter, if such
54 owner or operator averages the emissions from two or more affected
55 units at a premises; or

56 (4) Not exceed the quarterly sulfur dioxide emissions tonnage cap
57 established under section 3 of this act.

58 Sec. 3. (NEW) (a) On or before July 1, 2002, the owner or operator of
59 a Title IV source shall submit to the Department of Environmental
60 Protection a compliance plan to implement emission reduction
61 measures to comply with section 2 of this act. Such plan shall include a
62 description of the measures to be implemented at each facility; a
63 proposed schedule for implementation and specific notification as to
64 whether such compliance plan includes utilization of the tonnage cap
65 provision in subdivision (4) of section 2 of this act.

66 (b) The Department of Environmental Protection, upon notice by a
67 Title IV source that the use of a tonnage cap is part of said source's
68 plan to comply with section 2 of this act, shall establish a quarterly
69 sulfur dioxide emissions tonnage cap for said Title IV source. Such

70 tonnage cap shall be determined by multiplying the Title IV source's
71 representative quarterly heat input by a 0.3 pounds/MMBtu sulfur
72 dioxide emissions rate. The Department of Environmental Protection
73 shall recalculate the tonnage cap annually and advise the owner or
74 operator of such Title IV source of any new tonnage cap requirement
75 sixty days prior to the effective date of the new tonnage cap
76 requirement. Any Title IV source utilizing a tonnage cap requirement
77 to comply with section 2 of this act shall, at all times, comply with the
78 sulfur dioxide emission standards and fuel sulfur limits effective on
79 and after January 1, 2002, as established in subsection (c) of section
80 22a-174-19a of the Regulations of Connecticut State Agencies.

81 (c) The Department of Environmental Protection shall develop and
82 approve a timeline for the expediting of those permits required for the
83 installation of pollution control equipment or repowering when a Title
84 IV source submits a plan, pursuant to subsection (a) of this section,
85 indicating that the use of pollution control equipment or repowering is
86 to be utilized by such source to comply with section 2 of this act. Such
87 expedited permit procedures shall not override the provisions in
88 chapter 446c of the general statutes for public participation.

89 (d) If the Department of Public Utilities Control determines that the
90 supply of electric power available to the state is insufficient to meet
91 demand, the Commissioner of Public Utilities Control shall so advise
92 the Governor. The Governor may direct the Commissioner of
93 Environmental Protection to suspend the emission limitation
94 requirements in subsection (a) of section 2 of this act for an emergency
95 period of not more than seven days. Thereafter, the Commissioner of
96 Environmental Protection may suspend the emission limitation
97 requirements in subsection (a) of section 2 of this act for consecutive
98 periods as advised by the Commissioner of Public Utilities Control.
99 The Commissioner of Public Utilities Control and the Commissioner of
100 Environmental Protection shall submit a report to the joint standing
101 committees of the General Assembly having cognizance of matters

102 relating to the environment and energy and technology detailing the
103 circumstances and duration of any suspension of the emission
104 limitation requirements in subsection (a) of section 2 of this act.

105 Sec. 4. (NEW) The Department of Economic and Community
106 Development and the Connecticut Development Authority may
107 provide loans pursuant to sections 32-220 to 32-235, inclusive, of the
108 general statutes to a Title IV source for the installation of equipment
109 for pollution control or repowering.

110 Sec. 5. Subsection (b) of section 12-587 of the general statutes is
111 repealed and the following is substituted in lieu thereof:

112 (b) (1) Except as otherwise provided in subdivision (2) of this
113 subsection, any company which is engaged in the refining or
114 distribution, or both, of petroleum products and which distributes
115 such products in this state shall pay a quarterly tax on its gross
116 earnings derived from the first sale of petroleum products within this
117 state. Each company shall on or before the last day of the month next
118 succeeding each quarterly period render to the commissioner a return
119 on forms prescribed or furnished by the commissioner and signed by
120 the person performing the duties of treasurer or an authorized agent or
121 officer, including the amount of gross earnings derived from the first
122 sale of petroleum products within this state for the quarterly period
123 and such other facts as the commissioner may require for the purpose
124 of making any computation required by this chapter. Except as
125 otherwise provided in subdivision (3) of this subsection, the rate of tax
126 shall be five per cent.

