



General Assembly

February Session, 2006

***Raised Bill No. 5521***

LCO No. 2013

\*02013\_\_\_\_\_ET\_\*

Referred to Committee on Energy and Technology

Introduced by:  
(ET)

***AN ACT CONCERNING JUST AND REASONABLE ELECTRIC RATES.***

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

1 Section 1. Section 1-120 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2006*):

3 As used in sections 1-120 to 1-123, inclusive:

4 (1) "Quasi-public agency" means the Connecticut Development  
5 Authority, Connecticut Innovations, Incorporated, Connecticut Health  
6 and Educational Facilities Authority, Connecticut Higher Education  
7 Supplemental Loan Authority, Connecticut Housing Finance  
8 Authority, Connecticut Housing Authority, Connecticut Resources  
9 Recovery Authority, Connecticut Hazardous Waste Management  
10 Service, Capital City Economic Development Authority, the  
11 Connecticut Power Authority and Connecticut Lottery Corporation.

12 (2) "Procedure" means each statement, by a quasi-public agency, of  
13 general applicability, without regard to its designation, that  
14 implements, interprets or prescribes law or policy, or describes the  
15 organization or procedure of any such agency. The term includes the

16 amendment or repeal of a prior regulation, but does not include,  
17 unless otherwise provided by any provision of the general statutes, (A)  
18 statements concerning only the internal management of any agency  
19 and not affecting procedures available to the public and (B) intra-  
20 agency memoranda.

21 (3) "Proposed procedure" means a proposal by a quasi-public  
22 agency under the provisions of section 1-121 for a new procedure or  
23 for a change in, addition to or repeal of an existing procedure.

24 Sec. 2. Section 1-124 of the general statutes is repealed and the  
25 following is substituted in lieu thereof (*Effective October 1, 2006*):

26 (a) The Connecticut Development Authority, the Connecticut  
27 Health and Educational Facilities Authority, the Connecticut Higher  
28 Education Supplemental Loan Authority, the Connecticut Housing  
29 Finance Authority, the Connecticut Housing Authority, the  
30 Connecticut Resources Recovery Authority, the Connecticut Power  
31 Authority and the Capital City Economic Development Authority shall  
32 not borrow any money or issue any bonds or notes which are  
33 guaranteed by the state of Connecticut or for which there is a capital  
34 reserve fund of any kind which is in any way contributed to or  
35 guaranteed by the state of Connecticut until and unless such  
36 borrowing or issuance is approved by the State Treasurer or the  
37 Deputy State Treasurer appointed pursuant to section 3-12. The  
38 approval of the State Treasurer or said deputy shall be based on  
39 documentation provided by the authority that it has sufficient  
40 revenues to (1) pay the principal of and interest on the bonds and notes  
41 issued, (2) establish, increase and maintain any reserves deemed by the  
42 authority to be advisable to secure the payment of the principal of and  
43 interest on such bonds and notes, (3) pay the cost of maintaining,  
44 servicing and properly insuring the purpose for which the proceeds of  
45 the bonds and notes have been issued, if applicable, and (4) pay such  
46 other costs as may be required.

47 (b) To the extent the Connecticut Development Authority,

48 Connecticut Innovations, Incorporated, Connecticut Higher Education  
49 Supplemental Loan Authority, Connecticut Housing Finance  
50 Authority, Connecticut Housing Authority, Connecticut Resources  
51 Recovery Authority, Connecticut Health and Educational Facilities  
52 Authority, the Connecticut Power Authority, or the Capital City  
53 Economic Development Authority is permitted by statute and  
54 determines to exercise any power to moderate interest rate fluctuations  
55 or enter into any investment or program of investment or contract  
56 respecting interest rates, currency, cash flow or other similar  
57 agreement, including, but not limited to, interest rate or currency swap  
58 agreements, the effect of which is to subject a capital reserve fund  
59 which is in any way contributed to or guaranteed by the state of  
60 Connecticut, to potential liability, such determination shall not be  
61 effective until and unless the State Treasurer or his or her deputy  
62 appointed pursuant to section 3-12 has approved such agreement or  
63 agreements. The approval of the State Treasurer or his or her deputy  
64 shall be based on documentation provided by the authority that it has  
65 sufficient revenues to meet the financial obligations associated with the  
66 agreement or agreements.

67 Sec. 3. Section 1-125 of the general statutes is repealed and the  
68 following is substituted in lieu thereof (*Effective October 1, 2006*):

69 The directors, officers and employees of the Connecticut  
70 Development Authority, Connecticut Innovations, Incorporated,  
71 Connecticut Higher Education Supplemental Loan Authority,  
72 Connecticut Housing Finance Authority, Connecticut Housing  
73 Authority, Connecticut Resources Recovery Authority, including ad  
74 hoc members of the Connecticut Resources Recovery Authority,  
75 Connecticut Health and Educational Facilities Authority, Capital City  
76 Economic Development Authority, the Connecticut Power Authority  
77 and Connecticut Lottery Corporation and any person executing the  
78 bonds or notes of the agency shall not be liable personally on such  
79 bonds or notes or be subject to any personal liability or accountability  
80 by reason of the issuance thereof, nor shall any director or employee of

81 the agency, including ad hoc members of the Connecticut Resources  
82 Recovery Authority, be personally liable for damage or injury, not  
83 wanton, reckless, wilful or malicious, caused in the performance of his  
84 or her duties and within the scope of his or her employment or  
85 appointment as such director, officer or employee, including ad hoc  
86 members of the Connecticut Resources Recovery Authority. The  
87 agency shall protect, save harmless and indemnify its directors,  
88 officers or employees, including ad hoc members of the Connecticut  
89 Resources Recovery Authority, from financial loss and expense,  
90 including legal fees and costs, if any, arising out of any claim, demand,  
91 suit or judgment by reason of alleged negligence or alleged  
92 deprivation of any person's civil rights or any other act or omission  
93 resulting in damage or injury, if the director, officer or employee,  
94 including ad hoc members of the Connecticut Resources Recovery  
95 Authority, is found to have been acting in the discharge of his or her  
96 duties or within the scope of his or her employment and such act or  
97 omission is found not to have been wanton, reckless, wilful or  
98 malicious.

99 Sec. 4. (NEW) (*Effective October 1, 2006*) (a) There is hereby  
100 established and created a body politic and corporate, constituting a  
101 public instrumentality and political subdivision of the state of  
102 Connecticut established and created for the performance of an  
103 essential public and governmental function, to be known as the  
104 Connecticut Power Authority. The authority shall not be construed to  
105 be a department, institution or agency of the state, but shall be a quasi-  
106 public agency, as defined in section 1-120 of the general statutes, as  
107 amended by this act. The Connecticut Power Authority shall be  
108 established not later than October 1, 2006.

109 (b) The powers of the authority shall be vested in and exercised by a  
110 board of directors, which shall consist of six directors appointed as  
111 follows: Two by the Governor; one by the president pro tempore of the  
112 Senate; one by the speaker of the House of Representatives; one by the  
113 minority leader of the Senate and one by the minority leader of the

114 House of Representatives. Any such legislative appointee may not be a  
115 member of the General Assembly. The directors appointed under this  
116 subsection shall serve for a term of four years, from January first next  
117 succeeding their appointment. Any vacancy occurring under this  
118 subsection other than by expiration of term shall be filled in the same  
119 manner as the original appointment for the balance of the unexpired  
120 term. The chairperson of the board under this subsection shall be  
121 appointed by the Governor, with the advice and consent of both  
122 houses of the General Assembly and shall serve at the pleasure of the  
123 Governor.

124 (c) Any appointed director who fails to attend three consecutive  
125 meetings of the board or who fails to attend fifty per cent of all  
126 meetings of the board held during any calendar year shall be deemed  
127 to have resigned from the board.

128 (d) The chairperson, with the approval of the directors, shall  
129 appoint a president of the authority who shall be an employee of the  
130 authority and paid a salary prescribed by the directors. The president  
131 shall supervise the administrative affairs and technical activities of the  
132 authority in accordance with the directives of the board.

133 (e) Each director shall be entitled to reimbursement for said  
134 director's actual and necessary expenses incurred during the  
135 performance of said director's official duties.

136 (f) Directors may engage in private employment, or in a profession  
137 or business, subject to any applicable laws, rules and regulations of the  
138 state or federal government regarding official ethics or conflict of  
139 interest.

140 (g) Three directors of the authority shall constitute a quorum for the  
141 transaction of any business or the exercise of any power of the  
142 authority. For the transaction of any business or the exercise of any  
143 power of the authority, the authority shall have power to act by a  
144 majority of the directors present at any meeting at which a quorum is

145 in attendance.

146 (h) The appointing authority for any director may remove such  
147 director for inefficiency, neglect of duty or misconduct in office after  
148 giving the director a copy of the charges against the director and an  
149 opportunity to be heard, in person or by counsel, in the director's  
150 defense, upon not less than ten days' notice. If any director shall be so  
151 removed, the appointing authority for such director shall file in the  
152 office of the Secretary of the State a complete statement of charges  
153 made against such director and the appointing authority's findings on  
154 such statement of charges, together with a complete record of the  
155 proceedings.

156 (i) The authority shall continue as long as it has bonds or other  
157 obligations outstanding and until its existence is terminated by law.  
158 Upon the termination of the existence of the authority, all of its rights  
159 and properties shall pass to and be vested in the state of Connecticut.

160 (j) The directors, members and officers of the authority and any  
161 person executing the bonds or notes of the authority shall not be liable  
162 personally on such bonds or notes or be subject to any personal  
163 liability or accountability by reason of the issuance thereof, nor shall  
164 any director, member or officer of the authority be personally liable for  
165 damage or injury, not wanton or wilful, caused in the performance of  
166 such person's duties and within the scope of such person's  
167 employment or appointment as such director, member or officer.

168 (k) Notwithstanding the provisions of any other law, it shall not  
169 constitute a conflict of interest for a trustee, director, partner or officer  
170 of any person, firm or corporation, or any individual having a financial  
171 interest in a person, firm or corporation, to serve as a director of the  
172 authority, provided such trustee, director, partner, officer or individual  
173 shall abstain from deliberation, action or vote by the authority in  
174 specific respect to such person, firm or corporation.

175 Sec. 5. (NEW) (*Effective October 1, 2006*) (a) The Connecticut Power

176 Authority shall have the specific power to (1) acquire, construct,  
177 improve, rehabilitate, maintain and operate such electric power  
178 generating, transmission and related facilities, (2) generate, purchase,  
179 sell, transmit and provide such electric power as the authority  
180 considers necessary or desirable to supply electric power in the state,  
181 (3) procure electric generation service contracts for standard service  
182 customers pursuant to section 16-244c of the general statutes, as  
183 amended by this act, and (4) administer the programs under the  
184 Conservation and Load Management Fund pursuant to section 16-  
185 245m of the general statutes, as amended by this act, and the  
186 Renewable Energy Investment Fund pursuant to section 16-245n of the  
187 general statutes, as amended by this act.

188 (b) Not later than January 1, 2010, the authority shall construct an  
189 electric generating facility with a capacity of not less than 100  
190 megawatts that operates with dual fuel capacity. The Department of  
191 Public Utility Control shall determine the rate of return that the  
192 authority shall earn for such facility through a proceeding conducted  
193 pursuant to section 16-19 of the general statutes, as amended by this  
194 act.

195 Sec. 6. (NEW) (*Effective October 1, 2005*) The Connecticut Power  
196 Authority shall have power to:

197 (1) Employ a staff and to fix their duties, qualifications and  
198 compensation;

199 (2) Establish offices where necessary in the state of Connecticut;

200 (3) Make and enter into any contract or agreement necessary or  
201 incidental to the performance of its duties and execution of its powers;

202 (4) Sue and be sued;

203 (5) Have a seal and alter it at pleasure;

204 (6) Make and alter bylaws and rules and regulations with respect to

205 the exercise of its own powers;

206 (7) Conduct such hearings, examinations and investigations as may  
207 be necessary and appropriate to the conduct of its operations and the  
208 fulfillment of its responsibilities;

209 (8) Obtain access to public records and apply for the process of  
210 subpoena, if necessary, to produce books, papers, records and other  
211 data;

212 (9) Charge reasonable fees and rates for the services it performs and  
213 products it produces;

214 (10) Purchase, lease, rent or sell such real and personal property as it  
215 may consider necessary, convenient or desirable;

216 (11) Otherwise, do all things necessary for the performance of its  
217 duties, the fulfillment of its obligations, the conduct of its operations,  
218 in accordance with the provisions of applicable statutes and  
219 regulations;

220 (12) Receive and accept, from any source, aid or contributions,  
221 including money, property, labor and other things of value;

222 (13) Invest any funds not needed for immediate use or disbursement  
223 in obligations issued or guaranteed by the United States of America or  
224 the state of Connecticut and in obligations that are legal investments  
225 for savings banks in this state;

226 (14) Adopt regular procedures for exercising its power under  
227 sections 4 to 12, inclusive, of this act not in conflict with other  
228 provisions of the general statutes;

229 (15) Determine the location of any project to be developed under the  
230 provisions of sections 4 to 12, inclusive, of this act;

231 (16) Purchase, receive by gift or otherwise, lease, exchange, or  
232 otherwise acquire and construct, reconstruct, improve, maintain, equip

233 and furnish such facilities and projects as are necessary or desirable  
234 under the provisions of sections 4 to 12, inclusive, of this act;

235 (17) Acquire, by purchase, gift, transfer, or by condemnation for  
236 public purposes, pursuant to the provisions of section 48-12 of the  
237 general statutes, and manage and operate, hold and dispose of real  
238 property and, subject to agreements with lessors or lessees, develop or  
239 alter such property by making improvements and betterments with the  
240 purpose of enhancing the value and usefulness of such property;

241 (18) Own, operate and maintain real property and facilities and to  
242 sell or lease to any person, all or any portion of such property and  
243 facilities, and to mortgage or otherwise encumber all or any portion of  
244 such property and facilities and to grant options to purchase, or to  
245 renew a lease for, such real property and facilities, to further the power  
246 and authority specified in section 5 of this act;

247 (19) Construct, erect, build, acquire, alter, reconstruct, improve,  
248 enlarge or extend facilities and to own operate and maintain facilities  
249 to further the power and authority specified in section 5 of this act;

250 (20) Contract with any public or private entity to carry out the  
251 powers and authority specified in section 5 of this act; and

252 (21) Receive funds from the sale of bonds or other obligations of  
253 municipal and regional authorities and from the sale of obligations of  
254 the authority and its real and personal properties, to receive funds or  
255 revenues, including, but not limited to, sales, fees, rents and charges  
256 from distribution of products, materials, fuels, and energy in any form  
257 derived from facilities and equipment under its jurisdiction.

