



Senate

General Assembly

File No. 191

January Session, 2007

Substitute Senate Bill No. 1373

Senate, March 29, 2007

The Committee on Energy and Technology reported through SEN. FONFARA, J. of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING ELECTRIC RATE RELIEF.

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

- 1 Section 1. (NEW) (*Effective July 1, 2007*) (a) As used in this section:
- 2 (1) "Qualifying transmission property" means new or modified high
3 voltage facilities deemed to be part of the administered transmission
4 system pursuant to the open access transmission tariff of the regional
5 independent system operator, constructed or modified on or after
6 January 1, 2007, or any additional transmission facilities that have costs
7 allocated to electric consumers in the state pursuant to a local service
8 tariff provided for under the open access transmission tariff of the
9 regional independent system operator and located in the state.
- 10 (2) "High voltage facilities" means electric transmission facilities
11 rated 345 kilovolt or higher.
- 12 (3) "Joint ownership interest" means an undivided fraction of

13 ownership in fee in qualifying transmission property by a participating
14 transferee utility, where said fraction is equal to the coincident
15 maximum hourly electric load of customers receiving electric
16 distribution service from the participating transferee utility divided by
17 the maximum hourly load of aggregate electric consumption within
18 the state during a calendar year. For purposes of this section, the
19 electric load of each municipal electric utility with authority to serve
20 electricity at retail within the state, which is a member or participant of
21 a municipal electric energy cooperative created pursuant to chapter
22 101a of the general statutes acquiring such a joint ownership interest,
23 shall be accounted for as part of the electric load of said cooperative
24 and the electric load of the cooperative, as so calculated, shall be
25 deemed to be the electric load of customers receiving electric
26 distribution service.

27 (4) "Participating transferee utility" means each electric distribution
28 company with the authority to serve electricity at retail within the
29 state, each municipal electric utility with the authority to serve
30 electricity at retail within the state, and a municipal electric energy
31 cooperative created pursuant to chapter 101a of the general statutes
32 and each such entity not otherwise qualifying as a transferor utility
33 with respect to particular qualifying transmission property pursuant to
34 this section.

35 (5) "Transferor utility" means an electric distribution company or its
36 affiliate that is constructing and owns the qualifying transmission
37 property on or before the date of transfer in accordance with the plan
38 approved by the Department of Public Utility Control pursuant to sub-
39 section (c) of this section.

40 (6) "Transmission facilities transfer proceeds" means the amount
41 paid to the transferor utility by the participating transferee utility for
42 the purchase of its joint ownership interest in qualifying transmission
43 property.

44 (b) Any transferor utility may elect to transfer qualifying
45 transmission property pursuant to the provisions of this section and, if

46 it so elects, may transfer up to the amount of the transmission facilities
47 transfer proceeds received by the transferor utility to enhanced
48 demand side management initiatives, in accordance with section 9 of
49 this act, in partnership with Connecticut electric efficiency partners for
50 investment in electric efficiency or conservation and load management
51 measures within its service area as recommended by the board and
52 approved by the Department of Public Utility Control in accordance
53 with section 16-245m of the general statutes, as amended by this act.
54 The department shall recognize the amount of the transmission
55 facilities transfer proceeds as a regulatory asset of the transferor utility.
56 The department shall conduct a contested case proceeding for
57 approval pursuant to chapter 54 of the general statutes and issue a
58 final order on or before November 1, 2007, establishing the specific
59 parameters for the creation and recovery of the regulatory asset
60 created pursuant to this subsection, including, but not limited to,
61 return on equity and depreciation life for the investments
62 contemplated in this subsection. Notwithstanding any other provisions
63 of this subsection, the return on equity component allowed in the retail
64 rates of the transferor utility for the capital contribution associated
65 with the transmission facilities transfer proceeds shall be not less than
66 the allowed return on equity that the transferor utility would receive
67 on its investment in the transferred qualifying transmission property
68 absent such transfer and the transferor utility shall receive rate base
69 treatment for recovery of the costs of such investment over a period
70 not longer than the depreciation of the asset as determined by the
71 department.

72 (c) (1) Each transferor utility shall submit a plan to the department
73 on or before September 30, 2007, for the transfer of joint ownership
74 interests in all qualifying transmission property that has entered or is
75 anticipated to enter into commercial operation or whose costs, in
76 whole or in part, are being or are anticipated to be recovered in the
77 transferor utility's rates on or before January 1, 2009, to each of the
78 participating transferee utilities for a price equal to the net book value
79 of the investment by the transferor utility in the qualifying
80 transmission property, as it appears in the accounts of such transferor

81 utility, as of the date of the transfer. Said plan shall include any
82 documentation the department determines is reasonably necessary to
83 approve such sale and establishes that the terms of such sale will not
84 have an adverse effect on customers of such electric distribution
85 company. The department shall hold a hearing and issue a final order
86 approving or modifying the plan in a time frame that will allow the
87 transfer of the joint ownership interests to be accomplished on or
88 before April 1, 2009.

89 (2) For a qualifying transmission property that does not meet the
90 requirements of subdivision (1) of this subsection, each transferor
91 utility on or before ninety days before the commencement of
92 construction or, if already under construction, before the
93 commencement of commercial operation of such qualifying
94 transmission property shall submit a plan to the department for the
95 participation through a joint ownership interest of each of the
96 participating transferee utilities in said qualifying transmission
97 property. Said plan shall provide for the transfer of the joint ownership
98 interest to each of the participating transferee utilities at price equal to
99 the net book investment by the transferor utility in the qualifying
100 transmission property and shall include any documentation the
101 department determines is reasonably necessary to approve such sale
102 and establishes that the terms of such sale will not have an adverse
103 effect on customers of such electric distribution company. The
104 department shall hold a hearing and issue a final order approving or
105 modifying the plan in a time frame that will allow the transfer of the
106 joint ownership interests on or before the commencement of recovery
107 in rates of any costs associated with said qualifying transmission
108 property.

109 (d) No sooner than thirty days and no later than one hundred
110 twenty days following the issuance of a final order of the department
111 approving any plan submitted by the transferor utility pursuant to
112 subsection (c) of this section, each of the participating transferee
113 utilities shall tender the transmission facilities transfer proceeds to the
114 transferor utility equivalent to its joint ownership interest in the

115 qualifying transmission facilities described in said plan as approved by
116 the department, and, thereafter, simultaneous with the receipt of such
117 proceeds the transferor utility shall transfer the joint ownership
118 interest to such participating transferee utility. If the participating
119 transferee utility fails to tender the transmission facilities transfer
120 proceeds during this period, the transferor utility's obligation to
121 transfer an interest in the qualifying transmission facilities described in
122 the plan as approved by the department and the participating
123 transferee utility's obligation to purchase such interest shall
124 permanently lapse.

125 (e) Notwithstanding the transfers of ownership in qualifying
126 transmission facilities affected by this section, the transferor utility or
127 the regional independent system operator, as applicable, shall retain
128 control over and operational responsibility for the qualifying
129 transmission facilities.

130 (f) The findings and approvals of the department under this section
131 shall be in lieu of the findings and approvals required for the transfer
132 of property pursuant to section 16-43 of the general statutes.

133 Sec. 2. (NEW) (*Effective from passage*) (a) The Energy Conservation
134 Management Board, established pursuant to section 16-245m of the
135 general statutes, as amended by this act, shall investigate and develop
136 a comprehensive plan, to be known as the Connecticut energy
137 excellence plan, which shall include, but not be limited to: (1)
138 Describing in detail any existing Connecticut higher educational
139 energy efficiency resources, (2) quantifying the strategic role that
140 energy efficiency programs can play in facilitating a transition to a
141 more efficient and competitive business climate, (3) identifying
142 measures that can be employed and investments in research that can
143 be made to position the state as a national leader in energy efficiency,
144 and (4) detailing the manner in which energy efficiency efforts can be
145 expanded to reduce the state's peak electric demand by not less than
146 ten per cent by 2010.

147 (b) On or before July 1, 2007, each electric distribution company

148 shall submit a plan to the Department of Public Utility Control to
149 deploy an advance metering infrastructure. Said metering
150 infrastructure shall support net metering and be capable of tracking
151 hourly consumption to support proactive customer pricing signals
152 through innovative rate design, such as time-of-day or real-time
153 pricing of electric service for all customer classes. The metering
154 infrastructure shall have the ability to capture interval data in a
155 minimum interval of fifteen minutes for both peak kilowatt demand
156 and kilowatt-hour consumption and allow that such data be accessible
157 by the customer or its designated competitive electric supplier via an
158 Ethernet or equivalent connection at or near the meter location.

159 (c) The plan to implement advanced metering developed pursuant
160 to subsection (b) of this section shall allow for the deployment of a
161 network to support the metering of seventy-five per cent of all
162 customers on or before January 1, 2008. The deployment of the
163 network to support the metering of the remaining twenty-five per cent
164 of the customers of each electric distribution company shall be
165 completed not later than January 1, 2009.

166 (d) The plan shall provide for the installation of an advanced meter
167 for any customer that chooses a competitive electric supplier or a
168 customer that requests the installation of such meter not later than
169 sixty days after switching to the competitive supplier making said
170 request. For all other customers, the plan shall support the installation
171 of meters to comply with the directives contained in the department's
172 decisions concerning rate design in Docket No. 05-10-03 and the
173 supplemental decision in Docket No. 05-06-04.

174 (e) The cost of the advanced metering infrastructure, including, but
175 not limited to, the meters, the network to support the meters, and
176 administrative, installation, operation and maintenance costs, shall be
177 borne by the electric distribution company and shall be recoverable in
178 rates. The unrecovered cost of the current metering system shall
179 continue to be reflected in rates.

180 (f) On or before January 1, 2008, the department shall issue a final

181 decision in an uncontested proceeding to approve a plan for
182 deployment of the metering system.

183 (g) The department shall allocate fifty per cent of any funds received
184 by the Energy Conservation and Load Management Funds pursuant to
185 section 24 of this act to defray the cost of the installation of an
186 advanced metering system for each electric distribution company.