127 (2) Gross earnings derived from the first sale of the following
128 petroleum products within this state shall be exempt from tax: (A) Any
129 petroleum products sold for exportation from this state for sale or use
130 outside this state; (B) the product designated by the American Society
131 for Testing and Materials as "Specification for Heating Oil D396-69",
132 commonly known as number 2 heating oil, to be used exclusively for

133 heating purposes or to be used in a commercial fishing vessel, which
134 vessel qualifies for an exemption pursuant to section 12-412; (C)
135 kerosene, commonly known as number 1 oil, to be used exclusively for
136 heating purposes, provided delivery is of both number 1 and number 2
137 oil, and via a truck with a metered delivery ticket to a residential
138 dwelling or to a centrally metered system serving a group of
139 residential dwellings; (D) the product identified as propane gas, to be
140 used exclusively for heating purposes; (E) bunker fuel oil, intermediate
141 fuel, marine diesel oil and marine gas oil to be used in any vessel
142 having a displacement exceeding four thousand dead weight tons; (F)
143 for any first sale occurring prior to January 1, 2000, propane gas to be
144 used as a fuel for a motor vehicle; (G) for any first sale occurring on or
145 after July 1, 2002, grade number 6 fuel oil, as defined in regulations
146 adopted pursuant to section 16a-22c, to be used exclusively by a
147 company which, in accordance with census data contained in the
148 Standard Industrial Classification Manual, United States Office of
149 Management and Budget, 1987 edition, is included in code
150 classifications 2000 to 3999, inclusive, or in Sector 31, 32 or 33 in the
151 North American Industrial Classification System United States
152 Manual, United States Office of Management and Budget, 1997 edition;
153 [or] (H) for any first sale occurring on or after July 1, 2002, number 2
154 heating oil to be used exclusively in a vessel primarily engaged in
155 interstate commerce, which vessel qualifies for an exemption under
156 section 12-412; or (I) for any first sale occurring on or after October 1,
157 2001, liquid fuel that possesses a fuel sulfur limit equal to or less than
158 0.3 per cent sulfur by weight (dry basis).

159 (3) The rate of tax on gross earnings derived from the first sale of
160 grade number 6 fuel oil, as defined in regulations adopted pursuant to
161 section 16a-22c, to be used exclusively by a company which, in
162 accordance with census data contained in the Standard Industrial
163 Classification Manual, United States Office of Management and
164 Budget, 1987 edition, is included in code classifications 2000 to 3999,
165 inclusive, or in Sector 31, 32 or 33 in the North American Industrial

166 Classification System United States Manual, United States Office of
167 Management and Budget, 1997 edition, or number 2 heating oil used
168 exclusively in a vessel primarily engaged in interstate commerce,
169 which vessel qualifies for an exemption under section 12-412 shall be:
170 (A) Four per cent with respect to calendar quarters commencing on or
171 after July 1, 1998, and prior to July 1, 1999; (B) three per cent with
172 respect to calendar quarters commencing on or after July 1, 1999, and
173 prior to July 1, 2000; (C) two per cent with respect to calendar quarters
174 commencing on or after July 1, 2000, and prior to July 1, 2001; and (D)
175 one per cent with respect to calendar quarters commencing on or after
176 July 1, 2001, and prior to July 1, 2002.