258 Sec. 7. (NEW) (*Effective October 1, 2006*) (a) Subject to the approval of  
259 the State Treasurer, and any other limitations of sections 4 to 12,  
260 inclusive, of this act, the Connecticut Power Authority may borrow  
261 money and issue its bonds and notes from time to time and use the  
262 proceeds thereof for the purposes and powers of the authority and to

263 accomplish the purposes of sections 4 to 12, inclusive, of this act and to  
264 pay all of the costs of the authority incident to and necessary in  
265 connection with the carrying out of such purposes, including  
266 providing funds to be paid into any fund or funds to secure such  
267 bonds or notes in such principal amount subject to the provisions of  
268 sections 4 to 12, inclusive, of this act as in the opinion of the authority,  
269 shall be necessary to provide sufficient funds for implementing such  
270 powers and achieving such purposes. The notes and bonds issued by  
271 the authority shall be general obligations of the authority payable out  
272 of any revenues or other receipts, funds or moneys of the authority,  
273 subject only to any agreements with the holders of particular notes or  
274 bonds pledging any particular revenues, receipts, funds or moneys  
275 except as otherwise expressly provided by resolution of the authority  
276 and in such event such bonds or notes shall be special obligations of  
277 the authority payable solely from any revenues or other receipts, funds  
278 or moneys of the authority pledged therefor and subject only to any  
279 agreements with the holders of particular notes and bonds pledging  
280 any particular revenues, receipts, funds or moneys. Such bonds or  
281 notes may be executed and delivered in such manner and at such  
282 times, may be in such form and denominations and of such tenor and  
283 maturity or maturities, may be in bearer or registered form, as to  
284 principal and interest or as to principal alone, may be payable at such  
285 time or times in the case of any such note or renewals thereof not  
286 exceeding five years from the date of issue of such note and in the case  
287 of any such bond, not exceeding forty years from the date thereof, may  
288 be payable at such place or places whether within or without the state,  
289 may bear interest at such rate or rates payable at such time or times  
290 and at such place or places and evidenced in such manner, and may  
291 contain such provisions not inconsistent with sections 4 to 12,  
292 inclusive, of this act, as shall be provided in the resolution of the  
293 authority authorizing the issuance of the bonds or notes.

294 (b) Issuance by the authority of one or more series of bonds or notes  
295 for one or more purposes shall not preclude it from issuing other  
296 bonds or notes in connection with the same project or any other

297 projects, but the proceeding wherein any subsequent bonds or notes  
298 may be issued shall recognize and protect any prior pledge made for  
299 any prior issue of bonds or notes unless in the resolution authorizing  
300 such prior issue the right is reserved to issue subsequent bonds on a  
301 parity with such prior issue.

302 (c) Subject to the approval of the State Treasurer, any bonds or notes  
303 of the authority may be sold at such price or prices, at public or private  
304 sale, in such manner and from time to time as may be determined by  
305 the authority, and the authority may pay all costs, expenses, premiums  
306 and commissions which it may deem necessary or advantageous in  
307 connection with the issuance and sale thereof; and any moneys of the  
308 authority, including proceeds from the sale of any bonds and notes,  
309 and revenues, receipts and income from any of its projects, may be  
310 invested and reinvested in such obligations, securities and other  
311 investments or deposited or redeposited in such bank or banks as shall  
312 be provided in the resolution or resolutions of the authority  
313 authorizing the issuance of the bonds and notes.

314 (d) The Connecticut Power Authority is authorized to provide for  
315 the issuance of its bonds for the purpose of refunding any bonds of the  
316 authority then outstanding, including the payment of any redemption  
317 premium thereon and any interest accrued or to accrue to the earliest  
318 or subsequent date of redemption, purchase or maturity of such bonds  
319 and, if deemed advisable by the authority, for the additional purpose  
320 of paying all or any part of the cost of constructing and acquiring  
321 additions, improvements, extensions or enlargements of a project or  
322 any portion thereof. The proceeds of any such bonds issued for the  
323 purpose of refunding outstanding bonds may, in the discretion of the  
324 authority, be applied to the purchase or retirement at maturity or  
325 redemption of such outstanding bonds either on their earliest or any  
326 subsequent redemption date, and may, pending such application, be  
327 placed in escrow to be applied to such purchase or retirement at  
328 maturity or redemption on such date as may be determined by the  
329 authority.

330 (e) Whether or not the bonds or notes are of such form and character  
331 as to be negotiable instruments under article 8 of title 42a of the  
332 general statutes, the bonds or notes shall be and are hereby made  
333 negotiable instruments within the meaning of and for all the purposes  
334 of article 8 of said title 42a, subject only to the provisions of the bonds  
335 or notes for registration.

336 (f) The principal of and interest on bonds issued by the authority  
337 may be secured by a pledge of any revenues and receipts of the  
338 authority derived from any project and may be additionally secured by  
339 the assignment of a lease of any project for the construction and  
340 acquisition of which said bonds are issued and by an assignment of the  
341 revenues and receipts derived by the authority from any such lease.  
342 The payment of principal and interest on such bonds may be  
343 additionally secured by a pledge of any other property, revenues,  
344 moneys or funds available to the authority for such purpose. The  
345 resolution authorizing the issuance of any such bonds or notes and any  
346 such lease may contain agreements and provisions respecting the  
347 establishment of reserves to secure such bonds or notes, the  
348 maintenance and insurance of the projects covered thereby, the fixing  
349 and collection of rents for any portion thereof leased by the authority  
350 to others, the creation and maintenance of special funds from such  
351 revenues and the rights and remedies available in the event of default,  
352 the vesting in a trustee or trustees of such property, rights, powers and  
353 duties in trust as the authority may determine, which may include any  
354 or all of the rights, powers and duties of any trustee appointed by the  
355 holders of any bonds and notes and limiting or abrogating the right of  
356 the holders of any bonds and notes of the authority to appoint a trustee  
357 under sections 4 to 12, inclusive, of this act or limiting the rights,  
358 powers and duties of such trustee; provision for a trust agreement by  
359 and between the authority and a corporate trust which may be any  
360 trust company or bank having the powers of a trust company within or  
361 without the state, which agreement may provide for the pledging or  
362 assigning of any assets or income from assets to which or in which the  
363 authority has any rights or interest, and may further provide for such

364 other rights and remedies exercisable by the trustee as may be proper  
365 for the protection of the holders of any bonds or notes and not  
366 otherwise in violation of law, and such agreement may provide for the  
367 restriction of the rights of any individual holder of bonds or notes of  
368 the authority and may contain any further provisions which are  
369 reasonable to delineate further the respective rights, duties,  
370 safeguards, responsibilities and liabilities of the authority, persons and  
371 collective holders of bonds or notes of the authority and the trustee;  
372 and covenants to do or refrain from doing such acts and things as may  
373 be necessary or convenient or desirable in order to better secure any  
374 bonds or notes of the authority, or which, in the discretion of the  
375 authority, will tend to make any bonds or notes to be issued more  
376 marketable notwithstanding that such covenants, acts or things may  
377 not be enumerated herein, and any other matters of like or different  
378 character, which in any way affect the security or protection of the  
379 bonds or notes, all as the authority shall deem advisable and not in  
380 conflict with the provisions of this subsection. Each pledge, agreement  
381 or assignment of lease made for the benefit or security of any of the  
382 bonds or notes of the authority shall be in effect until the principal of  
383 and interest on the bonds or notes for the benefit of which the same  
384 were made have been fully paid, or until provision has been made for  
385 the payment in the manner provided in the resolution or resolutions  
386 authorizing their issuance. Any pledge made in respect of such bonds  
387 or notes shall be valid and binding from the time when the pledge is  
388 made; moneys or rents so pledged and thereafter received by the  
389 authority shall immediately be subject to the lien of such pledge  
390 without any physical delivery thereof or further act; and the lien of any  
391 such pledge shall be valid and binding as against all parties having  
392 claims of any kind in tort, contract or otherwise against the authority,  
393 irrespective of whether such parties have notice thereof. Neither the  
394 resolution, trust indenture nor any other instrument by which a pledge  
395 is created need be recorded. The resolution authorizing the issuance of  
396 such bonds or notes may provide for the enforcement of any such  
397 pledge or security in any lawful manner.

398 (g) The authority may provide in any resolution authorizing the  
399 issuance of bonds or notes that any project or part thereof or any  
400 addition, improvement, extension or enlargement thereof, may be  
401 constructed by the authority or any designee of the authority, and may  
402 also provide in such proceedings for the time and manner of and  
403 requisites for disbursements to be made for the cost of such  
404 construction and disbursements as the authority shall deem necessary  
405 or appropriate.

406 Sec. 8. (NEW) (*Effective October 1, 2006*) Bonds issued by the  
407 Connecticut Power Authority under the provisions of sections 4 to 12,  
408 inclusive, of this act are hereby made securities in which all public  
409 officers and public bodies of the state and its political subdivisions, all  
410 insurance companies, credit unions, building and loan associations,  
411 investment companies, banking associations, trust companies,  
412 executors, administrators, trustees and other fiduciaries and pension,  
413 profit-sharing and retirement funds may properly and legally invest  
414 funds, including capital in their control or belonging to them. Such  
415 bonds are hereby made securities which may properly and legally be  
416 deposited with and received by any state or municipal officer or any  
417 agency or political subdivision of the state for any purpose for which  
418 the deposit of bonds or obligations of the state is now or may hereafter,  
419 be authorized by law.

420 Sec. 9. (NEW) (*Effective October 1, 2006*) The state does hereby pledge  
421 to and agree with the holders of any bonds and notes issued under  
422 sections 4 to 12, inclusive, of this act and with those parties who may  
423 enter into contracts with the Connecticut Power Authority or its  
424 successor agency pursuant to the provisions of sections 4 to 12,  
425 inclusive, of this act that the state will not limit or alter the rights  
426 hereby vested in the authority until such obligations, together with the  
427 interest thereon, are fully met and discharged and such contracts are  
428 fully performed on the part of the authority, provided nothing  
429 contained in this section shall preclude such limitation or alteration if  
430 and when adequate provision shall be made by law for the protection

431 of the holders of such bonds and notes of the authority or those  
432 entering into such contracts with the authority. The authority is  
433 authorized to include this pledge and undertaking for the state in such  
434 bonds and notes or contracts.

435       Sec. 10. (NEW) (*Effective October 1, 2006*) The exercise of the powers  
436 granted by sections 4 to 12, inclusive, of this act constitute the  
437 performance of an essential governmental function and the  
438 Connecticut Power Authority shall not be required to pay any taxes or  
439 assessments upon or in respect of a project, or any property or moneys  
440 of the authority, levied by any municipality or political subdivision or  
441 special district having taxing powers of the state, nor shall the  
442 authority be required to pay state taxes of any kind, and the authority,  
443 its projects, property and money and any bonds and notes issued  
444 under the provisions of sections 4 to 12, inclusive, of this act, their  
445 transfer and the income therefrom, including revenues derived from  
446 the sale thereof, shall at all times be free from taxation of every kind by  
447 the state except for estate or succession taxes and by the municipalities  
448 and all other political subdivisions or special districts having taxing  
449 powers of the state; provided nothing in this section shall prevent the  
450 authority from entering into agreements to make payments in lieu of  
451 taxes with respect to property acquired by it or by any person leasing a  
452 project from the authority or operating or managing a project on behalf  
453 of the authority and neither the authority nor its projects, properties,  
454 money or bonds and notes shall be obligated, liable or subject to lien of  
455 any kind for the enforcement, collection or payment thereof. If and to  
456 the extent the proceedings under which the bonds authorized to be  
457 issued under the provisions of sections 4 to 12, inclusive, of this act so  
458 provide, the authority may agree to cooperate with the lessee or  
459 operator of a project in connection with any administrative or judicial  
460 proceedings for determining the validity or amount of such payment  
461 and may agree to appoint or designate and reserve the right in and for  
462 such lessees or operators to take all action which the authority may  
463 lawfully take in respect of such payments and all matters relating  
464 thereto, providing such lessee or operator shall bear and pay all costs

465 and expenses of the authority thereby incurred at the request of such  
466 lessee or operator or by reason of any such action taken by such lessee  
467 or operator in behalf of the authority. Any lessee or operator of a  
468 project which has paid the amounts in lieu of taxes permitted by this  
469 section to be paid shall not be required to pay any such taxes in which  
470 a payment in lieu thereof has been made to the state or to any such  
471 municipality or other political subdivision or special district having  
472 taxing powers, any other statute notwithstanding.

473 Sec. 11. (NEW) (*Effective October 1, 2006*) (a) The directors of the  
474 Connecticut Power Authority may, by resolution, delegate to the  
475 president of the authority, as its chief executive officer, such powers of  
476 the authority as may appear, in the discretion of the directors, to be  
477 necessary, advisable or desirable in order to permit the timely  
478 performance of the administrative functions of the authority and to  
479 carry out the plans, policies, procedures and decisions of the directors.

480 (b) It shall be the responsibility of the directors to delegate only  
481 those powers of the authority that may be generally appropriate for  
482 the exercise of executive and administrative functions and to reserve to  
483 themselves such powers and decisions as may be more properly  
484 exercised through the regular deliberative and decision-making  
485 processes of the directors.

486 (c) The president, with the approval of the directors, may assign or  
487 redelegate to officers and employees of the authority, any delegated  
488 powers that in the opinion of the president may be necessary, desirable  
489 or appropriate for the prompt and orderly transaction of the business  
490 of the authority.

491 Sec. 12. (NEW) (*Effective October 1, 2006*) Each director of the  
492 Connecticut Power Authority shall execute a surety bond in the sum of  
493 fifty thousand dollars or, in lieu thereof, the chairperson of the  
494 authority shall execute a blanket positive bond covering each director,  
495 executive and employee of the authority, each surety bond to be  
496 conditioned upon the faithful performance of the duties of the office or

497 officers covered, to be executed by a surety company authorized to  
498 transact business in the state of Connecticut as surety and to be  
499 approved by the Attorney General and filed in the office of the  
500 Secretary of the State. The cost of each such bond shall be paid by the  
501 authority.