187 Sec. 3. (NEW) (*Effective July 1, 2007*) Competitive electric suppliers
188 and aggregators shall provide time-of-use pricing options to all
189 customer classes. These pricing options may include, but not be
190 limited to, hourly or real-time pricing options. These pricing options
191 shall be in place no later than six months from the effective date of this
192 section.

193 Sec. 4. Section 16-244c of the general statutes is amended by adding
194 subsections (k) to (q) as follows (*Effective January 1, 2008*):

195 (NEW) (k) (1) As used in this section:

196 (A) "Program" means the retail choice and referral program
197 described in this subsection.

198 (B) "Participating electric supplier" means an electric supplier that
199 has been authorized after appropriate review by the department to
200 make an offer to provide electric service, pursuant to this subsection, to
201 residential customers.

202 (C) "Residential customer" means a customer who is eligible for
203 standard service and who takes electric distribution-related service
204 from an electric distribution company pursuant to a residential tariff.

205 (D) "Small commercial customer" means a customer who is eligible
206 for standard service and who takes electric distribution-related service
207 from an electric distribution company pursuant to a small commercial
208 tariff.

209 (2) Each month, participating electric suppliers shall be allowed to

210 list introductory offers to provide electric generation service to
211 residential and small commercial customers with each customer's
212 utility bill. The department shall determine the manner in which
213 introductory offers shall be made.

214 (A) Such introductory offers shall include the price comparable to
215 the generation-related service charge under the then-applicable
216 standard service rate for a fixed number of months. Every
217 participating supplier shall offer at least one service that bases price on
218 the time of consumption. The department shall allow the listing of
219 introductory offers with fixed prices or offers based on service
220 characteristics other than price, including, but not limited to, the
221 environmental characteristics of the generation service and the
222 inclusion of energy efficiency, conservation or demand response
223 services with the offer.

224 (B) Participating electric suppliers shall provide residential and
225 small commercial customers a means of choosing one of the
226 introductory offers. The department shall determine said means,
227 which shall be designed to maximize the ease to the customer of
228 exercising such choice and minimize any delay in implementing such
229 choice. The means of exercising said choice of an introductory offer
230 shall include at least the following: (i) An expression of affirmative
231 choice appearing on the return portion of the utility bill; (ii) a toll-free
232 telephone number; and (iii) a web site operated by or at the direction
233 of the department. The department shall establish comparable
234 enrollment procedures for customers paying their bill electronically or
235 through third-party bill processors wherever practicable.

236 (C) Upon the expiration of the introductory offer, and after at least
237 thirty days written notice, participating residential and small
238 commercial customers may (i) switch to a different supplier, upon
239 terms proposed by the supplier; or (ii) return to standard service at the
240 then-applicable rate. If neither of these options is chosen, the customer
241 shall remain with the supplier of record subject to the terms then in
242 effect.

243 (3) At the direction of the department, electric distribution
244 companies shall offer to customers initiating new service, or
245 reinitiating service following a change of residence or business
246 location, a choice of then-available introductory offers from
247 participating electric suppliers to provide electric generation service as
248 an alternative to being placed on standard service. Customers
249 expressing a preference for a specific electric supplier or for standard
250 service shall be enrolled with that supplier or continued on standard
251 service. Customers not expressing a preference for a specific electric
252 supplier shall be enrolled with an electric supplier selected randomly
253 on a rotating basis. Upon the expiration of the introductory offer, a
254 participating residential customer may (A) switch to a different
255 supplier, upon terms proposed by the supplier; or (B) return to
256 standard service at the then-applicable rate. If neither of these options
257 is chosen, the customer shall remain with the supplier of record subject
258 to the terms then in effect.

259 (4) In the manner determined by the department, residential or
260 small commercial standard service customers making an inbound call
261 to an electric distribution company for any purpose related to the
262 customers' electric service shall be offered the option to learn about
263 their ability to enroll with a participating electric supplier and shall be
264 informed that they have the option to receive immediate savings
265 compared to the standard service rate by participating in the referral
266 program. Customers choosing to participate shall be transferred to a
267 customer service representative for the program and informed of the
268 then-available introductory offers by participating electric suppliers.
269 Customers expressing a preference for a specific electric supplier shall
270 be enrolled with that supplier. Upon the expiration of the introductory
271 offer, a participating residential or small commercial customer may (A)
272 switch to a different supplier, upon terms proposed by the supplier; or
273 (B) return to standard service at the then-applicable rate. If neither of
274 these options is chosen, the customer shall remain with the supplier of
275 record subject to the terms then in effect.

276 (5) The department shall make available to residential and small

277 commercial customers the ability to participate voluntarily as members
278 of a customer choice buying pool.

279 (A) Said buying pool shall be created from customers electing to
280 participate in the pool in one of the following ways: (i) The marking of
281 a check box or similar device included with the customer's utility bill;
282 (ii) calling a toll-free number; (iii) through a web site operated by or at
283 the direction of the department; or (iv) by responding to a nonutility
284 mailing approved by the department. The department shall promote
285 the existence and purpose of, and the means of joining, the buying
286 pool, through advertising and marketing as the department deems
287 appropriate. Enrollment in the initial buying pool shall continue for a
288 period of time determined by the department but shall in no event
289 exceed ninety days from the initial announcement of the buying pool.

290 (B) Upon the closure of the enrollment period for the buying pool,
291 the department shall solicit bids from participating electric suppliers to
292 provide retail electric service to the customers in the buying pool. The
293 means of soliciting and receiving such bids shall be determined by the
294 department. The department shall conduct an uncontested proceeding
295 and may choose one or more winning bidders based on price as
296 compared to the generation-related service charges under the then-
297 available standard offer price, financial and managerial strength of the
298 bidders and the ability of the bidders to adhere to the current retail
299 choice rules. If the department finds none of the bids to be acceptable,
300 the department shall seek new bids at a time of its choosing, not to
301 exceed one hundred twenty days from the date upon which it rejected
302 the previous bids. Customers who provide their consent to participate
303 in the buying pool shall remain in the buying pool until the
304 department chooses successful bidders to provide electric service to
305 the pool, provided if the department has not chosen successful bidders
306 one year from the initial solicitation of bids to provide electric service
307 to the buying pool, the buying pool shall be dissolved.

308 (C) Retail electric service shall be provided to the members of the
309 buying pool for a term of one year. Each pool customer shall be

310 enrolled by the winning supplier or suppliers with account numbers
311 supplied by the utility to such supplier or suppliers. During the one-
312 year term, members of the buying pool may switch to a different retail
313 supplier or switch to a different electric service offered by the supplier
314 to the buying pool without penalty to the customer or to the new
315 supplier. Upon the expiration of the term, a member of the buying
316 pool may (i) switch to a different supplier, upon terms proposed by the
317 supplier; or (ii) return to standard service at the then-applicable rate. If
318 neither of these options is chosen, the member of the buying pool shall
319 remain with the supplier of record subject to the terms then in effect.

320 (D) Following selection of one or more winning bidders for the
321 initial buying pool, the department may, at its discretion, form a
322 subsequent buying pool by the means described above, provided,
323 however, in no event shall solicitation of residential and small
324 commercial customers for a new buying pool commence fewer than
325 thirty days following the selection of winning bidders for the initial
326 buying pool. To the extent practicable, customers receiving service
327 from a competitive retail supplier, whether through a buying pool or
328 otherwise, shall not be solicited for participation in a new buying pool.
329 Only residential and small commercial customers enrolled in and
330 receiving standard service may participate in a buying pool.

331 (NEW) (l) The department shall ensure that any and all prudently
332 incurred costs for the implementation and operation of the programs
333 described in subsection (k) of this section are recovered in the rates of
334 electric distribution companies.

335 (NEW) (m) The department shall implement performance-based
336 financial incentives which may be earned by electric distribution
337 companies in connection with their implementation and operation of
338 the programs described in subsection (k) of this section.

339 (NEW) (n) An electric distribution company may apply to the
340 department for approval of rates to provide enhanced billing and other
341 value-added services to participating electric suppliers, provided the
342 rates for any such services may not exceed the incremental cost to the

343 electric distribution company of providing such services.
344 Notwithstanding the foregoing, the department may identify and
345 implement performance-based financial incentives that may be earned
346 by electric distribution companies in connection with their
347 implementation and operation of such enhanced billing and other
348 value-added services to participating electric suppliers.

349 (NEW) (o) Each electric distribution company shall implement a
350 purchase of receivables program for participating electric suppliers
351 with full and timely cost recovery for the electric distribution company
352 under terms and conditions approved by the department.

353 (NEW) (p) Notwithstanding section 16-245p and upon request by a
354 participating electric supplier, each electric distribution company shall
355 provide to such requesting retail supplier the following customer
356 information, provided no electric company shall provide such
357 information relating to a customer who withholds or withdraws
358 consent to do so: (1) Account name; (2) billing address; (3) service
359 address; (4) utility account number; (5) utility rate class; (6) monthly
360 historic consumption for the previous twelve months; and (7) any
361 other information that the department deems necessary for
362 participating electric suppliers.

363 (NEW) (q) Any customer that receives electric generation service
364 from a participating electric supplier can return to standard service or
365 supplier of last resort service at any time. Any customer that is
366 receiving electric generation service from an electric distribution
367 company pursuant to either standard service or supplier of last resort
368 service can switch to an electric supplier at any time without the
369 imposition of any additional charges.

370 Sec. 5. Section 16-245m of the general statutes is amended by adding
371 subsection (h) as follows (*Effective January 1, 2008*):

372 (NEW) (h) The department, in consultation with the Energy
373 Conservation Management Board, shall identify and implement cost-
374 effective energy conservation programs and market transformation

375 initiatives to be supported by participating electric suppliers, as
376 defined in section 16-244c, as amended by this act, and electric
377 distribution companies designed to promote energy efficiency for
378 customers participating in the retail choice and referral program
379 established pursuant to section 16-244c, as amended by this act. Such a
380 program may include market-based offerings, such as coupons or
381 vouchers, for use in purchasing energy-efficient appliances or lighting
382 and promotion of deployment of advanced metering infrastructure
383 technology.