177 Sec. 6. Subsection (d) of section 16-50k of the general statutes is
178 repealed and the following is substituted in lieu thereof:

179 (d) This chapter shall apply to any facility described in subdivisions
180 (1) to (3), inclusive, of subsection (a) of section 16-50i, the construction
181 of which is commenced on or after April 1, 1972, and to any such
182 facility the construction of which is approved by a municipality that
183 has commenced the sale of bonds or bond anticipation notes on or
184 after April 1, 1972, the proceeds or part of the proceeds of which are to
185 finance such construction. This chapter shall apply to any facility
186 described in subdivision (4) of said subsection (a) of section 16-50i, the
187 construction of which is commenced on or after July 1, 1983, and to
188 any such facility the construction of which is approved by a
189 municipality that has commenced the sale of bonds or bond
190 anticipation notes on or after July 1, 1983, the proceeds or part of the
191 proceeds of which are to finance such construction. This chapter shall
192 apply to any facility described in subdivisions (5) and (6) of said
193 subsection, the construction of which is commenced on or after
194 October 1, 1977, and to any such facility the construction of which is
195 approved by a municipality that has commenced the sale of bonds or
196 bond anticipation notes on or after October 1, 1977, the proceeds or
197 part of the proceeds of which are to finance such construction. This

198 chapter shall apply to the modification of a facility described in
199 subdivisions (1) to (3), inclusive, of said subsection (a) for which
200 construction is commenced on or after April 1, 1972, modifications of a
201 facility described in subdivision (4) of said subsection (a) for which
202 construction is commenced on or after July 1, 1983, and modifications
203 of a facility described in subdivisions (5) and (6) of said subsection (a)
204 of section 16-50i, for which construction is commenced on or after
205 October 1, 1977, whenever such modification either alone or in
206 combination with existing or other proposed facility modifications
207 may, as determined by the council, have a substantial adverse
208 environmental effect. This chapter shall not apply to any matter over
209 which any agency, department or instrumentality of the federal
210 government has exclusive jurisdiction, or has jurisdiction concurrent
211 with that of the state and has exercised such jurisdiction, to the
212 exclusion of regulation of such matter by the state. Notwithstanding
213 the provisions of this chapter, this chapter does not apply to the
214 installation of pollution control equipment or repowering of any Title
215 IV source, as defined in section 1 of this act.

216 Sec. 7. Section 12-81 of the general statutes is amended by adding
217 subdivisions (76) and (77) as follows:

218 (NEW) (76) New machinery and equipment used directly in the
219 elimination or control of emissions by a Title IV source that is an
220 affected unit, as defined in section 1 of this act.

221 (NEW) (77) Machinery and equipment utilized in the research,
222 development, deployment and installation of Class I renewable energy
223 sources, including, but not limited to, fuel cells.

224 Sec. 8. Section 16-244c of the general statutes is amended by adding
225 subsection (g) as follows:

226 (NEW) (g) Notwithstanding any provision of the general statutes,
227 no owner or operator of an affected unit, as defined in section 1 of this

228 act, may bid on default electric service when such owner or operator is
229 found to have violated on more than one occasion the sulfur dioxide
230 emissions standards, as established in regulations adopted under
231 section 22a-174 of the general statutes, or the nitrogen oxides emissions
232 standards as established in regulations adopted under section 22a-174
233 of the general statutes.

234 Sec. 9. (NEW) On January 1, 2002, and January first of each year
235 thereafter, the Department of Public Utility Control shall, in
236 accordance with section 11-4a of the general statutes, provide the
237 General Assembly with a report on the status of demand, supply and
238 reserves of electric power available to the state, including a projection
239 of future demands, supply and reserves for each of the next five years,
240 as measured from the date of the report.

241 Sec. 10. Subsection (c) of section 16-245n of the general statutes is
242 repealed and the following is substituted in lieu thereof:

243 (c) There is hereby created a Renewable Energy Investment Fund
244 which shall be administered by Connecticut Innovations, Incorporated.
245 The fund may receive any amount required by law to be deposited
246 into the fund and may receive any federal funds as may become
247 available to the state for renewable energy investments. Connecticut
248 Innovations, Incorporated, shall use said funds for the development,
249 deployment and installation of Class I renewable energy source
250 projects, including, but not limited to, a minimum of three fuel cell
251 projects and may use any amount in said fund for expenditures which
252 promote investment in renewable energy sources in accordance with a
253 comprehensive plan developed by it to foster the growth, development
254 and commercialization of renewable energy sources, related
255 enterprises and stimulate demand for renewable energy and
256 deployment of renewable energy sources which serve end use
257 customers in this state. Such expenditures may include, but not be
258 limited to, grants, direct or equity investments, contracts or other

259 actions which support research, development, manufacture,
260 commercialization, deployment and installation of renewable energy
261 technologies, and actions which expand the expertise of individuals,
262 businesses and lending institutions with regard to renewable energy
263 technologies.