502 Sec. 13. Section 16-19 of the general statutes is repealed and the  
503 following is substituted in lieu thereof (*Effective July 1, 2006*):

504 (a) [No] A public service company [may] and the Connecticut  
505 Power Authority shall not charge rates in excess of those previously  
506 approved by the authority or the Department of Public Utility Control  
507 except that any rate approved by the Public Utilities Commission or  
508 the authority shall be permitted until amended by the [authority]  
509 Public Utilities Control Authority or the department, that rates not  
510 approved by the authority or the department may be charged  
511 pursuant to subsection (b) of this section, and that the hearing  
512 requirements with respect to adjustment clauses are as set forth in  
513 section 16-19b, as amended. Each public service company and the  
514 Connecticut Power Authority shall file any proposed amendment of its  
515 existing rates with the department in such form and in accordance  
516 with such reasonable regulations as the department may prescribe.  
517 Each electric, electric distribution, gas or telephone company or the  
518 Connecticut Power Authority filing a proposed amendment shall also  
519 file with the department an estimate of the effects of the amendment,  
520 for various levels of consumption, on the household budgets of high  
521 and moderate income customers and customers having household  
522 incomes not more than one hundred fifty per cent of the federal  
523 poverty level. Each electric and electric distribution company and the  
524 Connecticut Power Authority shall also file such an estimate for space  
525 heating customers. Each water company, except a water company that  
526 provides water to its customers less than six consecutive months in a  
527 calendar year, filing a proposed amendment, shall also file with the  
528 department a plan for promoting water conservation by customers in  
529 such form and in accordance with a memorandum of understanding

530 entered into by the department pursuant to section 4-67e. Each public  
531 service company and the Connecticut Power Authority shall notify  
532 each customer who would be affected by the proposed amendment, by  
533 mail, at least one week prior to the public hearing thereon, that an  
534 amendment has been or will be requested. Such notice shall also  
535 indicate (1) the Department of Public Utility Control telephone number  
536 for obtaining information concerning the schedule for public hearings  
537 on the proposed amendment, and (2) whether the proposed  
538 amendment would, in the company's or the Connecticut Power  
539 Authority's best estimate, increase any rate or charge by twenty per  
540 cent or more, and, if so, describe in general terms any such rate or  
541 charge and the amount of the proposed increase, provided no such  
542 company or the Connecticut Power Authority shall be required to  
543 provide more than one form of the notice to each class of its customers.  
544 In the case of a proposed amendment to the rates of any public service  
545 company or the Connecticut Power Authority, the department shall  
546 hold a public hearing thereon, except as permitted with respect to  
547 interim rate amendments by subsection (d) and subsection (g) of this  
548 section, and shall make such investigation of such proposed  
549 amendment of rates as is necessary to determine whether such rates  
550 conform to the principles and guidelines set forth in section 16-19e, as  
551 amended by this act, or are unreasonably discriminatory or more or  
552 less than just, reasonable and adequate, or that the service furnished by  
553 such company or the Connecticut Power Authority is inadequate to or  
554 in excess of public necessity and convenience. The department, if in its  
555 opinion such action appears necessary or suitable in the public interest  
556 may, and, upon written petition or complaint of the state, under  
557 direction of the Governor, shall, make the aforesaid investigation of  
558 any such proposed amendment which does not involve an alteration in  
559 rates. If the department finds any proposed amendment of rates to not  
560 conform to the principles and guidelines set forth in section 16-19e, as  
561 amended by this act, or to be unreasonably discriminatory or more or  
562 less than just, reasonable and adequate to enable such company or the  
563 Connecticut Power Authority to provide properly for the public

564 convenience, necessity and welfare, or the service to be inadequate or  
565 excessive, it shall determine and prescribe, as appropriate, an adequate  
566 service to be furnished or just and reasonable maximum rates and  
567 charges to be made by such company or the Connecticut Power  
568 Authority. In the case of a proposed amendment filed by an electric,  
569 electric distribution, gas or telephone company or the Connecticut  
570 Power Authority, the department shall also adjust the estimate filed  
571 under this subsection of the effects of the amendment on the  
572 household budgets of the company's or the Connecticut Power  
573 Authority's customers, in accordance with the rates and charges  
574 approved by the department. The department shall issue a final  
575 decision on each rate filing within one hundred fifty days from the  
576 proposed effective date thereof, provided it may, before the end of  
577 such period and upon notifying all parties and intervenors to the  
578 proceedings, extend the period by thirty days.

579 (b) If the department has not made its finding respecting an  
580 amendment of any rate within one hundred fifty days from the  
581 proposed effective date of such amendment thereof, or within one  
582 hundred eighty days if the department extends the period in  
583 accordance with the provisions of subsection (a) of this section, such  
584 amendment may become effective pending the department's finding  
585 with respect to such amendment upon the filing by the company or the  
586 Connecticut Power Authority with the department of assurance  
587 satisfactory to the department, which may include a bond with surety,  
588 of the company's or the Connecticut Power Authority's ability and  
589 willingness to refund to its customers with interest such amounts as  
590 the company or the Connecticut Power Authority may collect from  
591 them in excess of the rates fixed by the department in its finding or  
592 fixed at the conclusion of any appeal taken as a result of a finding by  
593 the department.

594 (c) Upon conclusion of its investigation of the reasonableness of any  
595 proposed increase of rates, the department shall order the company or  
596 the Connecticut Power Authority to refund to its customers with

597 interest any amounts the company or the Connecticut Power Authority  
598 may have collected from them during the period that any amendment  
599 permitted by subsection (b) of this section was in force, which amounts  
600 the department may find to have been in excess of the rates fixed by  
601 the department in its finding or fixed at the conclusion of any appeal  
602 taken as a result of a finding by the department. Any such refund  
603 ordered by the department shall be paid by the company or the  
604 Connecticut Power Authority, under direction of the department, to its  
605 customers in such amounts as are determined by the department.

606 (d) Nothing in this section shall be construed to prevent the  
607 department from approving an interim rate increase, if the department  
608 finds that such an interim rate increase is necessary to prevent  
609 substantial and material deterioration of the financial condition of a  
610 public service company or the Connecticut Power Authority, to  
611 prevent substantial deterioration of the adequacy and reliability of  
612 service to its customers or to conform to the applicable principles and  
613 guidelines set forth in section 16-19e, as amended by this act, provided  
614 the department shall first hold a special public hearing on the need for  
615 such interim rate increase and the company or the Connecticut Power  
616 Authority, at least one week prior to such hearing, notifies each  
617 customer who would be affected by the interim rate increase that such  
618 an increase is being requested. The company or the Connecticut Power  
619 Authority shall include the notice in a mailing of customer bills, unless  
620 such a mailing would not provide timely notice, in which case the  
621 department shall authorize an alternative manner of providing such  
622 notice. Any such interim rate increase shall only be permitted if the  
623 public service company or the Connecticut Power Authority submits  
624 an assurance satisfactory to the department, which may include a bond  
625 with surety, of the company's or the Connecticut Power Authority's  
626 ability and willingness to refund to its customers with interest such  
627 amounts as the company or the Connecticut Power Authority may  
628 collect from such interim rates in excess of the rates approved by the  
629 department in accordance with subsection (a) of this section. The  
630 department shall order a refund in an amount equal to the excess, if

631 any, of the amount collected pursuant to the interim rates over the  
632 amount which would have been collected pursuant to the rates finally  
633 approved by the department in accordance with subsection (a) of this  
634 section or fixed at the conclusion of any appeal taken as a result of any  
635 finding by the department. Such refund ordered by the department  
636 shall be paid by the company or the Connecticut Power Authority to  
637 its customers in such amounts and by such procedure as ordered by  
638 the department.

639 (e) If the department finds that the imposition of any increase in  
640 rates would create a hardship for a municipality, because such increase  
641 is not reflected in its then current budget, or cannot be included in the  
642 budget of its fiscal year which begins less than five months after the  
643 effective date of such increase, the department may defer the  
644 applicability of such increase with respect to services furnished to such  
645 municipality until the fiscal year of such municipality beginning not  
646 less than five months following the effective date of such increase;  
647 provided the revenues lost to the public service company or the  
648 Connecticut Power Authority through such deferral shall be paid to  
649 the public service company or the Connecticut Power Authority by the  
650 municipality in its first fiscal year following the period of such  
651 deferral.

652 (f) Any public service company, as defined in section 16-1, as  
653 amended, or the Connecticut Power Authority filing an application  
654 with the Department of Public Utility Control to reopen a rate  
655 proceeding under this section, which application proposes to increase  
656 the company's or the Connecticut Power Authority's revenues or any  
657 rate or charge of the company or the Connecticut Power Authority by  
658 five per cent or more, shall, not later than one week prior to the  
659 hearing under the reopened proceeding, notify each customer who  
660 would be affected thereby that such an application is being filed. Such  
661 notice shall indicate the rate increases proposed in the application. The  
662 company or the Connecticut Power Authority shall include the notice  
663 in a mailing of customer bills, unless such a mailing would not provide

664 timely notice to customers of the reopening of the proceeding, in  
665 which case the department shall authorize an alternative manner of  
666 providing such notice.

667 (g) The department shall hold either a special public hearing or  
668 combine an investigation with an ongoing four-year review conducted  
669 in accordance with section 16-19a, as amended by this act, or with a  
670 general rate hearing conducted in accordance with subsection (a) of  
671 this section on the need for an interim rate decrease (1) when a public  
672 service company or the Connecticut Power Authority has, for six  
673 consecutive months, earned a return on equity which exceeds the  
674 return authorized by the department by at least one percentage point,  
675 (2) if it finds that any change in municipal, state or federal tax law  
676 creates a significant increase in a company's or the Connecticut Power  
677 Authority's rate of return, or (3) if it finds that a public service  
678 company or the Connecticut Power Authority may be collecting rates  
679 which are more than just, reasonable and adequate, as determined by  
680 the department, provided the department shall require appropriate  
681 notice of hearing to the company or the Connecticut Power Authority  
682 and its customers who would be affected by an interim rate decrease in  
683 such form as the department deems reasonable. The company or the  
684 Connecticut Power Authority shall be required to demonstrate to the  
685 satisfaction of the department that earning such a return on equity or  
686 collecting rates which are more than just, reasonable and adequate is  
687 directly beneficial to its customers. At the completion of the  
688 proceeding, the department may order an interim rate decrease if it  
689 finds that such return on equity or rates exceeds a reasonable rate of  
690 return or is more than just, reasonable and adequate as determined by  
691 the department. Any such interim rate decrease shall be subject to a  
692 customer surcharge if the interim rates collected by the company or the  
693 Connecticut Power Authority are less than the rates finally approved  
694 by the department or fixed at the conclusion of any appeal taken as a  
695 result of any finding by the department. Such surcharge shall be  
696 assessed against customers in such amounts and by such procedure as  
697 ordered by the department.

698 (h) The provisions of this section shall not apply to the regulation of  
699 a telecommunications service which is a competitive service, as  
700 defined in section 16-247a, or to a telecommunications service to which  
701 an approved plan for an alternative form of regulation applies,  
702 pursuant to section 16-247k.

703 Sec. 14. Section 16-19a of the general statutes is repealed and the  
704 following is substituted in lieu thereof (*Effective July 1, 2006*):

705 (a) (1) The Department of Public Utility Control shall, at intervals of  
706 not more than four years from the last previous general rate hearing of  
707 each gas, electric and electric distribution company having more than  
708 seventy-five thousand customers, and the Connecticut Power  
709 Authority conduct a complete review and investigation of the financial  
710 and operating records of each such company or the Connecticut Power  
711 Authority and hold a public hearing to determine whether the rates of  
712 each such company or the Connecticut Power Authority are  
713 unreasonably discriminatory or more or less than just, reasonable and  
714 adequate, or that the service furnished by such company or the  
715 Connecticut Power Authority is inadequate to or in excess of public  
716 necessity and convenience or that the rates do not conform to the  
717 principles and guidelines set forth in section 16-19e, as amended by  
718 this act. In making such determination, the department shall consider  
719 the gross and net earnings of such company or the Connecticut Power  
720 Authority since its last previous general rate hearing, its retained  
721 earnings, its actual and proposed capital expenditures, its advertising  
722 expenses, the dividends paid to its stockholders, the rate of return paid  
723 on its preferred stock, bonds, debentures and other obligations, its  
724 credit rating, and such other financial and operating information as the  
725 department may deem pertinent.

726 (2) The department may conduct a general rate hearing in  
727 accordance with subsection (a) of section 16-19, as amended by this act,  
728 in lieu of the periodic review and investigation proceedings required  
729 under subdivision (1) of this subsection.

730 (b) In the proceeding required under subdivision (1) of subsection  
731 (a) of this section, the department may approve performance-based  
732 incentives to encourage a gas or electric company to operate efficiently  
733 and provide high quality service at fair and reasonable prices.  
734 Notwithstanding subsection (a) of this section, if the department  
735 approves such performance-based incentives for a particular company,  
736 the department shall include in such approval a framework for  
737 periodic monitoring and review of the company's performance in  
738 regard to criteria specified by the department, which shall include, but  
739 not be limited to, the company's return on equity, reliability and  
740 quality of service. The department's periodic monitoring and review  
741 shall be used in lieu of the periodic review and investigation  
742 proceedings required under subdivision (1) of subsection (a) of this  
743 section. If the department determines in the periodic monitoring and  
744 review that a more extensive review of company performance is  
745 necessary, the department may institute a further proceeding in  
746 accordance with the purposes of this chapter, including a complete  
747 review and investigation described in subdivision (1) of subsection (a)  
748 of this section.

749 Sec. 15. Section 16-19b of the 2006 supplement to the general statutes  
750 is repealed and the following is substituted in lieu thereof (*Effective July*  
751 *1, 2006*):

752 (a) No adjustment clause of any kind whatsoever shall be  
753 authorized by the Department of Public Utility Control if such a clause  
754 operates automatically to permit charges, assessments or amendments  
755 to existing rate schedules to be made which have not been first  
756 approved by the department.

757 (b) If the department finds that the changed price of purchased gas  
758 required for distribution by a gas company substantially threatens the  
759 ability of the company to earn a reasonable rate of return, or will cause  
760 the company to have an excessive rate of return, the department shall,  
761 after investigation and public hearing, approve a suitable purchased

762 gas adjustment clause to be superimposed upon the existing rate  
763 schedule of the company. The department shall design any such  
764 purchased gas adjustment clause to allow the gas company to charge  
765 or to reimburse the consumer only for the changes in the cost of  
766 purchased gas which occur when the actual price of purchased gas  
767 differs from the price reflected in the base rates of the company. The  
768 department may establish an efficiency factor in the purchased gas  
769 adjustment clause of each gas company, which may provide for less  
770 than one hundred per cent recovery of the gross earnings tax imposed  
771 by section 12-264, as amended, on the revenues from such purchased  
772 gas. A purchased gas adjustment clause approved pursuant to this  
773 section shall apply to all gas companies similarly affected by the costs  
774 which form the basis for the adjustment clause.