384 Sec. 6. Subsection (e) of section 16-244c of the general statutes is
385 repealed and the following is substituted in lieu thereof (*Effective July*
386 *1, 2007*):

387 (e) (1) On and after January 1, 2007, an electric distribution company
388 shall serve customers that are not eligible to receive standard service
389 pursuant to subsection (c) of this section as the supplier of last resort.
390 This subsection shall not apply to customers purchasing power under
391 contracts entered into pursuant to section 16-19hh. [Any customer
392 previously receiving electric generation services from an electric
393 supplier shall not be eligible to receive supplier of last resort service
394 pursuant to this subsection unless such customer agrees to receive
395 supplier of last resort service for a period of not less than one year.]

396 (2) An electric distribution company shall procure electricity at least
397 every calendar quarter to provide electric generation services to
398 customers pursuant to this subsection. The Department of Public
399 Utility Control shall determine a price for such customers that reflects
400 the full cost of providing the electricity on a monthly basis. Each
401 electric distribution company shall recover the actual net costs of
402 procuring and providing electric generation services pursuant to this
403 subsection, provided such company mitigates the costs it incurs for the
404 procurement of electric generation services for customers that are no
405 longer receiving service pursuant to this subsection.

406 Sec. 7. (NEW) (*Effective from passage*) (a) For purposes of this section:

407 (1) "State facility electric supply manager" means the third-party
408 entity that enters into a contract with the Department of Public Utility
409 Control for the provision of state facility energy services pursuant to
410 the provisions of this section.

411 (2) "State facility electric services" means electric generation services,
412 implementation of electric conservation and load management
413 measures, such as electric demand response, and other services related
414 to the provision of electric service supplied to or used by facilities or
415 properties operated by any state agency, institution or department.
416 Such services do not include the provision or supply of electric
417 distribution services.

418 (b) Notwithstanding any other provision of the general statutes, to
419 better manage the costs of electricity, the state shall establish a
420 leadership role with respect to managing and controlling the costs of
421 state facilities and expanding the use of conservation and load
422 management and energy efficiency measures for facilities owned or
423 operated by the state, and the use of electricity consumed at such
424 facilities for the benefit of the state as a whole. State agencies and
425 institutions shall participate in an integrated energy purchasing and
426 efficiency program with the oversight of the Department of Public
427 Utility Control, pursuant to this section, which shall provide for the
428 consolidated purchasing of electricity by state agencies and
429 institutions, the coordinated deployment of innovative conservation
430 and load management and energy efficiency measures throughout the
431 facilities of state government and the coordination and joint
432 management and use of the electric infrastructure owned or operated
433 by state agencies or institutions as part of said program to achieve the
434 lowest possible total energy costs for the state. It is the intent of this
435 integrated energy purchasing and efficiency program to provide input
436 and information to the department to be incorporated into the state's
437 comprehensive plan for the procurement of energy resources,
438 including, but not limited to, conventional and renewable generating
439 facilities, energy efficiency, load management, demand response,
440 combined heat and power facilities and distributed generation to meet

441 the projected requirements of electric customers in a manner that
442 minimizes the cost of such resources to customers over time consistent
443 with the state's environmental goals and standards as set forth in
444 section 15 of this act.

445 (c) (1) The department may, pursuant to this section, negotiate and
446 enter into a contract for the supply of all or a portion of state facility
447 electric services to all facilities or properties operated by any state
448 agency, institution or department for a term not to exceed five years
449 with provision for annual renewal thereafter with a third-party,
450 possessing the requisite managerial, technical and financial capacity, as
451 determined by the department, to perform said contract during its
452 term. The department shall order the electric distribution companies to
453 consolidate all of the state facilities in their respective service areas into
454 a single consolidated combined account for purposes of billing
455 transmission and distribution services as a single coincident peak
456 demand. If the state facilities electric supply manager is a municipal
457 electric energy cooperative created pursuant to chapter 101a of the
458 general statutes, the electric distribution companies shall incorporate
459 the load of the state facilities into any existing agreements for
460 transmission and other related services under the terms of said
461 agreements. The department shall further order each electric
462 distribution company to implement, in whole or in part, on or before
463 January 1, 2008, such measures as the department and the state
464 facilities electric supply manager consider appropriate, including, but
465 not limited to, the installation of necessary smart metering,
466 communication equipment to be provided by the state facilities electric
467 supply manager and support of necessary permit filings as required.

468 (2) To fulfill the purposes of this section, the department may
469 perform all acts necessary for the negotiation, execution and
470 administration of said contract under the terms as set forth in
471 subsection (d) of this section and which are reasonably incidental to
472 and further the needs of the state and the purposes of this section. The
473 department shall cooperate with the state facilities electric supply
474 manager to determine the demand reduction and enhanced reliability

475 initiative opportunities to reduce federally mandated congestion
476 charges by maximizing the value of existing and new load curtailment
477 capability in combination or coordination with existing or new
478 distributed resources owned or operated by any state agency, and to
479 determine feasible options to establish the most desirable mechanism
480 to monitor electric load levels and hourly energy market prices and
481 initiate curtailment requests to achieve the objectives contemplated
482 pursuant to this section. As part of this cooperation, the department
483 shall determine the value of demand reduction at various reasonably
484 achievable levels and feasible demand bidding options in the markets
485 administered by the regional independent system operator to take
486 maximum cost advantage of demand side reductions in said markets.

487 (d) The contract with the state facility electric supply manager
488 entered into pursuant to subsection (c) of this section shall allow for
489 the consolidation of accounts for the purchase of electric generation
490 services and shall include requirements for the provision of electric
491 generation services by the state electric supply manager, procured at
492 wholesale either as an agent or supplier of such services and credited
493 against the state facility load, the deployment and utilization of energy
494 conservation and load management services, the deployment of
495 innovative and advanced metering at state facilities or properties, the
496 optimal utilization of state facility electric services in combination or
497 coordination with existing or new distributed resources owned or
498 operated by any state agency, the purchase or hedging of fuels used by
499 any distributed resources owned or operated by any state agency, and
500 the measurement and reporting of annual electric costs and benefits
501 associated with overall electric procurement strategies for the state and
502 each such state agency's or institution's implementation of energy
503 conservation and load management measures.

504 (e) Any costs incurred by the state in complying with the provisions
505 of this section, including, but not limited to, the costs incurred by the
506 state facility electric supply manager, shall be paid from annual state
507 appropriations. The electric distribution companies shall be eligible to
508 recover any prudently incurred costs associated with their

509 implementation of the provisions of this section through their rates.

510 (f) Each budgeted state agency that installs and implements energy
511 conservation and load management measures at the direction of the
512 state facility electric supply manager may reallocate to its budget for
513 the succeeding fiscal year as determined by the official with executive
514 authority over such state agency from the amounts appropriated to
515 such agency for the purchase of electricity during any fiscal year. The
516 reallocation authorized by this subsection shall equal fifty per cent of
517 the annual net savings in electric costs, measured against the
518 applicable published standard service electric rates as determined by
519 section 16-244c of the general statutes, as amended by this act, incurred
520 with respect to the facility or property operated by each such budgeted
521 state agency resulting from installation and operation of such energy
522 conservation and load management measures.

523 (g) A municipal electric energy cooperative organized under
524 chapter 101a of the general statutes or a legal entity comprising a
525 project, as defined in subdivision (12) of section 7-233b of the general
526 statutes, owned or controlled by said municipal electric energy
527 cooperative, may act as the state facility electric supply manager,
528 pursuant to the provisions of this section, and may perform the
529 obligations of the contract authorized by this section and shall not
530 thereby become or be made subject to the provisions of section 16-245
531 of the general statutes notwithstanding any provision of the general
532 statutes, provided no provision of said contract shall require or
533 authorize said municipal electric energy cooperative to act in a manner
534 inconsistent or in conflict with the provisions of chapter 101a of the
535 general statutes, including any take or pay commitments made by said
536 cooperative with respect to the state facility electric services provided
537 under the contract entered pursuant to this section or to otherwise
538 impair or restrict its existing authorities or obligations under chapter
539 101a of the general statutes.

540 (h) In furtherance of the performance of its duties pursuant to the
541 provisions of this section, the department shall consult with the

542 Secretary of the Office of Policy and Management and the
543 Commissioner of Public Works.

544 Sec. 8. (NEW) (*Effective July 1, 2007*) As used in sections 8 to 10,
545 inclusive, of this act:

546 (1) "Enhanced demand side management initiatives" means demand
547 side dispatchable load management solutions, load shifting
548 technologies, demand side dispatchable emergency generation,
549 demand side renewable energy generation and energy efficient capital
550 equipment financed by a Connecticut electric efficiency partner.

551 (2) "Connecticut electric efficiency partner" means a company
552 formed for the purpose of providing enhanced demand side
553 management initiatives under the terms and conditions of a contract
554 approved by the Department of Public Utility Control between such
555 company and the electric distribution companies.

556 Sec. 9. (NEW) (*Effective from passage*) (a) On or before July 1, 2007,
557 the Department of Public Utility Control shall develop and issue a
558 request for proposals to solicit responses from a Connecticut electric
559 efficiency partner or partners for investments in enhanced demand
560 side management initiatives.

561 (b) The request for proposals developed and issued pursuant to
562 subsection (a) of this section shall include solicitations from a
563 Connecticut electric efficiency partner or partners to design, develop,
564 own, operate and maintain enhanced demand side management
565 initiatives.

566 (c) The department shall complete the evaluation of responses and
567 selection of a Connecticut electric efficiency partner or partners on or
568 before November 1, 2007. The department may implement a second
569 round of requests for proposals on or before July 1, 2008.