264 Sec. 11. This act shall take effect from its passage.

ENV *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: Various

Affected Agencies: Department of Environmental Protection, Department of Public Utilities Control, Department of Economic and Community Development, Department of Revenue Services, Connecticut Siting Council, Connecticut Development Authority (quasi-public) and Connecticut Innovations, Inc. (quasi-public)

Municipal Impact: Future Grand List Reduction

Explanation

State and Municipal Impact:

It is anticipated that based on the specifications in the bill, 12 boilers at 6 facilities would need to limit emissions either by reducing actual emissions or through a tonnage cap on or after December 31, 2004. Eliminating the ability to use credit trading, limits the flexibility of the sources and is estimated to increase compliance costs. Due to the elimination of the emissions trading provisions, and depending upon the compliance methodology adopted by the source, it could increase costs for power in the millions of dollars above the costs associated with the regulations. Such costs could be passed on to the users including the state and municipalities. The exact impact is

indeterminate at this time.

The submittal of compliance plans to the Department of Environmental Protection (DEP) will increase costs to the department in FY 03. However, since it is not known at this time how complicated, or not these plans will be, the exact impact is indeterminate. The recalculation of the tonnage cap would increase the future workload of, and potential costs to DEP. If annual recalculations are needed for emissions of all 12 boilers, DEP would require one-half of a full-time employee at a cost of approximately \$25,000.

Any increase in the administrative workload of DEP due to development and approval of a timeline as well as enforcement and monitoring is anticipated to be handled within agency resources and the normal activities of the agency staff.

The bill requires the Department of Public Utility Control (DPUC) to annually report to the General Assembly on the status of electric supply, demand and reserves. Additionally, the bill requires the DPUC to notify the Governor if it determines there is a shortfall in the supply of electric power to meet the state's anticipated demand. It is anticipated the DPUC will require an additional staff person with salary and associated other expenses of \$75,000 annually.

The bill exempts certain facilities from obtaining a certificate from the Connecticut Siting Council to install pollution control equipment or rebuild a plant. There is no fiscal impact to the Connecticut Siting Council resulting from this change.

The state revenue loss due to the provisions of section 5 of the bill, will be dependent on the degree to which generators of power purchase liquid fuel that possesses a fuel sulfur limit equal to or less than 0.3 per cent sulfur by weight (dry basis) in lieu of higher sulfur fuel, which is currently subject to the Petroleum Products Gross Earnings Tax. The magnitude of any revenue loss cannot be quantified

because: (1) liquid fuel with 0.3 per cent or less sulfur content is not currently available and (2) how much will be used when it becomes available. Since this fuel is not expected to be available in Connecticut for at least two years, no revenue loss is anticipated in FY 02 or FY 03.

It appears that the property tax exemption requiring municipalities to exempt machinery and equipment utilized in research, development, deployment, and installation of Class 1 renewable energy applies to manufactures of these energy sources. Therefore, it is assumed that machinery and equipment related to Class 1 renewable energy sources qualifies under Section 12-81(72) (property tax exemption for machinery and equipment in manufacturing facilities). Pursuant to Section 12-81(72), the state reimburses municipalities for five years for 100% of the revenue loss they sustain due to property tax exemptions granted for eligible equipment. Therefore, the property tax exemption established in the bill will not result in any fiscal impact to municipalities for five years for the machinery and equipment used in the manufacturing of energy sources. However, for the machinery and equipment used only in research, or deployment or installation of these energy sources, the current (Sec. 12-81 (72)) exemption would not apply. Therefore the exemption in these cases would result in a grand list reduction to the municipality. There would be some additional administrative costs to assessors in various municipalities in determining when the machinery and equipment qualifies for the manufacturing (state reimbursed) exemption and when it doesn't. Also it would add to the workload of the intergovernmental division in auditing and verifying the state-reimbursed exemption.