775 (c) If the department, after notice and hearing, determines that the  
776 adoption of an energy adjustment clause would protect the interests of  
777 ratepayers of an electric company or the Connecticut Power Authority,  
778 ensure economy and efficiency in energy production and purchase by  
779 the electric company or the Connecticut Power Authority and achieve  
780 the objectives set forth in subsection (a) of section 16-19, as amended  
781 by this act, and in section 16-19e, as amended by this act, better than  
782 would the continued operation of a fuel adjustment clause and a  
783 generation utilization adjustment clause, the department shall approve  
784 an energy adjustment clause to be superimposed upon the existing rate  
785 schedule of the electric company or the Connecticut Power Authority.  
786 The department shall design any such energy adjustment clause to  
787 reflect cost-efficient energy resource procurement and to recover the  
788 costs of energy that are proper for rate-making purposes and for which  
789 the department has not authorized recovery through base rates. These  
790 costs, reflecting prudent and efficient management and operations,  
791 may include, but are not limited to, the costs of oil, gas, coal, nuclear  
792 fuel, wood or other fuels, and energy transactions with other utilities,  
793 nonutility generators or power pools, all or part of the cost of  
794 conservation and load management, and the gross earnings tax  
795 imposed by section 12-264, as amended, on the revenues from the

796 energy sources subject to the energy adjustment clause. The  
797 department shall design the energy adjustment clause to provide for  
798 recovery of energy costs prudently incurred by an electric company or  
799 the Connecticut Power Authority in accordance with section 16-19e, as  
800 amended by this act. Notwithstanding the provisions of section 16-19,  
801 as amended by this act, the department shall change an energy  
802 adjustment clause in accordance with the provisions of subsections (e)  
803 and (h) of this section. An energy adjustment clause approved  
804 pursuant to this section shall apply to all electric companies and the  
805 Connecticut Power Authority similarly affected by the costs which  
806 form the basis for the adjustment clause.

807 (d) The Department of Public Utility Control shall adjust the retail  
808 rate charged by each electric distribution company for electric  
809 transmission services periodically to recover all transmission costs  
810 prudently incurred by each electric distribution company. The  
811 Department of Public Utility Control, after notice and hearing, shall  
812 design the retail transmission rate to provide for recovery of all Federal  
813 Energy Regulatory Commission approved transmission costs, rates,  
814 tariffs and charges and of other transmission costs prudently incurred  
815 by an electric distribution company in accordance with section 16-19e<sub>2</sub>,  
816 as amended by this act. Notwithstanding the provisions of section 16-  
817 19, as amended by this act, the department shall adjust the retail  
818 transmission rate in accordance with the provisions of subsections (e)  
819 and (h) of this section. A transmission rate adjustment clause approved  
820 pursuant to this section shall apply to all electric distribution  
821 companies similarly affected by transmission costs. The department's  
822 authority to review the prudence of costs shall not apply to any matter  
823 over which any agency, department or instrumentality of the federal  
824 government has exclusive jurisdiction, or has jurisdiction concurrent  
825 with that of the state and has exercised such jurisdiction to the  
826 exclusion of regulation of such matter by the state.

827 (e) No proposed purchased gas adjustment, energy adjustment  
828 charge or credit or transmission rate shall become effective until the

829 Department of Public Utility Control has approved such charges or  
830 credits pursuant to an administrative proceeding. Such an  
831 administrative proceeding shall be open to the public and shall be  
832 convened within ten days of the filing of an application by an electric  
833 or gas company requesting such a proceeding. Notice of such  
834 application and proceeding shall be published at least five days prior  
835 to such proceeding in a newspaper of general circulation in the area  
836 served by such company. The department shall receive and consider  
837 comments of interested persons and members of the public at such a  
838 proceeding, which shall not be considered a contested case for  
839 purposes of title 4, this title or any regulation adopted thereunder. Any  
840 approval or denial of the department pursuant to this subsection shall  
841 not be deemed an order, authorization or decision of the department  
842 for purposes of section 16-35. After notice and hearing, the department  
843 shall adopt regulations, in accordance with chapter 54, which shall  
844 include the requirements of the filing to support the requested charge  
845 or credit. Notwithstanding the provisions of this section, in the event  
846 that the department has not rendered an approval or denial concerning  
847 any such application within five days of the day the administrative  
848 proceeding shall have been convened, the proposed charges or credits  
849 (1) shall become effective at the option of the company pending the  
850 department's finding with respect to such charges, or (2) in the  
851 discretion of the department, may become effective upon the filing by  
852 the company with the department of an assurance. Such assurance  
853 may include a bond with surety, and shall satisfy the department of  
854 the company's ability and willingness to refund to its customers any  
855 such amounts as the company may collect from them in excess of the  
856 charges approved by the department in its finding.

857 (f) Each company or the Connecticut Power Authority subject to a  
858 purchased gas adjustment clause or an energy adjustment clause shall  
859 disclose in its customer bills the per unit rate of the charges or credits  
860 made under the clause and the actual amount thereof in dollars and  
861 cents.

862 (g) The department shall not suspend or discontinue a purchased  
863 gas adjustment clause or an energy adjustment clause which it has  
864 approved except (1) after general rate hearings for the companies  
865 affected by the clause or the Connecticut Power Authority, and (2)  
866 upon a finding by the Department of Public Utility Control that the  
867 market prices of purchased gas or the costs of energy have stabilized  
868 and are likely to remain stable.

869 (h) The Department of Public Utility Control shall continually  
870 monitor and oversee the application of the purchased gas adjustment  
871 clause, the energy adjustment clause, and the transmission rate  
872 adjustment clause. The department shall hold a public hearing thereon  
873 whenever the department deems it necessary, but no less frequently  
874 than once every six months, and undertake such other proceeding  
875 thereon to determine whether charges or credits made under such  
876 clauses reflect the actual prices paid for purchased gas or energy and  
877 the actual transmission costs and are computed in accordance with the  
878 applicable clause. If the department finds that such charges or credits  
879 do not reflect the actual prices paid for purchased gas or energy, and  
880 the actual transmission costs or are not computed in accordance with  
881 the applicable clause, it shall recompute such charges or credits and  
882 shall direct the company or the Connecticut Power Authority to take  
883 such action as may be required to insure that such charges or credits  
884 properly reflect the actual prices paid for purchased gas or energy and  
885 the actual transmission costs and are computed in accordance with the  
886 applicable clause for the applicable period.

887 (i) The department shall establish procedures conforming to the  
888 requirements of this section after notice and opportunity for a public  
889 hearing.

890 (j) Any purchased gas adjustment clause or energy adjustment  
891 clause approved by the department may include a provision designed  
892 to allow the electric or gas company or the Connecticut Power  
893 Authority to charge or reimburse the customer for any under-recovery

894 or over-recovery of overhead and fixed costs due solely to the  
895 deviation of actual retail sales of electricity or gas from projected retail  
896 sales of electricity or gas. The department shall include such provision  
897 in any energy adjustment clause approved for an electric company or  
898 the Connecticut Power Authority if it determines (1) that a significant  
899 cause of excess earnings by the electric company or the Connecticut  
900 Power Authority is an increase in actual retail sales of electricity over  
901 projected retail sales of electricity as determined at the time of the  
902 electric company's or the Connecticut Power Authority's most recent  
903 rate amendment, and (2) that such provision is likely to benefit the  
904 customers of the electric company or the Connecticut Power Authority.

905 (k) Notwithstanding the provisions of this section, an approved  
906 fossil fuel adjustment clause or generation utilization adjustment  
907 clause in effect for an electric company on July 1, 1995, shall remain in  
908 effect in its form and method of operation as of said date until the  
909 department has approved an energy adjustment clause for the  
910 company and the approved energy adjustment clause is in effect.

911 (l) Notwithstanding the provisions of this section, upon the  
912 application of any gas company, the department may modify, suspend  
913 or discontinue a purchased gas adjustment clause for one or more gas  
914 companies if the department determines that as part of an overall  
915 performance-based rate plan, such modification, suspension or  
916 discontinuance will ensure safety and reliability, will provide  
917 substantial financial benefits to ratepayers at least equal to those  
918 provided to the gas company and will lower the rates below what they  
919 would be without such modification, suspension or discontinuance, as  
920 determined by the department.

921 Sec. 16. Section 16-19e of the general statutes is repealed and the  
922 following is substituted in lieu thereof (*Effective July 1, 2006*):

923 (a) In the exercise of its powers under the provisions of this title, the  
924 Department of Public Utility Control shall examine and regulate the  
925 transfer of existing assets and franchises, the expansion of the plant

926 and equipment of existing public service companies or the Connecticut  
927 Power Authority, the operations and internal workings of public  
928 service companies or the Connecticut Power Authority and the  
929 establishment of the level and structure of rates in accordance with the  
930 following principles: (1) That there is a clear public need for the service  
931 being proposed or provided; (2) that the public service company or the  
932 Connecticut Power Authority shall be fully competent to provide  
933 efficient and adequate service to the public in that such company is  
934 technically, financially and managerially expert and efficient; (3) that  
935 the department and all public service companies and the Connecticut  
936 Power Authority shall perform all of their respective public  
937 responsibilities with economy, efficiency and care for the public safety,  
938 and so as to promote economic development within the state with  
939 consideration for energy and water conservation, energy efficiency and  
940 the development and utilization of renewable sources of energy and  
941 for the prudent management of the natural environment; (4) that the  
942 level and structure of rates be sufficient, but no more than sufficient, to  
943 allow public service companies and the Connecticut Power Authority  
944 to cover their operating and capital costs, to attract needed capital and  
945 to maintain their financial integrity, and yet provide appropriate  
946 protection to the relevant public interests, both existing and  
947 foreseeable which shall include, but not be limited to, reasonable costs  
948 of security of assets, facilities and equipment that are incurred solely  
949 for the purpose of responding to security needs associated with the  
950 terrorist attacks of September 11, 2001, and the continuing war on  
951 terrorism; (5) that the level and structure of rates charged customers  
952 shall reflect prudent and efficient management of the franchise  
953 operation; and (6) that the rates, charges, conditions of service and  
954 categories of service of the companies or the Connecticut Power  
955 Authority not discriminate against customers which utilize renewable  
956 energy sources or cogeneration technology to meet a portion of their  
957 energy requirements.

958 (b) The Department of Public Utility Control shall promptly  
959 undertake a separate, general investigation of, and shall hold at least

960 one public hearing on new pricing principles and rate structures for  
961 electric companies and for gas companies to consider, without  
962 limitation, long run incremental cost of marginal cost pricing, peak  
963 load or time of day pricing and proposals for optimizing the utilization  
964 of energy and restraining its wasteful use and encouraging energy  
965 conservation, and any other matter with respect to pricing principles  
966 and rate structures as the department shall deem appropriate. The  
967 department shall determine whether existing or future rate structures  
968 place an undue burden upon those persons of poverty status and shall  
969 make such adjustment in the rate structure as is necessary or desirable  
970 to take account of their indigency. The department shall require the  
971 utilization of such new principles and structures to the extent that the  
972 department determines that their implementation is in the public  
973 interest and necessary or desirable to accomplish the purposes of this  
974 provision without being unfair or discriminatory or unduly  
975 burdensome or disruptive to any group or class of customers, and  
976 determines that such principles and structures are capable of yielding  
977 required revenues. In reviewing the rates and rate structures of electric  
978 and gas companies, the department shall take into consideration  
979 appropriate energy policies, including those of the state as expressed  
980 in subsection (c) of this section. The authority shall issue its initial  
981 findings on such investigation by December 1, 1976, and its final  
982 findings and order by June 1, 1977; provided that after such final  
983 findings and order are issued, the department shall at least once every  
984 two years undertake such further investigations as it deems  
985 appropriate with respect to new developments or desirable  
986 modifications in pricing principles and rate structures and, after  
987 holding at least one public hearing thereon, shall issue its findings and  
988 order thereon.

989 (c) The Department of Public Utility Control shall consult at least  
990 once each year with the Commissioner of Environmental Protection,  
991 the Connecticut Siting Council and the Office of Policy and  
992 Management, so as to coordinate and integrate its actions, decisions  
993 and policies pertaining to gas and electric companies and the

994 Connecticut Power Authority, so far as possible, with the actions,  
995 decisions and policies of said other agencies and instrumentalities in  
996 order to further the development and optimum use of the state's  
997 energy resources and conform to the greatest practicable extent with  
998 the state energy policy as stated in section 16a-35k, taking into account  
999 prudent management of the natural environment and continued  
1000 promotion of economic development within the state. In the  
1001 performance of its duties, the department shall take into consideration  
1002 the energy policies of the state as expressed in this subsection and in  
1003 any annual reports prepared or filed by such other agencies and  
1004 instrumentalities, and shall defer, as appropriate, to any actions taken  
1005 by such other agencies and instrumentalities on matters within their  
1006 respective jurisdictions.

1007 (d) The Commissioner of Environmental Protection, the  
1008 Commissioner of Economic and Community Development, the  
1009 Connecticut Siting Council and the Office of Policy and Management  
1010 shall be made parties to each proceeding on a rate amendment  
1011 proposed by a gas, electric or electric distribution company or the  
1012 Connecticut Power Authority based upon an alleged need for  
1013 increased revenues to finance an expansion of capital equipment and  
1014 facilities, and shall participate in such proceedings to the extent  
1015 necessary.

1016 (e) The Department of Public Utility Control, in a proceeding on a  
1017 rate amendment proposed by an electric distribution company based  
1018 upon an alleged need for increased revenues to finance an expansion  
1019 of the capacity of its electric distribution system, shall determine  
1020 whether demand-side management would be more cost-effective in  
1021 meeting any demand for electricity for which the increase in capacity is  
1022 proposed.

1023 (f) The provisions of this section shall not apply to the regulation of  
1024 a telecommunications service which is a competitive service, as  
1025 defined in section 16-247a, or to a telecommunications service to which

1026 an approved plan for an alternative form of regulation applies,  
1027 pursuant to section 16-247k.