570 (d) Any proposal from a Connecticut electric efficiency partner shall
571 describe in detail the enhanced demand side management initiative to
572 be deployed and its target market, cost to ratepayers and projected

573 load-reduction benefits. The department shall review and select cost-
574 effective proposals that target activities to areas not adequately
575 addressed and offer lasting beneficial changes in the market. The
576 department, in its evaluation process, shall determine whether a
577 company seeking to become a Connecticut electric efficiency partner
578 possesses demonstrated experience in demand side management
579 program implementation and demonstrated managerial competence.
580 No electric distribution company and no municipal electric utility may
581 retain greater than forty-nine per cent of the equity of any Connecticut
582 electric efficiency partner, and no electric distribution company and no
583 municipal electric utility may exert direct control over the operations
584 or budget of any Connecticut electric efficiency partner. The
585 department shall approve only those proposals that result in overall
586 system benefits and participating customer benefits that exceed the net
587 costs to ratepayers from the recovery of these costs in rates during the
588 life of the contract.

589 (e) Upon issuance of a Department of Public Utility Control decision
590 approving or modifying a proposal to become a Connecticut electric
591 efficiency partner, the Connecticut electric efficiency partner shall enter
592 into a contractual relationship with the electric distribution companies.
593 Any such contract shall address measures of effectiveness, shall
594 include performance milestones, and shall further include provisions
595 allowing for the right of the department, or its designated third-party
596 consultants, to audit the books and records of the Connecticut electric
597 efficiency partner, and to summon and examine, under oath, such
598 witnesses, and to direct the production of, and examine or cause to be
599 produced and examined, such books, records, vouchers, memoranda,
600 documents, letters, contracts or other papers in relation to the affairs of
601 such Connecticut electric efficiency partner as it may find advisable,
602 and shall have the same powers in reference thereto as are vested in
603 magistrates taking depositions. Such contract shall be for a term of at
604 least five years, and shall be renewable at the department's option.

605 (f) The department, in its solicitation for proposals for enhanced
606 demand side management initiatives, shall establish the following

607 minimum investment goals: (1) For the calendar year 2008, one
608 hundred million dollars, (2) for the calendar year 2009, one hundred
609 fifty million dollars, (3) for the calendar year 2010, two hundred
610 million dollars, (4) for the calendar year 2011, two hundred fifty
611 million dollars, and (5) for the calendar year 2012, three hundred
612 million dollars.

613 (g) The department shall encourage in the request for proposal
614 process for enhanced demand side management initiatives from a
615 prospective Connecticut electric efficiency partner or partners
616 responses that include investments in Class I renewable energy
617 sources, as defined in section 16-1 of the general statutes.

618 (h) In the selection process, the department shall ensure that no one
619 technology, as defined as a Class I renewable energy source, shall
620 account for a significant portion of the total investment of Class I
621 renewable energy source investments as a whole by all contracts for
622 enhanced demand side management initiatives in a given year.

623 Sec. 10. (NEW) (*Effective July 1, 2007*) (a) Proposals approved by the
624 Department of Public Utility Control from a Connecticut electric
625 efficiency partner or partners may include an authorization for an
626 electric distribution company or electric distribution companies, as
627 defined in section 16-1 of the general statutes, as amended by this act,
628 to release funds for the purpose of investing in the enhanced demand
629 side management initiative by the Connecticut electric efficiency
630 partner, including the cost of discounted financing, only if the
631 projected system benefits exceed the projected subsidy costs to
632 ratepayers. Any such funds expended by an electric distribution
633 company and a Connecticut electric efficiency partner shall be
634 recoverable from ratepayers at an equivalent return allowed on
635 transmission infrastructure investments. Electric distribution
636 companies may be eligible for an additional incremental rate of return,
637 based on the overall net system benefit created from the enhanced
638 demand side management initiatives, as determined by the
639 department.

640 (b) A Connecticut electric efficiency partner providing enhanced
641 demand side management initiatives through the use of discounted
642 financing to end users pursuant to this section shall, after receiving
643 approval from the department, enter into an agreement with an
644 electric distribution company for such company to provide billing
645 services with respect to the payments due to the Connecticut electric
646 efficiency partner from the person receiving the financing. The electric
647 distribution company shall recover all reasonable costs incurred in
648 implementing this subsection.

649 (c) An electric distribution company, through a Connecticut Energy
650 Efficiency Partner, may propose to the department the creation of a
651 capital-intensive enhanced demand side management financing
652 initiative. After review and approval by the department, an electric
653 distribution company may apply to the department for approval to
654 include such project in its rate base. The department shall review any
655 such application to ensure that the project (1) does not target areas
656 adequately addressed in the marketplace; (2) provides significant
657 system benefits; and (3) offers lasting beneficial changes in the market.
658 Such approval may include permission to defer recovery of such
659 investment to a future rate case.

660 Sec. 11. Subsection (a) of section 16-245l of the general statutes is
661 repealed and the following is substituted in lieu thereof (*Effective July*
662 *1, 2007*):

663 (a) The Department of Public Utility Control shall establish and each
664 electric distribution company shall collect a systems benefits charge to
665 be imposed against all end use customers of each electric distribution
666 company beginning January 1, 2000. The department shall hold a
667 hearing that shall be conducted as a contested case in accordance with
668 chapter 54 to establish the amount of the systems benefits charge. The
669 department may revise the systems benefits charge or any element of
670 said charge as the need arises. The systems benefits charge shall be
671 used to fund (1) the expenses of the public education outreach
672 program developed under subsections (a), (f) and (g) of section 16-

673 244d other than expenses for department staff, (2) the reasonable and
674 proper expenses of the education outreach consultant pursuant to
675 subsection (d) of section 16-244d, (3) the cost of hardship protection
676 measures under sections 16-262c and 16-262d and other hardship
677 protections, including, but not limited to, electric service bill payment
678 programs, funding and technical support for energy assistance, fuel
679 bank and weatherization programs and weatherization services, (4) the
680 payment program to offset tax losses described in section 12-94d, (5)
681 any sums paid to a resource recovery authority pursuant to subsection
682 (b) of section 16-243e, (6) low income conservation programs approved
683 by the Department of Public Utility Control, (7) displaced worker
684 protection costs, (8) unfunded storage and disposal costs for spent
685 nuclear fuel generated before January 1, 2000, approved by the
686 appropriate regulatory agencies, (9) postretirement safe shutdown and
687 site protection costs that are incurred in preparation for
688 decommissioning, (10) decommissioning fund contributions, (11) the
689 costs of temporary electric generation facilities incurred pursuant to
690 section 16-19ss, (12) operating expenses for the Connecticut Energy
691 Advisory Board, [and] (13) legal, appraisal and purchase costs of a
692 conservation or land use restriction and other related costs as the
693 department in its discretion deems appropriate, incurred by a
694 municipality on or before January 1, 2000, to ensure the environmental,
695 recreational and scenic preservation of any reservoir located within
696 this state created by a pump storage hydroelectric generating facility,
697 and (14) funds released pursuant to section 10 of this act by an electric
698 distribution company to a Connecticut electric efficiency partner, as
699 defined in section 8 of this act. As used in this subsection, "displaced
700 worker protection costs" means the reasonable costs incurred, prior to
701 January 1, 2008, (A) by an electric supplier, exempt wholesale
702 generator, electric company, an operator of a nuclear power generating
703 facility in this state or a generation entity or affiliate arising from the
704 dislocation of any employee other than an officer, provided such
705 dislocation is a result of (i) restructuring of the electric generation
706 market and such dislocation occurs on or after July 1, 1998, or (ii) the
707 closing of a Title IV source or an exempt wholesale generator, as

708 defined in 15 USC 79z-5a, on or after January 1, 2004, as a result of
709 such source's failure to meet requirements imposed as a result of
710 sections 22a-197 and 22a-198 and this section or those Regulations of
711 Connecticut State Agencies adopted by the Department of
712 Environmental Protection, as amended from time to time, in
713 accordance with Executive Order Number 19, issued on May 17, 2000,
714 and provided further such costs result from either the execution of
715 agreements reached through collective bargaining for union
716 employees or from the company's or entity's or affiliate's programs
717 and policies for nonunion employees, and (B) by an electric
718 distribution company or an exempt wholesale generator arising from
719 the retraining of a former employee of an unaffiliated exempt
720 wholesale generator, which employee was involuntarily dislocated on
721 or after January 1, 2004, from such wholesale generator, except for
722 cause. "Displaced worker protection costs" includes costs incurred or
723 projected for severance, retraining, early retirement, outplacement,
724 coverage for surviving spouse insurance benefits and related expenses.
725 "Displaced worker protection costs" does not include those costs
726 included in determining a tax credit pursuant to section 12-217bb.

727 Sec. 12. Subsection (a) of section 16-41 of the general statutes is
728 repealed and the following is substituted in lieu thereof (*Effective July*
729 *1, 2007*):

730 (a) Each (1) public service company and its officers, agents and
731 employees, (2) electric supplier or person providing electric generation
732 services without a license in violation of section 16-245, and its officers,
733 agents and employees, (3) certified telecommunications provider or
734 person providing telecommunications services without authorization
735 pursuant to sections 16-247f to 16-247h, inclusive, and its officers,
736 agents and employees, (4) person, public agency or public utility, as
737 such terms are defined in section 16-345, subject to the requirements of
738 chapter 293, (5) person subject to the registration requirements under
739 section 16-258a, (6) cellular mobile telephone carrier, as described in
740 section 16-250b, [and] (7) Connecticut electric efficiency partner, as
741 defined in section 8 of this act, and (8) company, as defined in section

742 16-49, shall obey, observe and comply with all applicable provisions of
743 this title and each applicable order made or applicable regulations
744 adopted by the Department of Public Utility Control by virtue of this
745 title as long as the same remains in force. Any such company, electric
746 supplier, certified telecommunications provider, Connecticut electric
747 efficiency partner, cellular mobile telephone carrier, person, any
748 officer, agent or employee thereof, public agency or public utility
749 which the department finds has failed to obey or comply with any
750 such provision of this title, order or regulation shall be fined by order
751 of the department in accordance with the penalty prescribed for the
752 violated provision of this title or, if no penalty is prescribed, not more
753 than ten thousand dollars for each offense, except that the penalty shall
754 be a fine of not more than forty thousand dollars for failure to comply
755 with an order of the department made in accordance with the
756 provisions of section 16-19 or 16-247k or within thirty days of such
757 order or within any specific time period for compliance specified in
758 such order. Each distinct violation of any such provision of this title,
759 order or regulation shall be a separate offense and, in case of a
760 continued violation, each day thereof shall be deemed a separate
761 offense. Each such penalty and any interest charged pursuant to
762 subsection (g) or (h) of section 16-49 shall be excluded from operating
763 expenses for purposes of rate-making.