The bill does not specify to what grand list the exemption is first applicable. Assuming that it would be applicable beginning with the October 1, 2001 grand list, the impact of the property tax exemption would be applicable to FY 03.

Section 12-81(52) of the General Statutes currently exempts

structures and equipment for air pollution control. Therefore, there is no fiscal impact of exempting new pollution control equipment installed pursuant to the provision in Sec. 7 of the bill creating a new exemption (76) in Sec. 12-81.

Allowing the Department of Economic and Community Development (DECD) and Connecticut Development Authority (CDA) to provide loans from the Manufacturing Assistance Act to a source for the installation of equipment for pollution control or repowering will expand the current use of the program. This could increase the need for future GO bond authorizations and increase future costs for debt service. The unallocated balance as of March 30, 2001 is approximately \$89.9 million. Additional funds in the amount of \$30 million in both FY 02 and FY 03 are authorized in sSB 1152.

Requiring Connecticut Innovations, Inc. (CII) to develop, deploy and install at least 3 fuel cell projects using the Renewable Energy Investment Fund will increase costs to the fund. It is estimated that it will cost approximately \$1.2 million (based on information available from investment managers at CII) for costs associated for 1 fuel cell. It is indeterminate at this time what each project will consist of, making the total cost indeterminate. The Renewable Energy Investment Fund is capitalized through a charge on electric bills and has a balance of \$12.4 million as of March 31, 2001.

OLR Bill Analysis

sHB 6365

AN ACT CONCERNING CLEAN AIR STANDARDS FOR CERTAIN POWER PLANTS.

SUMMARY:

Recently adopted Department of Environmental Protection (DEP) regulations impose tighter air emission standards on the state's older fossil fuel power plants. This bill eliminates emissions credit trading as a compliance option for these plants meeting the regulation's stage two sulfur dioxide (SO₂) standards as of December 31, 2004, approximately two years after the standard goes into effect under the regulations. But the bill adds another compliance option (a tonnage cap) as of this date. It requires plant owners to submit a compliance plan to DEP by July 1, 2002.

The bill allows the governor to waive the stage two standards if there is a shortfall in the state's electricity supply. The bill appears to supersede a provision in the regulations that allows the DEP commissioner to waive the standards for a plant that normally meets them by burning low sulfur fuel if he finds that there is an emergency shortage in the supply of such fuel.

The bill includes several provisions, including a tax exemption on low sulfur oil, to reduce the costs of complying with its requirements. On the other hand, it bars owners of units that have violated the SO₂ and nitrogen oxide standards in the regulations more than once from bidding for default electric service. By law, the electric utilities must bid out the supply of electricity for this service, which provides power, after January 1, 2004, to people who do not choose a competitive supplier. The bill also includes several measures to promote renewable energy resources.

The bill requires the Department of Public Utility Control (DPUC) to report to the legislature by January 1 annually on the status of electric power supply, demand, and reserves. The report must include

projections of these variables for the next five years.

EFFECTIVE DATE: Upon passage

DEP REGULATIONS

The regulations limit SO₂ and nitrogen oxide emissions from affected units. Under the regulations, an affected unit is a major stationary source of air pollution built before 1977. The SO₂ standards apply only to power plants, most of which consist of several units.

Starting January 1, 2002, the regulations' stage one standards require unit owners to (1) burn fuel with an average sulfur content of no more than 0.5%, (2) meet an emissions rate of not more than 0.55 pounds of sulfur per million British Thermal Units (BTUs) of fuel burned at the plant, or (3) meet an emissions rate of not more than 0.5 pounds of sulfur per million BTUs for all units on the premises. The owner must meet the standard using on-site measures. These are the installation of pollution control equipment or fuel or operational changes that lower emissions at the facility. The bill does not affect these provisions.