1028 (g) The department may, upon application of any gas or electric  
1029 public service company, which has, as part of its existing rate plan, an  
1030 earnings sharing mechanism, modify such rate plan to allow the gas or  
1031 electric public service company, after a hearing that is conducted as a  
1032 contested case, in accordance with chapter 54, to include in its rates the  
1033 reasonable costs of security of assets, facilities, and equipment, both  
1034 existing and foreseeable, that are incurred solely for the purpose of  
1035 responding to security needs associated with the terrorist attacks of  
1036 September 11, 2001, and the continuing war on terrorism.

1037 Sec. 17. Subsection (i) of section 16-243m of the 2006 supplement to  
1038 the general statutes is repealed and the following is substituted in lieu  
1039 thereof (*Effective July 1, 2006*):

1040 (i) An electric distribution company shall negotiate in good faith the  
1041 final terms of the draft contract, submitted under subsection (e) of this  
1042 section and included in a proposal approved under subsection (g) of  
1043 this section, and shall apply to the department for approval of each  
1044 such contract. After thirty days, either party may request the assistance  
1045 of the department to resolve any outstanding issues. No such contract  
1046 may become effective without approval of the department. The  
1047 department shall hold a hearing that shall be conducted as a contested  
1048 case, in accordance with the provisions of chapter 54, to approve, reject  
1049 or modify an application for approval of a capacity purchase contract.  
1050 No contract shall be approved unless the department finds that  
1051 approval of such contract would (1) result in the lowest reasonable cost  
1052 of such products and services, (2) increase reliability, and (3) minimize  
1053 federally mandated congestion charges to the state over the life of the  
1054 contract. Such a contract shall contain terms that mitigate the long-  
1055 term risk assumed by ratepayers. No contract approved by the  
1056 department shall have a term exceeding fifteen years. As determined  
1057 by the department, the electric distribution company shall either sell

1058 into the capacity markets all or a portion of capacity rights transferred  
1059 pursuant to this section and use all proceeds from such sales to offset  
1060 federally mandated congestion charges incurred by all customers, or  
1061 shall retain such capacity rights to offset electric capacity charges  
1062 associated with transitional standard offer [,] or standard service [or  
1063 service as supplier of last resort] under section 16-244c, as amended by  
1064 this act. The costs associated with long-term electric capacity contracts  
1065 shall be recovered through federally mandated congestion charges.

1066 Sec. 18. Section 16-244c of the 2006 supplement to the general  
1067 statutes is repealed and the following is substituted in lieu thereof  
1068 (*Effective July 1, 2006*):

1069 (a) (1) On and after January 1, 2000, each electric distribution  
1070 company shall make available to all customers in its service area, the  
1071 provision of electric generation and distribution services through a  
1072 standard offer. Under the standard offer, a customer shall receive  
1073 electric services at a rate established by the Department of Public  
1074 Utility Control pursuant to subdivision (2) of this subsection. Each  
1075 electric distribution company shall provide electric generation services  
1076 in accordance with such option to any customer who affirmatively  
1077 chooses to receive electric generation services pursuant to the standard  
1078 offer or does not or is unable to arrange for or maintain electric  
1079 generation services with an electric supplier. The standard offer shall  
1080 automatically terminate on January 1, 2004. While providing electric  
1081 generation services under the standard offer, an electric distribution  
1082 company may provide electric generation services through any of its  
1083 generation entities or affiliates, provided such entities or affiliates are  
1084 licensed pursuant to section 16-245.

1085 (2) Not later than October 1, 1999, the Department of Public Utility  
1086 Control shall establish the standard offer for each electric distribution  
1087 company, effective January 1, 2000, which shall allocate the costs of  
1088 such company among electric transmission and distribution services,  
1089 electric generation services, the competitive transition assessment and

1090 the systems benefits charge. The department shall hold a hearing that  
1091 shall be conducted as a contested case in accordance with chapter 54 to  
1092 establish the standard offer. The standard offer shall provide that the  
1093 total rate charged under the standard offer, including electric  
1094 transmission and distribution services, the conservation and load  
1095 management program charge described in section 16-245m, as  
1096 amended by this act, the renewable energy investment charge  
1097 described in section 16-245n, as amended by this act, electric  
1098 generation services, the competitive transition assessment and the  
1099 systems benefits charge shall be at least ten per cent less than the base  
1100 rates, as defined in section 16-244a, in effect on December 31, 1996. The  
1101 standard offer shall be adjusted to the extent of any increase or  
1102 decrease in state taxes attributable to sections 12-264, as amended, and  
1103 12-265 and any other increase or decrease in state or federal taxes  
1104 resulting from a change in state or federal law and shall continue to be  
1105 adjusted during such period pursuant to section 16-19b, as amended  
1106 by this act. Notwithstanding the provisions of said section 16-19b, the  
1107 provisions of said section 16-19b shall apply to electric distribution  
1108 companies. The standard offer may be adjusted, by an increase or  
1109 decrease, to the extent approved by the department, in the event that  
1110 (A) the revenue requirements of the company are affected as the result  
1111 of changes in (i) legislative enactments other than public act 98-28\*, (ii)  
1112 administrative requirements, or (iii) accounting standards occurring  
1113 after July 1, 1998, provided such accounting standards are adopted by  
1114 entities independent of the company that have authority to issue such  
1115 standards, or (B) an electric distribution company incurs extraordinary  
1116 and unanticipated expenses required for the provision of safe and  
1117 reliable electric service to the extent necessary to provide such service.  
1118 Savings attributable to a reduction in taxes shall not be shifted between  
1119 customer classes.

1120 (3) The price reduction provided in subdivision (2) of this  
1121 subsection shall not apply to customers who, on or after July 1, 1998,  
1122 are purchasing electric services from an electric company or electric  
1123 distribution company, as the case may be, under a special contract or

1124 flexible rate tariff, and the company's filed standard offer tariffs shall  
1125 reflect that such customers shall not receive the standard offer price  
1126 reduction.

1127 (b) (1) (A) On and after January 1, 2004, each electric distribution  
1128 company shall make available to all customers in its service area, the  
1129 provision of electric generation and distribution services through a  
1130 transitional standard offer. Under the transitional standard offer, a  
1131 customer shall receive electric services at a rate established by the  
1132 Department of Public Utility Control pursuant to subdivision (2) of  
1133 this subsection. Each electric distribution company shall provide  
1134 electric generation services in accordance with such option to any  
1135 customer who affirmatively chooses to receive electric generation  
1136 services pursuant to the transitional standard offer or does not or is  
1137 unable to arrange for or maintain electric generation services with an  
1138 electric supplier. The transitional standard offer shall terminate on  
1139 December 31, 2006. While providing electric generation services under  
1140 the transitional standard offer, an electric distribution company may  
1141 provide electric generation services through any of its generation  
1142 entities or affiliates, provided such entities or affiliates are licensed  
1143 pursuant to section 16-245.

1144 (B) The department shall conduct a proceeding to determine  
1145 whether a practical, effective, and cost-effective process exists under  
1146 which an electric customer, when initiating electric service, may  
1147 receive information regarding selecting electric generating services  
1148 from a qualified entity. The department shall complete such  
1149 proceeding on or before December 1, 2005, and shall implement the  
1150 resulting decision on or before March 1, 2006, or on such later date that  
1151 the department considers appropriate. An electric distribution  
1152 company's costs of participating in the proceeding and implementing  
1153 the results of the department's decision shall be recoverable by the  
1154 company as generation services costs through an adjustment  
1155 mechanism as approved by the department.

1156 (2) (A) Not later than December 15, 2003, the Department of Public  
1157 Utility Control shall establish the transitional standard offer for each  
1158 electric distribution company, effective January 1, 2004.

1159 (B) The department shall hold a hearing that shall be conducted as a  
1160 contested case, in accordance with chapter 54, to establish the  
1161 transitional standard offer. The transitional standard offer shall  
1162 provide that the total rate charged under the transitional standard  
1163 offer, including electric transmission and distribution services, the  
1164 conservation and load management program charge described in  
1165 section 16-245m, as amended by this act, the renewable energy  
1166 investment charge described in section 16-245n, as amended by this  
1167 act, electric generation services, the competitive transition assessment  
1168 and the systems benefits charge, and excluding federally mandated  
1169 congestion costs, shall not exceed the base rates, as defined in section  
1170 16-244a, in effect on December 31, 1996, excluding any rate reduction  
1171 ordered by the department on September 26, 2002.

1172 (C) (i) Each electric distribution company shall, on or before January  
1173 1, 2004, file with the department an application for an amendment of  
1174 rates pursuant to section 16-19, as amended by this act, which  
1175 application shall include a four-year plan for the provision of electric  
1176 transmission and distribution services. The department shall conduct a  
1177 contested case proceeding pursuant to sections 16-19, as amended by  
1178 this act, and 16-19e, as amended by this act, to approve, reject or  
1179 modify the application and plan. Upon the approval of such plan, as  
1180 filed or as modified by the department, the department shall order that  
1181 such plan shall establish the electric transmission and distribution  
1182 services component of the transitional standard offer.

1183 (ii) Notwithstanding the provisions of this subparagraph, an electric  
1184 distribution company that, on or after September 1, 2002, completed a  
1185 proceeding pursuant to sections 16-19, as amended by this act, and 16-  
1186 19e, as amended by this act, shall not be required to file an application  
1187 for an amendment of rates as required by this subparagraph. The

1188 department shall establish the electric transmission and distribution  
1189 services component of the transitional standard offer for any such  
1190 company equal to the electric transmission and distribution services  
1191 component of the standard offer established pursuant to subsection (a)  
1192 of this section in effect on July 1, 2003, for such company. If such  
1193 electric distribution company applies to the department, pursuant to  
1194 section 16-19, as amended by this act, for an amendment of its rates on  
1195 or before December 31, 2006, the application of the electric distribution  
1196 company shall include a four-year plan.

1197 (D) The transitional standard offer (i) shall be adjusted to the extent  
1198 of any increase or decrease in state taxes attributable to sections 12-264,  
1199 as amended, and 12-265 and any other increase or decrease in state or  
1200 federal taxes resulting from a change in state or federal law, (ii) shall  
1201 be adjusted to provide for the cost of contracts under subdivision (2) of  
1202 subsection (j) of this section and the administrative costs for the  
1203 procurement of such contracts, and (iii) shall continue to be adjusted  
1204 during such period pursuant to section 16-19b, as amended by this act.  
1205 Savings attributable to a reduction in taxes shall not be shifted between  
1206 customer classes. Notwithstanding the provisions of section 16-19b, as  
1207 amended by this act, the provisions of section 16-19b, as amended by  
1208 this act, shall apply to electric distribution companies.

1209 (E) The transitional standard offer may be adjusted, by an increase  
1210 or decrease, to the extent approved by the department, in the event  
1211 that (i) the revenue requirements of the company are affected as the  
1212 result of changes in (I) legislative enactments other than public act 03-  
1213 135\* or public act 98-28\*, (II) administrative requirements, or (III)  
1214 accounting standards adopted after July 1, 2003, provided such  
1215 accounting standards are adopted by entities that are independent of  
1216 the company and have authority to issue such standards, or (ii) an  
1217 electric distribution company incurs extraordinary and unanticipated  
1218 expenses required for the provision of safe and reliable electric service  
1219 to the extent necessary to provide such service.

1220 (3) The price provided in subdivision (2) of this subsection shall not  
1221 apply to customers who, on or after July 1, 2003, purchase electric  
1222 services from an electric company or electric distribution company, as  
1223 the case may be, under a special contract or flexible rate tariff,  
1224 provided the company's filed transitional standard offer tariffs shall  
1225 reflect that such customers shall not receive the transitional standard  
1226 offer price during the term of said contract or tariff.

1227 (4) (A) In addition to its costs received pursuant to subsection (h) of  
1228 this section, as compensation for providing transitional standard offer  
1229 service, each electric distribution company shall receive an amount  
1230 equal to five-tenths of one mill per kilowatt hour. Revenues from such  
1231 compensation shall not be included in calculating the electric  
1232 distribution company's earnings for purposes of, or in determining  
1233 whether its rates are just and reasonable under, sections 16-19, as  
1234 amended by this act, 16-19a, as amended by this act, and 16-19e, as  
1235 amended by this act, including an earnings sharing mechanism. In  
1236 addition, each electric distribution company may earn compensation  
1237 for mitigating the prices of the contracts for the provision of electric  
1238 generation services, as provided in subdivision (2) of this subsection.

1239 (B) The department shall conduct a contested case proceeding  
1240 pursuant to the provisions of chapter 54 to establish an incentive plan  
1241 for the procurement of long-term contracts for transitional standard  
1242 offer service by an electric distribution company. The incentive plan  
1243 shall be based upon a comparison of the actual average firm full  
1244 requirements service contract price for electricity obtained by the  
1245 electric distribution company compared to the regional average firm  
1246 full requirements service contract price for electricity, adjusted for such  
1247 variables as the department deems appropriate, including, but not  
1248 limited to, differences in locational marginal pricing. If the actual  
1249 average firm full requirements service contract price obtained by the  
1250 electric distribution company is less than the actual regional average  
1251 firm full requirements service contract price for the previous year, the  
1252 department shall split five-tenths of one mill per kilowatt hour equally

1253 between ratepayers and the company. Revenues from such incentive  
1254 plan shall not be included in calculating the electric distribution  
1255 company's earnings for purposes of, or in determining whether its  
1256 rates are just and reasonable under sections 16-19, as amended by this  
1257 act, 16-19a, as amended by this act, and 16-19e, as amended by this act.  
1258 The department may, as it deems necessary, retain a third party entity  
1259 with expertise in energy procurement to assist with the development  
1260 of such incentive plan.

1261 (c) (1) On and after January 1, 2007, each electric distribution  
1262 company shall provide electric generation services through standard  
1263 service to any customer who [(A)] does not arrange for or is not  
1264 receiving electric generation services from an electric supplier, [, and  
1265 (B) does not use a demand meter or has a maximum demand of less  
1266 than five hundred kilowatts.]

1267 (2) Not later than October 1, 2006, and periodically as required by  
1268 subdivision (3) of this subsection, but not more often than every  
1269 calendar quarter, the Department of Public Utility Control shall, in a  
1270 contested case proceeding and in consultation with the Office of  
1271 Consumer Council and the Attorney General, establish the standard  
1272 service price for such customers pursuant to [subdivision (3) of] this  
1273 subsection. Each electric distribution company shall recover the actual  
1274 net costs of [procuring and] providing electric generation services  
1275 pursuant to this subsection. [, provided such company mitigates the  
1276 costs it incurs for the procurement of electric generation services for  
1277 customers who are no longer receiving service pursuant to this  
1278 subsection.]