764 Sec. 13. (NEW) (*Effective July 1, 2007*) The Department of Public
765 Utility Control, in consultation with the Office of Consumer Counsel,
766 shall implement a public education outreach program to inform
767 electric ratepayers about the various programs and options available to
768 them. These include, but are not limited to, the choice of alternative
769 electric suppliers, the range of energy efficiency products and options
770 available, time of use rates and customer-side distributed generation
771 programs. The department may retain the use of a consultant in
772 accordance with section 16-18a of the general statutes, as amended by
773 this act, to implement the outreach program.

774 Sec. 14. Subsection (b) of section 16-18a of the general statutes is
775 repealed and the following is substituted in lieu thereof (*Effective July*

776 1, 2007):

777 (b) The Department of Public Utility Control may retain consultants
778 to assist in [developing and implementing the] the implementation of a
779 public education outreach program pursuant to section [16-244d,
780 provided the authorization to retain such consultants shall expire
781 December 31, 2005, and provided further the reasonable and proper
782 expenses for such services shall not exceed three hundred fifty
783 thousand dollars in the aggregate] 13 of this act. All reasonable and
784 proper expenses [accrued prior to January 1, 2000,] of the program
785 shall be borne by electric companies or electric distribution companies,
786 as the case may be. [After the systems benefits charge begins to be
787 collected on January 1, 2000, pursuant to section 16-245l, such
788 companies shall recover those expenses that have been accrued by the
789 companies up until said date through the systems benefits charge. On
790 and after January 1, 2000, all reasonable and proper expenses shall be
791 assessed directly through the systems benefits charge.] These expenses
792 shall in turn be reimbursed to the electric companies or electric
793 distribution companies through the systems benefits charge.

794 Sec. 15. (NEW) (*Effective July 1, 2007*) On or before September 1,
795 2007, the chairperson of the Public Utilities Control Authority and the
796 Commissioner of Environmental Protection shall enter into a
797 collaborative memorandum of understanding allowing for the timely
798 permitting and operation of emergency electric generation resources as
799 dispatchable resources available to participate in the locational
800 Forward Reserve Market administered by the regional independent
801 system operator, the timely installation and coordination of pollution
802 control equipment or measures as deemed appropriate on such
803 resources, and any necessary regulatory reviews and approvals. The
804 objectives of the collaborative memorandum of understanding shall be
805 to maximize the savings to the state's electric ratepayers and to benefit
806 the state's economy as a whole, while recognizing the agencies' mutual
807 goals of promoting a healthy economy by reducing the cost of
808 electricity while preserving and improving the environment. The
809 memorandum shall recognize that electric reliability charges in

810 Connecticut largely arise because the regional independent system
811 operator has determined that all electric generation in the state is
812 needed to meet operational reliability requirements of the
813 interconnected electric system and there is insufficient "quick start"
814 electric generation capacity within the state to allow the system to
815 recover from contingency outages of large generating units or
816 transmission lines and further recognize that entities with operations
817 within the state have registered with the Department of Environmental
818 Protection a significant number of resources able to synchronize to the
819 transmission grid and commence the generation of electricity within
820 thirty minutes or less of a request, where the regional independent
821 system operator currently does not recognize such resources because
822 they are not represented in the energy management system
823 administered. The chairperson and the commissioner of the respective
824 state agencies shall incorporate into and include for consideration in
825 the collaborative memorandum of understanding an estimation of the
826 emissions reductions resulting from not using steam driven fossil
827 fueled generating units in a reserve and spinning status to meet the
828 quick start generating needs of the state, the estimated emissions from
829 the use of emergency generation operating under the locational
830 forward reserve markets of the regional independent system operator,
831 adds to the dispatch price of the emergency electric generating
832 resources associated with any incremental environmental emissions
833 from such facilities and the feasibility of actions required and
834 estimated costs to remediate some portion of such emergency
835 generation to comply with Connecticut air quality requirements in
836 conformance with federal and regional clean air standards. On or
837 before September 1, 2007, and upon any additional modification to
838 such memorandum of understanding, said chairperson and said
839 commissioner shall report on the actions and measures taken pursuant
840 to the memorandum of understanding directed by this section to the
841 joint standing committees of the General Assembly having cognizance
842 of matters relating to energy and the environment in accordance with
843 the provisions of section 11-4a of the general statutes.

844 Sec. 16. (NEW) (Effective from passage) (a) Notwithstanding the

845 provisions of title 22a of the general statutes, the Department of
846 Environmental Protection shall review and issue a final decision no
847 later than ninety days following the submission of a complete and
848 accurate application with respect to each permit application filed with
849 said department on or after May 1, 2007, and not later than January 1,
850 2010, which is required for the installation of emergency electric
851 generation and distributed resources, as defined in section 16-1 of the
852 general statutes, as amended by this act, to be offered in the locational
853 forward reserve market including systems that utilize fossil fuels as
854 the primary fuel source. Any such permit issued as directed by this
855 section shall have a term of no less than three years.

856 (b) The Department of Environmental Protection shall notify the
857 Department of Public Utility Control not later than August 1, 2007, of
858 the acceptable pollution control equipment or measures applicable to
859 the various types of emergency electric generation resources that may
860 participate in the locational forward reserve market.

861 Sec. 17. (NEW) (*Effective from passage*) (a) Not later than June 1, 2007,
862 each electric distribution company shall file with the Department of
863 Public Utility Control, for review, a new plan by which each company
864 proposes to procure electric generation services contracts for standard
865 service. Each company's filed plan shall address, at a minimum, the
866 following: (1) The potential benefits of various types of service
867 contracts such as full requirements, unit specific, and block power
868 purchases and how the plan uses all available types of service
869 contracts to produce just, reasonable and reasonably stable retail rates,
870 (2) the potential benefits of various term lengths for service contracts
871 and how the plan uses all available term lengths for service contracts
872 to create the most cost-effective portfolio, (3) the potential benefits of
873 procuring service contracts separately for particular times of use or
874 seasons and how the plan uses the option of procuring service
875 contracts separately for particular times of use or seasons to create the
876 most cost-effective portfolio, (4) the impact on price of the timing of
877 service contract procurement and how the plan addresses and
878 mitigates any adverse price impacts related to the timing of

879 procurements, (5) the potential benefits of procuring service contracts
880 separately for different customer classes and how the plan uses the
881 option of procuring service contracts separately for different customer
882 classes to create the most cost-effective portfolio, (6) the manner in
883 which the competing needs of systematic process transparency and
884 flexibility in the procurement of service contracts are balanced in the
885 proposed plan, and (7) the need for a third party portfolio entity to
886 acquire and administer the most cost-effective portfolio and the
887 potential net benefit of such an entity. The plan shall also address the
888 relationship between any capacity contracts obtained pursuant to
889 section 16-243m of the general statutes, as amended by this act, any
890 long-term renewable energy contracts obtained pursuant to subsection
891 (j) of section 16-244c of the general statutes, and any existing
892 independent power producer contracts held by the electric distribution
893 companies and the service contracts obtained under the proposed plan
894 and how the plan will make cost-effective use of any such resources.
895 Each plan shall address each requirement, identify those provisions of
896 the plan that address each requirement and demonstrate the manner in
897 which the identified provisions will work to meet each requirement.
898 The department shall approve or modify each such plan on or before
899 October 1, 2007.

900 (b) The department shall, on a quarterly basis, conduct an
901 assessment to determine the percentage of load served by each
902 competitive electric supplier in each electric distribution company's
903 service area. Not less than two months before the delivery date of any
904 standard service contract, the department shall make available to all
905 competitive electric suppliers the output of standard service contracts
906 entered into by the electric distribution companies. The quantity of
907 output available to each competitive electric supplier shall be based
908 upon each competitive electric supplier's share of load in each electric
909 distribution company's service area.

910 Sec. 18. Section 16-243a of the general statutes is amended by adding
911 subsection (h) as follows (*Effective October 1, 2007*):

912 (NEW) (h) Not later than January 1, 2008, the Department of Public
913 Utility Control shall adopt regulations, in accordance with the
914 provisions of chapter 54, containing interconnection standards that
915 promote the policies of this section and meet or exceed national
916 standards of interconnectivity. If the department does not adopt
917 regulations by October 1, 2008, each electric distribution company,
918 municipal electric energy cooperative and municipal electric utility
919 shall meet the standards set forth in Title 4, Chapter 4, Subchapter 9,
920 "Net Metering and Interconnection Standards for Class I Renewable
921 Energy Systems" of the New Jersey Administrative Code.

922 Sec. 19. Section 16-243h of the general statutes is repealed and the
923 following is substituted in lieu thereof (*Effective October 1, 2007*):

924 On and after January 1, 2000, each electric supplier or any electric
925 distribution company providing standard offer, transitional standard
926 offer, standard service or back-up electric generation service, pursuant
927 to section 16-244c, as amended by this act, shall give a credit for any
928 electricity generated by a [residential] customer from a Class I
929 renewable energy source or a hydropower facility that has a nameplate
930 capacity rating of two megawatts or less. The electric distribution
931 company providing electric distribution services to such a customer
932 shall make such interconnections necessary to accomplish such
933 purpose. An electric distribution company, at the request of any
934 residential customer served by such company and if necessary to
935 implement the provisions of this section, shall provide for the
936 installation of metering equipment that (1) measures electricity
937 consumed by such customer from the facilities of the electric
938 distribution company, (2) deducts from the measurement the amount
939 of electricity produced by the customer and not consumed by the
940 customer, and (3) registers, for each billing period, the net amount of
941 electricity either (A) consumed and produced by the customer, or (B)
942 the net amount of electricity produced by the customer. If, in a given
943 monthly billing period, a customer-generator supplies more electricity
944 to the electric distribution system than the electric distribution
945 company or electric supplier delivers to the customer-generator, the

946 electric distribution company or electric supplier shall credit the
947 customer-generator for the excess by reducing the customer-
948 generator's bill for the next monthly billing period to compensate for
949 the excess electricity from the customer-generator in the previous
950 billing period. The electric distribution company or electric supplier
951 shall carry over the credits earned from monthly billing period to
952 monthly billing period, and the credits shall accumulate until the end
953 of the annualized period. At the end of each annualized period, the
954 electric distribution company or electric supplier shall compensate the
955 customer-generator for any excess kilowatt-hours generated, at the
956 avoided cost of wholesale power. A [residential] customer who
957 generates electricity from a generating unit with a name plate capacity
958 of more than ten kilowatts of electricity pursuant to the provisions of
959 this section shall be assessed for the competitive transition assessment,
960 pursuant to section 16-245g and the systems benefits charge, pursuant
961 to section 16-245l, as amended by this act, based on the amount of
962 electricity consumed by the customer from the facilities of the electric
963 distribution company without netting any electricity produced by the
964 customer. For purposes of this section, "residential customer" means a
965 customer of a single-family dwelling or multifamily dwelling
966 consisting of two to four units.