COMPLIANCE OPTIONS

The bill codifies the regulation's stage two standards starting December 31, 2004. (Under the regulations, the stage two standards go into effect on January 1, 2003.) Under the regulations and the bill, plant owners must (1) burn fuel with a an average sulfur content of no more than 0.3%, (2) meet an emissions level of not more than 0.33 pounds per million BTUs of fuel burned at the plant, or (3) meet an emissions level of not more than 0.3 pounds per million BTU for all of the units on the premises. Under the bill, but not the regulations, the plant also can meet the tonnage cap described below.

Under the regulations, the owner can use the on-site measures described above or emissions credit trading to reduce emissions from the stage one standard to the stage two standard. (It must continue to meet the stage one standard by on-site measures.)

The bill eliminates credit trading as a compliance option as of

December 31, 2004. (It implicitly allows trading as a compliance option from January 1, 2003 until this date.)

COIMPLIANCE PLAN

The plant owner must submit a compliance plan to DEP by July 1, 2002. The plan must describe the measures the owner will take to comply with the stage two standards, must include an implementation schedule and a notice as to whether the owner will use the tonnage cap option.

Upon receiving this notice, DEP must calculate a quarterly tonnage cap for the plant. The tonnage cap equals the plant's representative heat rate multiplied by 0.3 pounds per million BTUs of fuel burned. The representative heat rate is a measure of the unit's efficiency during the "given control period." This period is January 1, 1998 to December 31, 2000, or the three years for which the most recent data is available when DEP calculates the cap. If the heat rate for a given month during this period differs by more than 15% from the preceding or subsequent quarter, that month must be dropped from the calculation. The cap is calculated in tons of emissions per calendar quarter. DEP must recalculate the cap annually, notifying the owner at least 60 days before it goes into effect. Any owner that uses this option must continue to meet the stage one SO₂ standards contained in the regulations.

WAIVER

Under the bill, the DPUC must notify the governor if it determines that there is a shortfall in the supply of electric power to meet the state's demand. The governor can direct the DEP commissioner to suspend the stage two standard for up to seven days. Thereafter, the commissioner can suspend the standard for consecutive periods as advised by the DPUC chairperson. The commissioner and chairperson must report to the Energy and Technology and Environment committees on the circumstances and duration of such suspensions.

The bill appears to supersede provisions in the regulations that allow the DEP commissioner to suspend the stage two standards for any unit that normally meets the standards by burning low sulfur fuel if he

finds that (1) the supply of such fuel is inadequate to meet the needs of the state's consumers, and (2) this shortage constitutes an emergency. Under the regulations, the owner of the affected units must report the emissions attributable to the suspension. If the excess emissions exceed 50 tons, the commissioner can require the owner to offset them through credit trading.

INCENTIVES

The bill provides several mechanisms to reduce the plant owner's cost of complying with its requirements. It exempts, starting October 1, 2001, oil with sulfur content at or below 0.3% from the petroleum products gross receipts tax. It specifically exempts new pollution control equipment installed pursuant to the bill from the property tax (such equipment is already exempt by law).

The bill allows the Department of Economic and Community Development and the Connecticut Development Authority to provide loans under the Manufacturing Assistance Act for the installation of pollution control equipment or rebuilding plants.

DEP must approve a timeline for expediting permits needed for pollution control equipment or rebuilding a plant when an owner indicates that it will pursue these options to meet the stage two limits. The timeline cannot override current requirements for public participation in the permitting process.

By law, a Connecticut Siting Council certificate is needed to build or modify various facilities, including power plants. The bill exempts from this requirement the installation of pollution control equipment or rebuilding of a plant under the bill.

RENEWABLE ENERGY

The bill provides a property tax exemption for machinery and equipment used in the research, development, deployment, and installation of certain renewable energy sources, including fuel cells. By law, the renewable technologies themselves, when used in residences, are subject to a local option tax exemption.

The bill specifically requires Connecticut Innovations Inc. (CII) to develop, deploy, and install at least three fuel cell projects using the Renewable Energy Investment Fund. The fund receives its money from a charge of 0.05 cents per kilowatt-hour of power sold in the state. Under current law CII administers the fund to promote renewable energy.

COMMITTEE ACTION

Environment Committee

Joint Favorable Substitute

Yea 27 Nay 1