1279 [(3) An electric distribution company providing electric generation  
1280 services pursuant to this subsection shall mitigate the variation of the  
1281 price of the service offered to its customers by procuring electric  
1282 generation services contracts in the manner prescribed in a plan  
1283 approved by the department. Such plan shall require the procurement  
1284 of a portfolio of service contracts sufficient to meet the projected load

1285 of the electric distribution company. Such plan shall require that the  
1286 portfolio of service contracts be procured in an overlapping pattern of  
1287 fixed periods at such times and in such manner and duration as the  
1288 department determines to be most likely to produce just, reasonable  
1289 and reasonably stable retail rates while reflecting underlying  
1290 wholesale market prices over time. The portfolio of contracts shall be  
1291 assembled in such manner as to invite competition; guard against  
1292 favoritism, improvidence, extravagance, fraud and corruption; and  
1293 secure a reliable electricity supply while avoiding unusual, anomalous  
1294 or excessive pricing. The portfolio of contracts procured under such  
1295 plan shall be for terms of not less than six months, provided contracts  
1296 for shorter periods may be procured under such conditions as the  
1297 department shall prescribe to (A) ensure the lowest rates possible for  
1298 end-use customers; (B) ensure reliable service under extraordinary  
1299 circumstances; and (C) ensure the prudent management of the contract  
1300 portfolio. An electric distribution company may receive a bid for an  
1301 electric generation services contract from any of its generation entities  
1302 or affiliates, provided such generation entity or affiliate submits its bid  
1303 the business day preceding the first day on which an unaffiliated  
1304 electric supplier may submit its bid and further provided the electric  
1305 distribution company and the generation entity or affiliate are in  
1306 compliance with the code of conduct established in section 16-244h.]

1307 (3) The Connecticut Power Authority shall procure electric  
1308 generation services contracts in accordance with the following:

1309 (A) The contracts shall be sufficient to meet the projected load of the  
1310 electric distribution company.

1311 (B) The authority shall procure a portfolio of service contracts in an  
1312 overlapping pattern of fixed periods at such times and in such manner  
1313 and duration as the department determines to be most likely to  
1314 produce just, reasonable and reasonably stable retail rates while  
1315 reflecting underlying wholesale market prices over time.

1316 (C) The authority shall assemble the portfolio of contracts in such

1317 manner as to (i) invite competition; (ii) guard against favoritism,  
1318 improvidence, extravagance, fraud and corruption; and (iii) secure a  
1319 reliable electricity supply while avoiding unusual, anomalous or  
1320 excessive pricing.

1321 (D) The portfolio of contracts procured under such plan shall be for  
1322 terms of not less than six months, provided contracts for shorter  
1323 periods may be procured under such conditions as the department  
1324 shall prescribe to (i) ensure the lowest rates possible for end-use  
1325 customers; (ii) ensure reliable service under extraordinary  
1326 circumstances; and (iii) ensure the prudent management of the  
1327 contract portfolio.

1328 (E) The authority may receive a bid from a generation entity or  
1329 affiliate of a generation service company, provided such generation  
1330 entity or affiliate submits its bid the business day preceding the first  
1331 day on which an unaffiliated electric supplier may submit its bid and  
1332 further provided the electric distribution company and the generation  
1333 entity or affiliate are in compliance with the code of conduct  
1334 established in section 16-244h.

1335 (4) The department, in consultation with the Office of Consumer  
1336 Counsel, shall retain the services of a third-party entity with expertise  
1337 in the area of energy procurement to oversee the initial development of  
1338 the request for proposals and the procurement of contracts by an  
1339 electric distribution company for the provision of electric generation  
1340 services offered pursuant to this subsection. Costs associated with the  
1341 retention of such third-party entity shall be included in the cost of  
1342 electric generation services that is included in such price.

1343 (5) Each bidder for a standard service contract shall submit its bid to  
1344 the [electric distribution company] authority and the third-party entity  
1345 who shall jointly review the bids and submit an overview of all bids  
1346 together with a joint recommendation to the department as to the  
1347 preferred bidders. The department may, within ten business days of  
1348 submission of the overview, reject the recommendation regarding

1349 preferred bidders. In the event that the department rejects the  
1350 preferred bids, the [electric distribution company] authority and the  
1351 third-party entity shall rebid the service pursuant to this subdivision.  
1352 Upon approval of the preferred bids by the department, the authority  
1353 shall transfer the contracts to the respective electric distribution  
1354 company. Successful bids received by the authority during the  
1355 procurement process shall be available for public review six months  
1356 after department approval.

1357 (d) (1) Notwithstanding the provisions of this section regarding the  
1358 electric generation services component of the transitional standard  
1359 offer or the procurement of electric generation services under standard  
1360 service, section 16-244h or 16-245o, the Department of Public Utility  
1361 Control may, from time to time, direct an electric distribution company  
1362 to offer, through an electric supplier or electric suppliers, before  
1363 January 1, 2007, one or more alternative transitional standard offer  
1364 options or, on or after January 1, 2007, one or more alternative  
1365 standard service options. Such alternative options shall include, but  
1366 not be limited to, an option that consists of the provision of electric  
1367 generation services that exceed the renewable portfolio standards  
1368 established in section 16-245a, as amended by this act, and may  
1369 include an option that utilizes strategies or technologies that reduce  
1370 the overall consumption of electricity of the customer.

1371 (2) (A) The department shall develop such alternative option or  
1372 options in a contested case conducted in accordance with the  
1373 provisions of chapter 54. The department shall determine the terms  
1374 and conditions of such alternative option or options, including, but not  
1375 limited to, (i) the minimum contract terms, including pricing, length  
1376 and termination of the contract, and (ii) the minimum percentage of  
1377 electricity derived from Class I or Class II renewable energy sources, if  
1378 applicable. The electric distribution company shall, under the  
1379 supervision of the department, subsequently conduct a bidding  
1380 process in order to solicit electric suppliers to provide such alternative  
1381 option or options.

1382 (B) The department may reject some or all of the bids received  
1383 pursuant to the bidding process.

1384 (3) The department may require an electric supplier to provide  
1385 forms of assurance to satisfy the department that the contracts  
1386 resulting from the bidding process will be fulfilled.

1387 (4) An electric supplier who fails to fulfill its contractual obligations  
1388 resulting from this subdivision shall be subject to civil penalties, in  
1389 accordance with the provisions of section 16-41, as amended, or the  
1390 suspension or revocation of such supplier's license or a prohibition on  
1391 the acceptance of new customers, following a hearing that is conducted  
1392 as a contested case, in accordance with the provisions of chapter 54.

1393 [(e) (1) On and after January 1, 2007, an electric distribution  
1394 company shall serve customers that are not eligible to receive standard  
1395 service pursuant to subsection (c) of this section as the supplier of last  
1396 resort. This subsection shall not apply to customers purchasing power  
1397 under contracts entered into pursuant to section 16-19hh. Any  
1398 customer previously receiving electric generation services from an  
1399 electric supplier shall not be eligible to receive supplier of last resort  
1400 service pursuant to this subsection unless such customer agrees to  
1401 receive supplier of last resort service for a period of not less than one  
1402 year.

1403 (2) An electric distribution company shall procure electricity to  
1404 provide electric generation services to customers pursuant to this  
1405 subsection. The Department of Public Utility Control shall determine a  
1406 price for such customers that reflects the full cost of providing the  
1407 electricity on a monthly basis. Each electric distribution company shall  
1408 recover the actual net costs of procuring and providing electric  
1409 generation services pursuant to this subsection, provided such  
1410 company mitigates the costs it incurs for the procurement of electric  
1411 generation services for customers that are no longer receiving service  
1412 pursuant to this subsection.]

1413        [(f)] (e) On and after January 1, 2000, and until such time the  
1414 regional independent system operator implements procedures for the  
1415 provision of back-up power to the satisfaction of the Department of  
1416 Public Utility Control, each electric distribution company shall provide  
1417 electric generation services to any customer who has entered into a  
1418 service contract with an electric supplier that fails to provide electric  
1419 generation services for reasons other than the customer's failure to pay  
1420 for such services. Between January 1, 2000, and December 31, 2006, an  
1421 electric distribution company may procure electric generation services  
1422 through a competitive bidding process or through any of its generation  
1423 entities or affiliates. On and after January 1, 2007, such company shall  
1424 procure electric generation services through a competitive bidding  
1425 process pursuant to a plan submitted by the electric distribution  
1426 company and approved by the department. Such company may  
1427 procure electric generation services through any of its generation  
1428 entities or affiliates, provided such entity or affiliate is the lowest  
1429 qualified bidder and provided further any such entity or affiliate is  
1430 licensed pursuant to section 16-245.

1431        [(g)] (f) An electric distribution company is not required to be  
1432 licensed pursuant to section 16-245 to provide standard offer electric  
1433 generation services in accordance with subsection (a) of this section,  
1434 transitional standard offer service pursuant to subsection (b) of this  
1435 section, standard service pursuant to subsection (c) of this section,  
1436 [supplier of last resort service pursuant to subsection (e) of this section]  
1437 or back-up electric generation service pursuant to subsection [(f)] (e) of  
1438 this section.

1439        [(h)] (g) The electric distribution company shall be entitled to  
1440 recover reasonable costs incurred as a result of providing standard  
1441 offer electric generation services pursuant to the provisions of  
1442 subsection (a) of this section, transitional standard offer service  
1443 pursuant to subsection (b) of this section, standard service pursuant to  
1444 subsection (c) of this section or back-up electric generation service  
1445 pursuant to subsection [(f)] (e) of this section. The provisions of this

1446 section and section 16-244a shall satisfy the requirements of section 16-  
1447 19a, as amended by this act, until January 1, 2007.

1448 [(i)] (h) The Department of Public Utility Control shall establish, by  
1449 regulations adopted pursuant to chapter 54, procedures for when and  
1450 how a customer is notified that his electric supplier has defaulted and  
1451 of the need for the customer to choose a new electric supplier within a  
1452 reasonable period of time.

1453 [(j)] (i) (1) Notwithstanding the provisions of subsection (d) of this  
1454 section regarding an alternative transitional standard offer option or  
1455 an alternative standard service option, an electric distribution  
1456 company providing transitional standard offer service, standard  
1457 service [, supplier of last resort service] or back-up electric generation  
1458 service in accordance with this section shall contract with its wholesale  
1459 suppliers to comply with the renewable portfolio standards. The  
1460 Department of Public Utility Control shall annually conduct a  
1461 contested case, in accordance with the provisions of chapter 54, in  
1462 order to determine whether the electric distribution company's  
1463 wholesale suppliers met the renewable portfolio standards during the  
1464 preceding year. An electric distribution company shall include a  
1465 provision in its contract with each wholesale supplier that requires the  
1466 wholesale supplier to pay the electric distribution company an amount  
1467 of five and one-half cents per kilowatt hour if the wholesale supplier  
1468 fails to comply with the renewable portfolio standards during the  
1469 subject annual period. The electric distribution company shall  
1470 promptly transfer any payment received from the wholesale supplier  
1471 for the failure to meet the renewable portfolio standards to the  
1472 Renewable Energy Investment Fund for the development of Class I  
1473 renewable energy sources. Any payment made pursuant to this section  
1474 shall not be considered revenue or income to the electric distribution  
1475 company.

1476 (2) Notwithstanding the provisions of subsection (d) of this section  
1477 regarding an alternative transitional standard offer option or an

1478 alternative standard service option, an electric distribution company  
1479 providing transitional standard offer service, standard service [,  
1480 supplier of last resort service] or back-up electric generation service in  
1481 accordance with this section shall, not later than July 1, 2008, file with  
1482 the Department of Public Utility Control for its approval one or more  
1483 long-term power purchase contracts from Class I renewable energy  
1484 source projects that receive funding from the Renewable Energy  
1485 Investment Fund and that are not less than one megawatt in size, at a  
1486 price that is either, at the determination of the project owner, [(1)] (A)  
1487 not more than the total of the comparable wholesale market price for  
1488 generation plus five and one-half cents per kilowatt hour, or [(2)] (B)  
1489 fifty per cent of the wholesale market electricity cost at the point at  
1490 which transmission lines intersect with each other or interface with the  
1491 distribution system, plus the project cost of fuel indexed to natural gas  
1492 futures contracts on the New York Mercantile Exchange at the natural  
1493 gas pipeline interchange located in Vermillion Parish, Louisiana that  
1494 serves as the delivery point for such futures contracts, plus the fuel  
1495 delivery charge for transporting fuel to the project, plus five and one-  
1496 half cents per kilowatt hour. In its approval of such contracts, the  
1497 department shall give preference to purchase contracts from those  
1498 projects that would provide a financial benefit to ratepayers or would  
1499 enhance the reliability of the electric transmission system of the state.  
1500 Such projects shall be located in this state. The owner of a fuel cell  
1501 project principally manufactured in this state shall be allocated all  
1502 available air emissions credits and tax credits attributable to the project  
1503 and no less than fifty per cent of the energy credits in the Class I  
1504 renewable energy credits program established in section 16-245a, as  
1505 amended by this act, attributable to the project. Such contracts shall be  
1506 comprised of not less than a total, apportioned among each electric  
1507 distribution company, of one hundred megawatts. The cost of such  
1508 contracts and the administrative costs for the procurement of such  
1509 contracts directly incurred shall be eligible for inclusion in the  
1510 adjustment to the transitional standard offer as provided in this section  
1511 and any subsequent rates for standard service, provided such contracts

1512 are for a period of time sufficient to provide financing for such  
1513 projects, but not less than ten years and are for projects which began  
1514 operation on or after July 1, 2003. Except as provided in this  
1515 subdivision, the amount from Class I renewable energy sources  
1516 contracted under such contracts shall be applied to reduce the  
1517 applicable Class I renewable energy source portfolio standards. For  
1518 purposes of this subdivision, the department's determination of the  
1519 comparable wholesale market price for generation shall be based upon  
1520 a reasonable estimate.