967 Sec. 20. Subdivision (57) of section 12-81 of the general statutes is
968 repealed and the following is substituted in lieu thereof (*Effective*
969 *October 1, 2007, and applicable to assessment years commencing on or after*
970 *October 1, 2007*):

971 (57) (a) [Subject to authorization of the exemption by ordinance in
972 any municipality, any] Any Class I renewable energy source, as
973 defined in section 16-1, as amended by this act, or any hydropower
974 facility described in subdivision (27) of said section 16-1 installed for
975 the generation of electricity for private residential use, provided such
976 installation occurs on or after October 1, 1977, and further provided
977 such installation is for a single family dwelling or multifamily
978 dwelling consisting of two to four units, or any passive or active solar
979 water or space heating system or geothermal energy resource;

980 (b) Any person claiming the exemption provided in this subdivision
981 for any assessment year shall, on or before the first day of November
982 in such assessment year, file with the assessor or board of assessors in
983 the town in which such hydropower facility, Class I renewable energy
984 source, or passive or active solar water or space heating system or
985 geothermal energy resource is located, written application claiming
986 such exemption. Failure to file such application in the manner and
987 form as provided by such assessor or board within the time limit
988 prescribed shall constitute a waiver of the right to such exemption for
989 such assessment year. Such application shall not be required for any
990 assessment year following that for which the initial application is filed,
991 provided if such hydropower facility, Class I renewable energy source,
992 or passive or active solar water or space heating system or geothermal
993 energy resource is altered in a manner which would require a building
994 permit, such alteration shall be deemed a waiver of the right to such
995 exemption until a new application, applicable with respect to such
996 altered source, is filed and the right to such exemption is established as
997 required initially.

998 Sec. 21. Section 20-340 of the general statutes is repealed and the
999 following is substituted in lieu thereof (*Effective from passage*):

1000 The provisions of this chapter shall not apply to: (1) Persons
1001 employed by any federal, state or municipal agency; (2) employees of
1002 any public service company regulated by the Department of Public
1003 Utility Control or of any corporate affiliate of any such company when
1004 the work performed by such affiliate is on behalf of a public service
1005 company, but in either case only if the work performed is in
1006 connection with the rendition of public utility service, including the
1007 installation or maintenance of wire for community antenna television
1008 service, or is in connection with the installation or maintenance of wire
1009 or telephone sets for single-line telephone service located inside the
1010 premises of a consumer; (3) employees of any municipal corporation
1011 specially chartered by this state; (4) employees of any contractor while
1012 such contractor is performing electrical-line or emergency work for
1013 any public service company; (5) persons engaged in the installation,

1014 maintenance, repair and service of electrical or other appliances of a
1015 size customarily used for domestic use where such installation
1016 commences at an outlet receptacle or connection previously installed
1017 by persons licensed to do the same and maintenance, repair and
1018 service is confined to the appliance itself and its internal operation; (6)
1019 employees of industrial firms whose main duties concern the
1020 maintenance of the electrical work, plumbing and piping work, solar
1021 thermal work, heating, piping, cooling work, sheet metal work,
1022 elevator installation, repair and maintenance work, automotive glass
1023 work or flat glass work of such firm on its own premises or on
1024 premises leased by it for its own use; (7) employees of industrial firms
1025 when such employees' main duties concern the fabrication of glass
1026 products or electrical, plumbing and piping, fire protection sprinkler
1027 systems, solar, heating, piping, cooling, chemical piping, sheet metal or
1028 elevator installation, repair and maintenance equipment used in the
1029 production of goods sold by industrial firms, except for products,
1030 electrical, plumbing and piping systems and repair and maintenance
1031 equipment used directly in the production of a product for human
1032 consumption; (8) persons performing work necessary to the
1033 manufacture or repair of any apparatus, appliances, fixtures,
1034 equipment or devices produced by it for sale or lease; (9) employees of
1035 stage and theatrical companies performing the operation, installation
1036 and maintenance of electrical equipment if such installation
1037 commences at an outlet receptacle or connection previously installed
1038 by persons licensed to make such installation; (10) employees of
1039 carnivals, circuses or similar transient amusement shows who install
1040 electrical work, provided such installation shall be subject to the
1041 approval of the State Fire Marshal prior to use as otherwise provided
1042 by law and shall comply with applicable municipal ordinances and
1043 regulations; (11) persons engaged in the installation, maintenance,
1044 repair and service of glass or electrical, plumbing, fire protection
1045 sprinkler systems, solar, heating, piping, cooling and sheet metal
1046 equipment in and about single-family residences owned and occupied
1047 or to be occupied by such persons; provided any such installation,
1048 maintenance and repair shall be subject to inspection and approval by

1049 the building official of the municipality in which such residence is
1050 located and shall conform to the requirements of the State Building
1051 Code; (12) persons who install, maintain or repair glass in a motor
1052 vehicle owned or leased by such persons; (13) persons or entities
1053 holding themselves out to be retail sellers of glass products, but not
1054 such persons or entities that also engage in automotive glass work or
1055 flat glass work; (14) persons who install preglazed or preassembled
1056 windows or doors in residential or commercial buildings; (15) persons
1057 registered under chapter 400 who install safety-backed mirror
1058 products or repair or replace flat glass in sizes not greater than thirty
1059 square feet in residential buildings; [and] (16) sheet metal work
1060 performed in residential buildings consisting of six units or less by
1061 new home construction contractors registered pursuant to chapter
1062 399a, by home improvement contractors registered pursuant to chapter
1063 400 or by persons licensed pursuant to this chapter, when such work is
1064 limited to exhaust systems installed for hoods and fans in kitchens and
1065 baths, clothes dryer exhaust systems, radon vent systems, fireplaces,
1066 fireplace flues, masonry chimneys or prefabricated metal chimneys
1067 rated by the Underwriter's Laboratory or installation of stand-alone
1068 appliances including wood, pellet or other stand-alone stoves that are
1069 installed in residential buildings by such contractors or persons; and
1070 (17) employees of or any contractor employed by and under the
1071 direction of a properly licensed solar contractor, performing work
1072 limited to the hoisting, placement and anchoring of solar collectors,
1073 photovoltaic panels, towers or turbines.

1074 Sec. 22. Section 12-412 of the general statutes is amended by adding
1075 subdivisions (117) and (118) as follows (*Effective July 1, 2007, and*
1076 *applicable to sales occurring on or after July 1, 2007*):

1077 (NEW) (117) Sales of solar energy electricity generating systems and
1078 passive or active solar water or space heating systems and geo-thermal
1079 resource systems, including equipment related to such systems, and
1080 sales of services relating to the installation of such systems.

1081 (NEW) (118) Sales of ice storage systems used for cooling, including

1082 equipment related to such systems, and sales of services relating to the
1083 installation of such systems by a utility ratepayer who is billed by such
1084 utility on a time-of-service metering basis.

1085 Sec. 23. Subsection (a) of section 16-245e of the general statutes is
1086 amended by adding subdivisions (14) to (18), inclusive, as follows
1087 (*Effective from passage*):

1088 (NEW) (14) "State rate reduction bonds" means the rate reduction
1089 bonds issued on June 23, 2004, by the state to sustain funding of
1090 conservation and load management and renewable energy investment
1091 programs by substituting for disbursements to the General Fund from
1092 the Energy Conservation and Load Management Funds, established by
1093 section 16-245m, as amended by this act, and from the Renewable
1094 Energy Investment Fund, established by section 16-245n. The state rate
1095 reduction bonds for the purposes of section 4-30a shall be deemed to
1096 be outstanding indebtedness of the state;

1097 (NEW) (15) "Operating expenses" in connection with the state rate
1098 reduction bonds, means (A) all expenses, costs and liabilities of the
1099 state or the trustee incurred in connection with the administration or
1100 payment of the state rate reduction bonds or in discharge of its
1101 obligations and duties under the state rate reduction bonds or bond
1102 documents, expenses and other costs and expenses arising in
1103 connection with the state rate reduction bonds or pursuant to the
1104 financing order providing for the issuance of such bonds including any
1105 arbitrage rebate and penalties payable under the code in connection
1106 with such bonds, and (B) all fees and expenses payable or disburseable
1107 to the servicers or others under the bond documents;

1108 (NEW) (16) "Bond documents" means, in connection with the state
1109 rate reduction bonds, the following documents: The servicing
1110 agreements, the tax compliance agreement and certificate, and the
1111 continuing disclosure agreement entered into in connection with the
1112 state rate reduction bonds and the indenture;

1113 (NEW) (17) "Indenture" means, in connection with the state rate

1114 reduction bonds, the RRB Indenture, dated as of June 23, 2004, by and
1115 between the state and the trustee, as amended from time to time; and

1116 (NEW) (18) "Trustee" means in connection with the state rate
1117 reduction bonds the trustee appointed under the indenture.

1118 Sec. 24. Section 16-245e of the general statutes is amended by adding
1119 subsection (l) as follows (*Effective from passage*):

1120 (NEW) (l) The sum of ninety-five million dollars is appropriated to
1121 the Treasurer, from the General Fund, for the fiscal year ending June
1122 30, 2007, for the purpose of (1) defeasing the state rate reduction bonds
1123 maturing after December 30, 2007, by irrevocably depositing with the
1124 bond trustee in trust such appropriation to be used for the scheduled
1125 payments of principal and interest on the said state rate reduction
1126 bonds and paying operating expenses, (2) if the Treasurer determines
1127 it to be in the state's best interest, purchasing state rate reduction
1128 bonds maturing after December 30, 2007, in the open market on such
1129 terms and conditions as the Treasurer determines to be in the best
1130 interest of the state for purposes of satisfying such bonds, or (3)
1131 defeasing or satisfying the state rate reduction bonds maturing after
1132 December 30, 2007, by a combination of the methods described in
1133 subdivisions (1) and (2) of this subsection. Such appropriation is for
1134 the purpose of paying debt service on bonds or other evidences of
1135 indebtedness and related costs and expenses provided for in the
1136 indenture. After the defeasance or satisfaction of all outstanding state
1137 rate reduction bonds, the trustee shall deliver to the Treasurer or apply
1138 in accordance with the instructions of the Treasurer all moneys held by
1139 it not necessary to defease or satisfy such bonds or allocated to pay
1140 operating expenses. Such funds shall be first applied to satisfy any
1141 unpaid operating expenses. After payment of the operating expenses,
1142 seventy-five per cent of any remaining amounts shall be paid to the
1143 Energy Conservation and Load Management Funds, established
1144 pursuant to section 16-245m, as amended by this act, and twenty-five
1145 per cent of such remaining amount shall be paid to the Renewable
1146 Energy Investment Fund, established pursuant to section 16-245n. The

1147 Treasurer and the finance authority have the authority to take any
1148 necessary and appropriate actions to implement the defeasance or
1149 satisfaction of the state rate reduction bonds and the payment of all
1150 operating expenses so that the amount of state rate reduction charges
1151 which before defeasance secured the state rate reduction bonds can be
1152 applied to the Energy Conservation and Load Management Funds and
1153 the Renewable Energy Investment Fund.

1154 Sec. 25. (*Effective July 1, 2007*) (a) For the purposes described in
1155 subsection (b) of this section, the State Bond Commission shall have
1156 the power, from time to time, to authorize the issuance of bonds of the
1157 state in one or more series and in principal amounts not exceeding in
1158 the aggregate thirty million dollars.

1159 (b) The proceeds of the sale of said bonds, to the extent of the
1160 amount stated in subsection (a) of this section, shall be used by
1161 Connecticut Innovations, Incorporated, for the purpose of funding the
1162 net project costs, or the balance of any projects after applying any
1163 public or private financial incentives available, for any renewable
1164 energy projects in state buildings. The funds shall be made available
1165 through the Renewable Energy Investment Fund, established pursuant
1166 to section 16-245n of the general statutes. Eligible state buildings shall
1167 be Leadership in Energy and Environmental Design (LEED) certified
1168 or in the process of becoming LEED certified.

1169 (c) All provisions of section 3-20 of the general statutes, or the
1170 exercise of any right or power granted thereby, which are not
1171 inconsistent with the provisions of this section are hereby adopted and
1172 shall apply to all bonds authorized by the State Bond Commission
1173 pursuant to this section, and temporary notes in anticipation of the
1174 money to be derived from the sale of any such bonds so authorized
1175 may be issued in accordance with said section 3-20 and from time to
1176 time renewed. Such bonds shall mature at such time or times not
1177 exceeding twenty years from their respective dates as may be provided
1178 in or pursuant to the resolution or resolutions of the State Bond
1179 Commission authorizing such bonds. None of said bonds shall be

1180 authorized except upon a finding by the State Bond Commission that
1181 there has been filed with it a request for such authorization which is
1182 signed by or on behalf of the Secretary of the Office of Policy and
1183 Management and states such terms and conditions as said commission,
1184 in its discretion, may require. Said bonds issued pursuant to this
1185 section shall be general obligations of the state and the full faith and
1186 credit of the state of Connecticut are pledged for the payment of the
1187 principal of and interest on said bonds as the same become due, and
1188 accordingly and as part of the contract of the state with the holders of
1189 said bonds, appropriation of all amounts necessary for punctual
1190 payment of such principal and interest is hereby made, and the State
1191 Treasurer shall pay such principal and interest as the same become
1192 due.

1193 Sec. 26. (NEW) (*Effective from passage*) (a) On or before January 1,
1194 2008, the Department of Public Utility Control shall conduct and
1195 complete an evaluation needs assessment for baseload generation
1196 located in the state. The department shall have discretion to retain
1197 third-party consultants to assist in the preparation of the evaluation
1198 pursuant to this subsection.

1199 (b) The evaluation conducted and completed pursuant to subsection
1200 (a) of this section shall include, but not be limited to, an assessment of
1201 the least cost per kilowatt hour generation and delivery options to
1202 Connecticut consumers.

1203 (c) Upon completion of the evaluation conducted pursuant to this
1204 section, the department shall present its findings to the joint standing
1205 committee of the General Assembly having cognizance of matters
1206 relating to energy.

1207 Sec. 27. Subdivision (44) of subsection (a) of section 16-1 of the
1208 general statutes is repealed and the following is substituted in lieu
1209 thereof (*Effective July 1, 2007*):

1210 (44) "Class III renewable energy source" means (1) the electricity
1211 output from combined heat and power systems with an operating

1212 efficiency level of no less than fifty per cent that are part of customer-
1213 side distributed resources developed at commercial and industrial
1214 facilities in this state on or after January 1, 2006, [or] (2) the electricity
1215 savings created at commercial and industrial facilities in this state from
1216 conservation and load management programs begun on or after
1217 January 1, 2006, or (3) the electricity output from combined heat and
1218 power systems that increase, by not less than ten per cent, the
1219 operating efficiency level of a baseload generating facility developed in
1220 this state on or after January 1, 2006.

1221 Sec. 28. Subsection (a) of section 16-243q of the general statutes is
1222 repealed and the following is substituted in lieu thereof (*Effective July*
1223 *1, 2007*):

1224 (a) On and after January 1, 2007, each electric distribution company
1225 providing standard service pursuant to section 16-244c, as amended by
1226 this act, and each electric supplier as defined in section 16-1, as
1227 amended by this act, shall demonstrate to the satisfaction of the
1228 Department of Public Utility Control that not less than one per cent of
1229 the total output of such supplier or such standard service of an electric
1230 distribution company shall be obtained from Class III resources. On
1231 and after January 1, 2008, not less than [two] three per cent of the total
1232 output of any such supplier or such standard service of an electric
1233 distribution company shall, on demonstration satisfactory to the
1234 Department of Public Utility Control, be obtained from Class III
1235 resources. On or after January 1, 2009, not less than [three] four per
1236 cent of the total output of any such supplier or such standard service of
1237 an electric distribution company shall, on demonstration satisfactory to
1238 the Department of Public Utility Control, be obtained from Class III
1239 resources. On and after January 1, 2010, not less than [four] five per
1240 cent of the total output of any such supplier or such standard service of
1241 an electric distribution company shall, on demonstration satisfactory to
1242 the Department of Public Utility Control, be obtained from Class III
1243 resources. On and after January 1, 2011, not less than six per cent of the
1244 total output of any such supplier or such standard service of an electric
1245 distribution company shall, on demonstration satisfactory to the

1246 Department of Public Utility Control, be obtained from Class III
1247 resources. Electric power obtained from customer-side distributed
1248 resources that does not meet air quality standards of the Department
1249 of Environmental Protection is not eligible for purposes of meeting the
1250 percentage standards in this section.

1251 Sec. 29. Subsection (c) of section 16-244c of the general statutes is
1252 repealed and the following is substituted in lieu thereof (*Effective July*
1253 *1, 2007*):

1254 (c) (1) On and after January 1, 2007, each electric distribution
1255 company shall provide electric generation services through standard
1256 service to any customer who (A) does not arrange for or is not
1257 receiving electric generation services from an electric supplier, and (B)
1258 does not use a demand meter or has a maximum demand of less than
1259 [five hundred] three hundred fifty kilowatts.

1260 (2) Not later than October 1, 2006, and periodically as required by
1261 subdivision (3) of this subsection, but not more often than every
1262 calendar quarter, the Department of Public Utility Control shall
1263 establish the standard service price for such customers pursuant to
1264 subdivision (3) of this subsection. Each electric distribution company
1265 shall recover the actual net costs of procuring and providing electric
1266 generation services pursuant to this subsection, provided such
1267 company mitigates the costs it incurs for the procurement of electric
1268 generation services for customers who are no longer receiving service
1269 pursuant to this subsection.

1270 (3) An electric distribution company providing electric generation
1271 services pursuant to this subsection shall mitigate the variation of the
1272 price of the service offered to its customers by procuring electric
1273 generation services contracts in the manner prescribed in a plan
1274 approved by the department. Such plan shall require the procurement
1275 of a portfolio of service contracts sufficient to meet the projected load
1276 of the electric distribution company. Such plan shall require that the
1277 portfolio of service contracts be procured in an overlapping pattern of
1278 fixed periods at such times and in such manner and duration as the

1279 department determines to be most likely to produce just, reasonable
1280 and reasonably stable retail rates while reflecting underlying
1281 wholesale market prices over time. The portfolio of contracts shall be
1282 assembled in such manner as to invite competition; guard against
1283 favoritism, improvidence, extravagance, fraud and corruption; and
1284 secure a reliable electricity supply while avoiding unusual, anomalous
1285 or excessive pricing. The portfolio of contracts procured under such
1286 plan shall be for terms of not less than six months, provided contracts
1287 for shorter periods may be procured under such conditions as the
1288 department shall prescribe to (A) ensure the lowest rates possible for
1289 end-use customers; (B) ensure reliable service under extraordinary
1290 circumstances; and (C) ensure the prudent management of the contract
1291 portfolio. An electric distribution company may receive a bid for an
1292 electric generation services contract from any of its generation entities
1293 or affiliates, provided such generation entity or affiliate submits its bid
1294 the business day preceding the first day on which an unaffiliated
1295 electric supplier may submit its bid and further provided the electric
1296 distribution company and the generation entity or affiliate are in
1297 compliance with the code of conduct established in section 16-244h.