1521 Sec. 19. Subdivision (1) of subsection (a) of section 16-245a of the  
1522 2006 supplement to the general statutes is repealed and the following  
1523 is substituted in lieu thereof (*Effective July 1, 2006*):

1524 (a) (1) On and after January 1, 2004, an electric supplier and an  
1525 electric distribution company providing transitional standard offer  
1526 pursuant to section 16-244c, as amended by this act, shall demonstrate  
1527 to the satisfaction of the Department of Public Utility Control that not  
1528 less than one per cent of the total output or services of such supplier or  
1529 distribution company shall be generated from Class I renewable  
1530 energy sources and an additional three per cent of the total output or  
1531 services shall be from Class I or Class II renewable energy sources. On  
1532 and after January 1, 2005, not less than one and one-half per cent of the  
1533 total output or services of any such supplier or distribution company  
1534 shall be generated from Class I renewable energy sources and an  
1535 additional three per cent of the total output or services shall be from  
1536 Class I or Class II renewable energy sources. On and after January 1,  
1537 2006, an electric supplier and an electric distribution company  
1538 providing standard service, [or supplier of last resort service,]  
1539 pursuant to section 16-244c, as amended by this act, shall demonstrate  
1540 that not less than two per cent of the total output or services of any  
1541 such supplier or distribution company shall be generated from Class I  
1542 renewable energy sources and an additional three per cent of the total  
1543 output or services shall be from Class I or Class II renewable energy  
1544 sources. On and after January 1, 2007, not less than three and one-half

1545 per cent of the total output or services of any such supplier or  
1546 distribution company shall be generated from Class I renewable  
1547 energy sources and an additional three per cent of the total output or  
1548 services shall be from Class I or Class II renewable energy sources. On  
1549 and after January 1, 2008, not less than five per cent of the total output  
1550 or services of any such supplier or distribution company shall be  
1551 generated from Class I renewable energy sources and an additional  
1552 three per cent of the total output or services shall be from Class I or  
1553 Class II renewable energy sources. On and after January 1, 2009, not  
1554 less than six per cent of the total output or services of any such  
1555 supplier or distribution company shall be generated from Class I  
1556 renewable energy sources and an additional three per cent of the total  
1557 output or services shall be from Class I or Class II renewable energy  
1558 sources. On and after January 1, 2010, not less than seven per cent of  
1559 the total output or services of any such supplier or distribution  
1560 company shall be generated from Class I renewable energy sources  
1561 and an additional three per cent of the total output or services shall be  
1562 from Class I or Class II renewable energy sources.

1563 Sec. 20. Section 16-245m of the 2006 supplement to the general  
1564 statutes is repealed and the following is substituted in lieu thereof  
1565 (*Effective July 1, 2006*):

1566 (a) (1) On and after January 1, 2000, the Department of Public Utility  
1567 Control shall assess or cause to be assessed a charge of three mills per  
1568 kilowatt hour of electricity sold to each end use customer of an electric  
1569 distribution company to be used to implement the program as  
1570 provided in this section for conservation and load management  
1571 programs but not for the amortization of costs incurred prior to July 1,  
1572 1997, for such conservation and load management programs.

1573 (2) Notwithstanding the provisions of this section, receipts from  
1574 such charge shall be disbursed to the resources of the General Fund  
1575 during the period from July 1, 2003, to June 30, 2005, unless the  
1576 department shall, on or before October 30, 2003, issue a financing order

1577 for each affected electric distribution company in accordance with  
1578 sections 16-245e to 16-245k, inclusive, to sustain funding of  
1579 conservation and load management programs by substituting an  
1580 equivalent amount, as determined by the department in such financing  
1581 order, of proceeds of rate reduction bonds for disbursement to the  
1582 resources of the General Fund during the period from July 1, 2003, to  
1583 June 30, 2005. The department may authorize in such financing order  
1584 the issuance of rate reduction bonds that substitute for disbursement to  
1585 the General Fund for receipts of both the charge under this subsection  
1586 and under subsection (b) of section 16-245n, as amended by this act,  
1587 and also may, in its discretion, authorize the issuance of rate reduction  
1588 bonds under this subsection and subsection (b) of section 16-245n, as  
1589 amended by this act, that relate to more than one electric distribution  
1590 company. The department shall, in such financing order or other  
1591 appropriate order, offset any increase in the competitive transition  
1592 assessment necessary to pay principal, premium, if any, interest and  
1593 expenses of the issuance of such rate reduction bonds by making an  
1594 equivalent reduction to the charge imposed under this subsection,  
1595 provided any failure to offset all or any portion of such increase in the  
1596 competitive transition assessment shall not affect the need to  
1597 implement the full amount of such increase as required by this  
1598 subsection and by sections 16-245e to 16-245k, inclusive. Such  
1599 financing order shall also provide if the rate reduction bonds are not  
1600 issued, any unrecovered funds expended and committed by the  
1601 electric distribution companies for conservation and load management  
1602 programs, provided such expenditures were approved by the  
1603 department after August 20, 2003, and prior to the date of  
1604 determination that the rate reduction bonds cannot be issued, shall be  
1605 recovered by the companies from their respective competitive  
1606 transition assessment or systems benefits charge but such expenditures  
1607 shall not exceed four million dollars per month. All receipts from the  
1608 remaining charge imposed under this subsection, after reduction of  
1609 such charge to offset the increase in the competitive transition  
1610 assessment as provided in this subsection, shall be disbursed to the

1611 Energy Conservation and Load Management Fund commencing as of  
1612 July 1, 2003. Any increase in the competitive transition assessment or  
1613 decrease in the conservation and load management component of an  
1614 electric distribution company's rates resulting from the issuance of or  
1615 obligations under rate reduction bonds shall be included as rate  
1616 adjustments on customer bills.

1617 (b) The electric distribution company shall establish an Energy  
1618 Conservation and Load Management Fund which shall be held  
1619 separate and apart from all other funds or accounts. Receipts from the  
1620 charge imposed under subsection (a) of this section shall be deposited  
1621 into the fund. Any balance remaining in the fund at the end of any  
1622 fiscal year shall be carried forward in the fiscal year next succeeding.  
1623 Disbursements from the fund by electric distribution companies to  
1624 carry out the plan developed under subsection [(d)] (c) of this section  
1625 shall be authorized by the Department of Public Utility Control upon  
1626 its approval of such plan.

1627 [(c) The Department of Public Utility Control shall appoint and  
1628 convene an Energy Conservation Management Board which shall  
1629 include representatives of: (1) An environmental group knowledgeable  
1630 in energy conservation program collaboratives; (2) the Office of  
1631 Consumer Counsel; (3) the Attorney General; (4) the Department of  
1632 Environmental Protection; (5) the electric distribution companies in  
1633 whose territories the activities take place for such programs; (6) a state-  
1634 wide manufacturing association; (7) a chamber of commerce; (8) a  
1635 state-wide business association; (9) a state-wide retail organization;  
1636 (10) a representative of a municipal electric energy cooperative created  
1637 pursuant to chapter 101a; (11) two representatives selected by the gas  
1638 companies in this state; and (12) residential customers. Such members  
1639 shall serve for a period of five years and may be reappointed.  
1640 Representatives of the gas companies shall not vote on matters  
1641 unrelated to gas conservation. Representatives of the electric  
1642 distribution companies and the municipal electric energy cooperative  
1643 shall not vote on matters unrelated to electricity conservation.]

1644 [(d)] (c) (1) The [Energy Conservation Management Board]  
1645 Connecticut Power Authority shall advise and assist the electric  
1646 distribution companies in the development and implementation of a  
1647 comprehensive plan, which plan shall be approved by the Department  
1648 of Public Utility Control, to implement cost-effective energy  
1649 conservation programs and market transformation initiatives. The plan  
1650 shall be consistent with the comprehensive energy plan approved by  
1651 the Connecticut Energy Advisory Board pursuant to section 16a-7a at  
1652 the time of submission to the department. Each program contained in  
1653 the plan shall be reviewed by the electric distribution company and  
1654 either accepted or rejected by the [Energy Conservation Management  
1655 Board] authority prior to submission to the department for approval.  
1656 The [Energy Conservation Management Board] authority shall, as part  
1657 of its review, examine opportunities to offer joint programs providing  
1658 similar efficiency measures that save more than one fuel resource or  
1659 otherwise to coordinate programs targeted at saving more than one  
1660 fuel resource. Any costs for joint programs shall be allocated equitably  
1661 among the conservation programs. The [Energy Conservation  
1662 Management Board] authority shall give preference to projects that  
1663 maximize the reduction of federally mandated congestion charges.

1664 (2) [There shall be a joint committee of the Energy Conservation  
1665 Management Board and the Renewable Energy Investments Advisory  
1666 Committee. The board and the advisory committee shall each appoint  
1667 members to such joint committee. The joint committee] The authority  
1668 shall examine opportunities to coordinate the programs and activities  
1669 funded by the Renewable Energy Investment Fund pursuant to section  
1670 16-245n, as amended by this act, with the programs and activities  
1671 contained in the plan developed under this subsection to reduce the  
1672 long-term cost, environmental impacts and security risks of energy in  
1673 the state. [Such joint committee shall hold its first meeting on or before  
1674 August 1, 2005.]

1675 (3) Programs included in the plan developed under subdivision (1)  
1676 of this subsection [(d) of this section] shall be screened through cost-

1677 effectiveness testing which compares the value and payback period of  
1678 program benefits to program costs to ensure that programs are  
1679 designed to obtain energy savings and system benefits, including  
1680 mitigation of federally mandated congestion charges, whose value is  
1681 greater than the costs of the programs. Cost-effectiveness testing shall  
1682 utilize available information obtained from real-time monitoring  
1683 systems to ensure accurate validation and verification of energy use.  
1684 Program cost-effectiveness shall be reviewed annually, or otherwise as  
1685 is practicable. If a program is determined to fail the cost-effectiveness  
1686 test as part of the review process, it shall either be modified to meet the  
1687 test or shall be terminated. On or before March 1, 2005, and on or  
1688 before March first annually thereafter, the [board] authority shall  
1689 provide a report, in accordance with the provisions of section 11-4a, to  
1690 the joint standing committees of the General Assembly having  
1691 cognizance of matters relating to energy and the environment (A) that  
1692 documents expenditures and fund balances and evaluates the cost-  
1693 effectiveness of such programs conducted in the preceding year, and  
1694 (B) that documents the extent to and manner in which the programs of  
1695 such board collaborated and cooperated with programs, established  
1696 under section 7-233y, as amended by this act, of municipal electric  
1697 energy cooperatives. To maximize the reduction of federally mandated  
1698 congestion charges, programs in the plan may allow for  
1699 disproportionate allocations between the amount of contributions to  
1700 the Energy Conservation and Load Management Funds by a certain  
1701 rate class and the programs that benefit such a rate class. [Before  
1702 conducting such evaluation, the board shall consult with the  
1703 Renewable Energy Investments Advisory Committee.] The report shall  
1704 include a description of the activities undertaken during the reporting  
1705 period jointly or in collaboration with the Renewable Energy  
1706 Investment Fund established pursuant to subsection (c) of section 16-  
1707 245n, as amended by this act.

1708 (4) Programs included in the plan developed under subdivision (1)  
1709 of this subsection [(d) of this section] may include, but not be limited  
1710 to: (A) Conservation and load management programs, including

1711 programs that benefit low-income individuals; (B) research,  
1712 development and commercialization of products or processes which  
1713 are more energy-efficient than those generally available; (C)  
1714 development of markets for such products and processes; (D) support  
1715 for energy use assessment, real-time monitoring systems, engineering  
1716 studies and services related to new construction or major building  
1717 renovation; (E) the design, manufacture, commercialization and  
1718 purchase of energy-efficient appliances and heating, air conditioning  
1719 and lighting devices; (F) program planning and evaluation; (G) indoor  
1720 air quality programs relating to energy conservation; (H) joint fuel  
1721 conservation initiatives programs targeted at reducing consumption of  
1722 more than one fuel resource; and (I) public education regarding  
1723 conservation. Such support may be by direct funding, manufacturers'  
1724 rebates, sale price and loan subsidies, leases and promotional and  
1725 educational activities. The plan shall also provide for expenditures by  
1726 the [Energy Conservation Management Board] authority for the  
1727 retention of expert consultants and reasonable administrative costs  
1728 provided such consultants shall not be employed by, or have any  
1729 contractual relationship with, an electric distribution company. Such  
1730 costs shall not exceed five per cent of the total revenue collected from  
1731 the assessment.

1732 [(e)] (d) Notwithstanding the provisions of subsections (a) to [(d)]  
1733 (c), inclusive, of this section, the Department of Public Utility Control  
1734 shall authorize the disbursement of a total of one million dollars in  
1735 each month, commencing with July, 2003, and ending with July, 2005,  
1736 from the Energy Conservation and Load Management Funds  
1737 established pursuant to said subsections. The amount disbursed from  
1738 each Energy Conservation and Load Management Fund shall be  
1739 proportionately based on the receipts received by each fund. Such  
1740 disbursements shall be deposited in the General Fund.

1741 [(f)] (e) No later than December 31, 2006, and no later than  
1742 December thirty-first every five years thereafter, the [Energy  
1743 Conservation Management Board shall, after consulting with the

1744 Renewable Energy Investments Advisory Committee,] Connecticut  
1745 Power Authority shall conduct an evaluation of the performance of the  
1746 programs and activities of the fund and submit a report, in accordance  
1747 with the provisions of section 11-4a, of the evaluation to the joint  
1748 standing committee of the General Assembly having cognizance of  
1749 matters relating to energy.

1750 [(g)] (f) Notwithstanding the provisions of subsections (a) to [(d)]  
1751 (c), inclusive, of this section, the Department of Public Utility Control  
1752 shall authorize the disbursement of a total of one million dollars in  
1753 each month, commencing with August 1, 2006, and ending with July  
1754 31, 2007, from the Energy Conservation and Load Management Funds  
1755 established pursuant to said subsections. The amount disbursed from  
1756 each Energy Conservation and Load Management Fund shall be  
1757 proportionately based on the receipts received by each fund. Such  
1758 disbursements shall be deposited in the General Fund.

1759 Sec. 21. Subsection (c) of section 7-233y of the 2006 supplement to  
1760 the general statutes is repealed and the following is substituted in lieu  
1761 thereof (*Effective July 1, 2006*):

1762 (c) Such cooperative shall, annually, adopt a comprehensive plan for  
1763 the expenditure of such funds by the cooperative on behalf of such  
1764 municipal electric utilities for the purpose of carrying out electric  
1765 conservation, investments in renewable energy sources, energy  
1766 efficiency and electric load management programs funded by the  
1767 charge accrued pursuant to subsection (a) of this section. The  
1768 cooperative shall expend or cause to be expended the amounts held in  
1769 such fund in conformity with the adopted plan. The plan may direct  
1770 the expenditure of funds on facilities or measures located in any one or  
1771 more of the service areas of the municipal electric utilities who are  
1772 members or participants in such cooperative and may provide for the  
1773 establishment of goals and standards for measuring the cost  
1774 effectiveness of expenditures made from such fund, for the  
1775 minimization of federally mandated congestion charges and for

1776 achieving appropriate geographic coverage and scope in each such  
1777 service area. Such plan shall be consistent with the comprehensive  
1778 plan of the [Energy Conservation Management Board] Connecticut  
1779 Power Authority established under section 16-245m, as amended by  
1780 this act. Such cooperative, annually, shall submit its plan to such board  
1781 for review.

1782 Sec. 22. Subsection (c) of section 16-32f of the 2006 supplement to the  
1783 general statutes is repealed and the following is substituted in lieu  
1784 thereof (*Effective July 1, 2006*):

1785 (c) (1) The [Energy Conservation Management Board, established  
1786 pursuant to section 16-245m,] Connecticut Power Authority shall  
1787 advise and assist each such gas company in the development and  
1788 implementation of the plan submitted under subsection (b) of this  
1789 section. Each program contained in the plan shall be reviewed by each  
1790 such gas company and shall be either accepted, modified or rejected by  
1791 the [Energy Conservation Management Board] authority before  
1792 submission of the plan to the department for approval. The [Energy  
1793 Conservation Management Board] authority shall, as part of its review,  
1794 examine opportunities to offer joint programs providing similar  
1795 efficiency measures that save more than one fuel resource or to  
1796 otherwise coordinate programs targeted at saving more than one fuel  
1797 resource. Any costs for joint programs shall be allocated equitably  
1798 among the conservation programs.

1799 (2) Programs included in the plan shall be screened through cost-  
1800 effectiveness testing that compares the value and payback period of  
1801 program benefits to program costs to ensure that the programs are  
1802 designed to obtain gas savings whose value is greater than the costs of  
1803 the program. Program cost-effectiveness shall be reviewed annually by  
1804 the department, or otherwise as is practicable. If the department  
1805 determines that a program fails the cost-effectiveness test as part of the  
1806 review process, the program shall either be modified to meet the test  
1807 or shall be terminated. On or before January 1, 2007, and annually

1808 thereafter, the board shall provide a report, in accordance with the  
1809 provisions of section 11-4a, to the joint standing committees of the  
1810 General Assembly having cognizance of matters relating to energy and  
1811 the environment, that documents expenditures and funding for such  
1812 programs and evaluates the cost-effectiveness of such programs  
1813 conducted in the preceding year, including any increased cost-  
1814 effectiveness owing to offering programs that save more than one fuel  
1815 resource.

1816 (3) Programs included in the plan may include, but are not limited  
1817 to: (A) Conservation and load management programs, including  
1818 programs that benefit low-income individuals; (B) research,  
1819 development and commercialization of products or processes that are  
1820 more energy-efficient than those generally available; (C) development  
1821 of markets for such products and processes; (D) support for energy use  
1822 assessment, engineering studies and services related to new  
1823 construction or major building renovations; (E) the design,  
1824 manufacture, commercialization and purchase of energy-efficient  
1825 appliances, air conditioning and heating devices; (F) program planning  
1826 and evaluation; (G) joint fuel conservation initiatives and programs  
1827 targeted at saving more than one fuel resource; and (H) public  
1828 education regarding conservation. Such support may be by direct  
1829 funding, manufacturers' rebates, sale price and loan subsidies, leases  
1830 and promotional and educational activities. The plan shall also provide  
1831 for expenditures by the [Energy Conservation Management Board]  
1832 Connecticut Power Authority for the retention of expert consultants  
1833 and reasonable administrative costs, provided such consultants shall  
1834 not be employed by, or have any contractual relationship with, a gas  
1835 company. Such costs shall not exceed five per cent of the total cost of  
1836 the plan.

1837 Sec. 23. Subsection (b) of section 16-243s of the 2006 supplement to  
1838 the general statutes is repealed and the following is substituted in lieu  
1839 thereof (*Effective July 1, 2006*):

1840 (b) Not later than January 31, 2007, and annually thereafter ending  
1841 after January 31, 2011, or ending on such later date specified by the  
1842 department, each electric distribution company shall report to the  
1843 [Energy Conservation Management Board] Connecticut Power  
1844 Authority on such company's activities under this section.

1845 Sec. 24. Section 16-245z of the 2006 supplement to the general  
1846 statutes is repealed and the following is substituted in lieu thereof  
1847 (*Effective July 1, 2006*):

1848 Not later than October 1, 2005, the Department of Public Utility  
1849 Control and the [Energy Conservation Management Board, established  
1850 in section 16-245m,] Connecticut Power Authority shall establish links  
1851 on their Internet web sites to the Energy Star program or successor  
1852 program that promotes energy efficiency and each electric distribution  
1853 company shall establish a link under its conservation programs on its  
1854 Internet web site to the Energy Star program or such successor  
1855 program.

1856 Sec. 25. Section 16-245n of the 2006 supplement to the general  
1857 statutes is repealed and the following is substituted in lieu thereof  
1858 (*Effective July 1, 2006*):

1859 (a) For purposes of this section, "renewable energy" means solar  
1860 energy, wind, ocean thermal energy, wave or tidal energy, fuel cells,  
1861 landfill gas, hydrogen production and hydrogen conversion  
1862 technologies, low emission advanced biomass conversion technologies,  
1863 usable electricity from combined heat and power systems with waste  
1864 heat recovery systems, thermal storage systems and other energy  
1865 resources and emerging technologies which have significant potential  
1866 for commercialization and which do not involve the combustion of  
1867 coal, petroleum or petroleum products, municipal solid waste or  
1868 nuclear fission.

1869 (b) On and after July 1, 2004, the Department of Public Utility  
1870 Control shall assess or cause to be assessed a charge of not less than

1871 one mill per kilowatt hour charged to each end use customer of electric  
1872 services in this state which shall be deposited into the Renewable  
1873 Energy Investment Fund established under subsection (c) of this  
1874 section. Notwithstanding the provisions of this section, receipts from  
1875 such charges shall be disbursed to the resources of the General Fund  
1876 during the period from July 1, 2003, to June 30, 2005, unless the  
1877 department shall, on or before October 30, 2003, issue a financing order  
1878 for each affected distribution company in accordance with sections 16-  
1879 245e to 16-245k, inclusive, to sustain funding of renewable energy  
1880 investment programs by substituting an equivalent amount, as  
1881 determined by the department in such financing order, of proceeds of  
1882 rate reduction bonds for disbursement to the resources of the General  
1883 Fund during the period from July 1, 2003, to June 30, 2005. The  
1884 department may authorize in such financing order the issuance of rate  
1885 reduction bonds that substitute for disbursement to the General Fund  
1886 for receipts of both charges under this subsection and subsection (a) of  
1887 section 16-245m, as amended by this act, and also may in its discretion  
1888 authorize the issuance of rate reduction bonds under this subsection  
1889 and subsection (a) of section 16-245m, as amended by this act, that  
1890 relate to more than one electric distribution company. The department  
1891 shall, in such financing order or other appropriate order, offset any  
1892 increase in the competitive transition assessment necessary to pay  
1893 principal, premium, if any, interest and expenses of the issuance of  
1894 such rate reduction bonds by making an equivalent reduction to the  
1895 charges imposed under this subsection, provided any failure to offset  
1896 all or any portion of such increase in the competitive transition  
1897 assessment shall not affect the need to implement the full amount of  
1898 such increase as required by this subsection and sections 16-245e to 16-  
1899 245k, inclusive. Such financing order shall also provide if the rate  
1900 reduction bonds are not issued, any unrecovered funds expended and  
1901 committed by the electric distribution companies for renewable  
1902 resource investment through deposits into the Renewable Energy  
1903 Investment Fund, provided such expenditures were approved by the  
1904 department following August 20, 2003, and prior to the date of

1905 determination that the rate reduction bonds cannot be issued, shall be  
1906 recovered by the companies from their respective competitive  
1907 transition assessment or systems benefits charge except that such  
1908 expenditures shall not exceed one million dollars per month. All  
1909 receipts from the remaining charges imposed under this subsection,  
1910 after reduction of such charges to offset the increase in the competitive  
1911 transition assessment as provided in this subsection, shall be disbursed  
1912 to the Renewable Energy Investment Fund commencing as of July 1,  
1913 2003. Any increase in the competitive transition assessment or decrease  
1914 in the renewable energy investment component of an electric  
1915 distribution company's rates resulting from the issuance of or  
1916 obligations under rate reduction bonds shall be included as rate  
1917 adjustments on customer bills.

1918 (c) There is hereby created a Renewable Energy Investment Fund  
1919 which shall be administered by [Connecticut Innovations,  
1920 Incorporated] the Connecticut Power Authority. The fund may receive  
1921 any amount required by law to be deposited into the fund and may  
1922 receive any federal funds as may become available to the state for  
1923 renewable energy investments. Connecticut Innovations, Incorporated,  
1924 may use any amount in said fund for expenditures which promote  
1925 investment in renewable energy sources in accordance with a  
1926 comprehensive plan developed by it to foster the growth, development  
1927 and commercialization of renewable energy sources, related  
1928 enterprises and stimulate demand for renewable energy and  
1929 deployment of renewable energy sources which serve end use  
1930 customers in this state. Such expenditures may include, but not be  
1931 limited to, grants, direct or equity investments, contracts or other  
1932 actions which support research, development, manufacture,  
1933 commercialization, deployment and installation of renewable energy  
1934 technologies, and actions which expand the expertise of individuals,  
1935 businesses and lending institutions with regard to renewable energy  
1936 technologies.

1937 (d) The chairperson of the board of directors of Connecticut

1938 [Innovations, Incorporated,] Power Authority shall convene a  
1939 Renewable Energy Investments Advisory Committee to assist  
1940 Connecticut Innovations, Incorporated, in matters related to the  
1941 Renewable Energy Investment Fund, including, but not limited to,  
1942 development of a comprehensive plan and expenditure of funds. The  
1943 advisory committee shall, in such plan, give preference to projects that  
1944 maximize the reduction of federally mandated congestion charges. The  
1945 plan shall be consistent with the comprehensive energy plan approved  
1946 by the Connecticut Energy Advisory Board pursuant to section 16a-7a.  
1947 The advisory committee shall include not more than twelve  
1948 individuals with knowledge and experience in matters related to the  
1949 purpose and activities of said fund. The advisory committee shall  
1950 consist of the following members: (1) One person with expertise  
1951 regarding renewable energy resources appointed by the speaker of the  
1952 House of Representatives; (2) one person representing a state or  
1953 regional organization primarily concerned with environmental  
1954 protection appointed by the president pro tempore of the Senate; (3)  
1955 one person with experience in business or commercial investments  
1956 appointed by the majority leader of the House of Representatives; (4)  
1957 one person representing a state or regional organization primarily  
1958 concerned with environmental protection appointed by the majority  
1959 leader of the Senate; (5) one person with experience in business or  
1960 commercial investments appointed by the minority leader of the  
1961 House of Representatives; (6) one person with experience in business  
1962 or commercial investments appointed by the minority leader of the  
1963 Senate; (7) two state officials with experience in matters relating to  
1964 energy policy and one person with expertise regarding renewable  
1965 energy resources appointed by the Governor; and (8) three persons  
1966 with experience in business or commercial investments appointed by  
1967 the board of directors of Connecticut Innovations, Incorporated. The  
1968 advisory committee shall issue annually a report to such chairperson  
1969 reviewing the activities of the fund in detail and shall provide a copy  
1970 of such report, in accordance with the provisions of section 11-4a, to  
1971 the joint standing committee of the General Assembly having

1972 cognizance of matters relating to energy, the Department of Public  
 1973 Utility Control and the Office of Consumer Counsel. The report shall  
 1974 include a description of the programs and activities undertaken during  
 1975 the reporting period jointly or in collaboration with the Energy  
 1976 Conservation and Load Management Funds established pursuant to  
 1977 section 16-245m, as amended by this act.

1978 [(e) There shall be a joint committee of the Energy Conservation  
 1979 Management Board and the Renewable Energy Investments Advisory  
 1980 Committee, as provided in subdivision (2) of subsection (d) of section  
 1981 16-245m.]

1982 [(f)] (e) No later than December 31, 2006, and no later than  
 1983 December thirty-first every five years thereafter, the advisory  
 1984 committee shall, [after consulting with the Energy Conservation  
 1985 Management Board,] conduct an evaluation of the performance of the  
 1986 programs and activities of the fund and submit a report, in accordance  
 1987 with the provisions of section 11-4a, of the evaluation to the joint  
 1988 standing committee of the General Assembly having cognizance of  
 1989 matters relating to energy.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2006</i>	1-120
Sec. 2	<i>October 1, 2006</i>	1-124
Sec. 3	<i>October 1, 2006</i>	1-125
Sec. 4	<i>October 1, 2006</i>	New section
Sec. 5	<i>October 1, 2006</i>	New section
Sec. 6	<i>October 1, 2005</i>	New section
Sec. 7	<i>October 1, 2006</i>	New section
Sec. 8	<i>October 1, 2006</i>	New section
Sec. 9	<i>October 1, 2006</i>	New section
Sec. 10	<i>October 1, 2006</i>	New section
Sec. 11	<i>October 1, 2006</i>	New section
Sec. 12	<i>October 1, 2006</i>	New section
Sec. 13	<i>July 1, 2006</i>	16-19

Sec. 14	<i>July 1, 2006</i>	16-19a
Sec. 15	<i>July 1, 2006</i>	16-19b
Sec. 16	<i>July 1, 2006</i>	16-19e
Sec. 17	<i>July 1, 2006</i>	16-243m(i)
Sec. 18	<i>July 1, 2006</i>	16-244c
Sec. 19	<i>July 1, 2006</i>	16-245a(a)(1)
Sec. 20	<i>July 1, 2006</i>	16-245m
Sec. 21	<i>July 1, 2006</i>	7-233y(c)
Sec. 22	<i>July 1, 2006</i>	16-32f(c)
Sec. 23	<i>July 1, 2006</i>	16-243s(b)
Sec. 24	<i>July 1, 2006</i>	16-245z
Sec. 25	<i>July 1, 2006</i>	16-245n

**Statement of Purpose:**

To establish a quasi-public authority to produce, acquire, distribute and sell electric power in the state, procure electric generation service contracts for standard service and administer the Energy Conservation and Load Management program and the Renewable Energy Investment Fund.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*