1298 (4) The department, in consultation with the Office of Consumer
1299 Counsel, shall retain the services of a third-party entity with expertise
1300 in the area of energy procurement to oversee the initial development of
1301 the request for proposals and the procurement of contracts by an
1302 electric distribution company for the provision of electric generation
1303 services offered pursuant to this subsection. Costs associated with the
1304 retention of such third-party entity shall be included in the cost of
1305 electric generation services that is included in such price.

1306 (5) Each bidder for a standard service contract shall submit its bid to
1307 the electric distribution company and the third-party entity who shall
1308 jointly review the bids and submit an overview of all bids together
1309 with a joint recommendation to the department as to the preferred
1310 bidders. The department may, within ten business days of submission
1311 of the overview, reject the recommendation regarding preferred
1312 bidders. In the event that the department rejects the preferred bids, the

1313 electric distribution company and the third-party entity shall rebid the
1314 service pursuant to this subdivision.

1315 Sec. 30. (NEW) (*Effective July 1, 2007*) A municipal electric utility
1316 shall contribute a pro rata share of the one-time awards made to
1317 customer-side distributed resources made pursuant to subsection (a) of
1318 section 16-243i of the general statutes in order for customers in its
1319 service area to qualify for such awards. The Department of Public
1320 Utility Control shall conduct an uncontested case proceeding to
1321 determine the municipal electric utility's pro rata share. Said pro rata
1322 share shall be based on the proportion of the aggregate annual
1323 kilowatt hours of electricity sold by the municipal electric utilities in
1324 the state to retail customers as a percentage of the total annual kilowatt
1325 hours of electricity sold in the state. The pro rata share that is not paid
1326 by the municipal electric utilities shall be recovered through federally
1327 mandated congestion charges in nonmunicipal electric utility service
1328 areas and shall be paid in equal semi-annual payments for a period of
1329 not more than five years.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2007</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>July 1, 2007</i>	New section
Sec. 4	<i>January 1, 2008</i>	16-244c
Sec. 5	<i>January 1, 2008</i>	16-245m
Sec. 6	<i>July 1, 2007</i>	16-244c(e)
Sec. 7	<i>from passage</i>	New section
Sec. 8	<i>July 1, 2007</i>	New section
Sec. 9	<i>from passage</i>	New section
Sec. 10	<i>July 1, 2007</i>	New section
Sec. 11	<i>July 1, 2007</i>	16-245l(a)
Sec. 12	<i>July 1, 2007</i>	16-41(a)
Sec. 13	<i>July 1, 2007</i>	New section
Sec. 14	<i>July 1, 2007</i>	16-18a(b)
Sec. 15	<i>July 1, 2007</i>	New section
Sec. 16	<i>from passage</i>	New section
Sec. 17	<i>from passage</i>	New section

Sec. 18	<i>October 1, 2007</i>	16-243a
Sec. 19	<i>October 1, 2007</i>	16-243h
Sec. 20	<i>October 1, 2007, and applicable to assessment years commencing on or after October 1, 2007</i>	12-81(57)
Sec. 21	<i>from passage</i>	20-340
Sec. 22	<i>July 1, 2007, and applicable to sales occurring on or after July 1, 2007</i>	12-412
Sec. 23	<i>from passage</i>	16-245e(a)
Sec. 24	<i>from passage</i>	16-245e
Sec. 25	<i>July 1, 2007</i>	New section
Sec. 26	<i>from passage</i>	New section
Sec. 27	<i>July 1, 2007</i>	16-1(a)(44)
Sec. 28	<i>July 1, 2007</i>	16-243q(a)
Sec. 29	<i>July 1, 2007</i>	16-244c(c)
Sec. 30	<i>July 1, 2007</i>	New section

ET *Joint Favorable Subst.*

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

OFA Fiscal Note

State Impact: See Below

Municipal Impact: See Below

Explanation

The bill makes various changes in the electric industry structure and other energy related programs that could affect rates paid by the state and municipalities, the extent of which cannot be determined at this time.

The bill also results in other fiscal impacts, as follows:

Section 7 provides that each budgeted agency that installs and implements energy conservation and load management measures at the direction of the state facility electric supply manager may reallocate 50% of the annual net savings in electric costs to its budget for the next fiscal year. In FY 07, and under the Governor's recommended budget for the 2008 - 2009 biennium, energy costs are budgeted to: (1) agencies that have care and control of their own facilities; (2) the Department of Public Works, which has care and control of certain state facilities; and (3) the Office of Policy and Management (OPM) for Energy Contingency costs. Historically, agencies do not budget the full amount anticipated for energy costs and the shortfall is funded through a separate Energy Contingency account in OPM. The Energy Contingency funds available for FY 07 are \$10.245 million and the Governor's recommended budget provides \$10 million in each of FY 08 and FY 09 for this purpose. Because electricity costs are not budgeted to agencies that do not have care and control of their facilities, it is unclear how such agencies would be credited with 50% of the energy savings they achieve. In addition, the bill does not indicate how such funds will be reallocated to the next

fiscal year. It is assumed that the 50% savings would not lapse at the end of the fiscal year and would be carried forward to the following fiscal year.

Section 15 requires DPUC and DEP to enter into a memorandum of understanding (MOU) regarding the timely permitting and operation of emergency generation resources. Both DPUC and DEP anticipate entering into this MOU within existing agency resources.

Section 16 requires DEP to issue a final decision on certain permits no later than 90 days following submission of a complete and accurate application within air program resources and to the extent that a hearing is not requested. This also can be performed within existing agency resources.

Section 20 of the bill requires, rather than allows, municipalities to exempt class I renewable resources and hydropower facilities from the property tax. It also requires them to exempt solar water or space heating systems and geothermal energy resources from the tax. Municipalities will experience a loss to their net grand list (assessed value less exemptions permitted under state law) as a result of having to exempt this property and will likely necessitate an increase in a municipality's mill rate to offset the loss of taxable property.

Section 22 of the bill exempts the sales and installation of solar energy systems, geothermal resource systems, and ice storage systems used for cooling from sales tax beginning 7/1/07. These exemptions are anticipated to result in a General Fund revenue loss of \$500,000 in FY 08 and \$700,000 in FY 09.

Sections 23 and 24 provide \$95 million from the General Fund in FY 07 to defease¹ state rate reduction bonds that mature after 12/30/07. The \$95 million will be deposited into an irrevocable trust account where it will be invested and accumulate interest. The funds in this account will be used to pay the debt service due on the bonds at their

¹ The bonds will be defeased because they are not callable.

maturity date (column c in table below).

Special Obligation Rate Reduction Bonds Outstanding after 12/30/07

<i>Maturity Date</i>	<i>(\$ millions)</i>		<i>Total Debt Service</i>
	<i>Principal</i>	<i>Interest</i>	
	<u><i>a</i></u>	<u><i>b</i></u>	<u><i>c (a+b)</i></u>
<i>06/30/08</i>	<i>14.7</i>	<i>2.7</i>	<i>17.4</i>
<i>12/30/08</i>	<i>15.1</i>	<i>2.4</i>	<i>17.4</i>
<i>06/30/09</i>	<i>15.5</i>	<i>2.0</i>	<i>17.4</i>
<i>12/30/09</i>	<i>15.8</i>	<i>1.6</i>	<i>17.4</i>
<i>06/30/10</i>	<i>16.2</i>	<i>1.2</i>	<i>17.4</i>
<i>12/30/10</i>	<i>16.6</i>	<i>0.8</i>	<i>17.4</i>
<i>06/30/11</i>	<u><i>17.0</i></u>	<u><i>0.4</i></u>	<u><i>17.4</i></u>
<i>Total</i>	<i>111.0</i>	<i>11.1</i>	<i>122.1</i>

There is no fiscal impact to the State Treasurer's Office to perform bond defeasance.

Section 25 authorizes the issuance of \$30 million in General Obligation (GO) bonds for renewable energy projects in state-owned buildings through the Renewable Energy Investment Fund. The debt service cost to bond this amount over 20 years at a 5.0% interest rate is \$45.8 million.

The Connecticut Innovations, Inc. (CII) would need ½ of a full time employee plus fringe benefits and associated other expenses at a cost of approximately \$75,000 in FY 2008 to administer the renewable energy projects in state building program. It is anticipated that these costs would come from (CII) operating funds.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation except for the effects described above and for the effect on electric rate structures which cannot be determined at this time.

OLR Bill Analysis**sSB 1373*****AN ACT CONCERNING ELECTRIC RATE RELIEF.*****SUMMARY:**

This bill establishes a wide range of energy initiatives. Among other things, it

1. allows an electric company to sell certain transmission lines to another electric company, a municipal electric utility, or the Connecticut Municipal Electric Energy Cooperative (CMEEC);
2. requires the Energy Conservation Management Board (ECMB) to identify how Connecticut can become a national leader in energy efficiency;
3. requires each electric company to submit a plan to the Department of Public Utility Control (DPUC) to deploy a system to support advanced metering;
4. contains several measures to make it easier for an electric customer to choose a competitive supplier;
5. requires state agencies to participate in an integrated energy purchasing and efficiency program and gives DPUC oversight over this program;
6. allows electric companies to enter into partnerships with non-utility parties to promote energy efficiency and distributed resources (small generators) on customers' premises, with the costs of these partnerships recovered in electric rates;
7. amends how electric companies procure power for their small and medium-sized (standard service) customers who do not

choose competitive suppliers;

8. replaces money that was transferred to the General Fund from the electric companies' conservation funds and the state's Clean Energy Fund; and
9. authorizes up to \$30 million in bonds for renewable energy projects in state buildings.

The analysis below summarizes each section of the bill, in order.

EFFECTIVE DATE: Various, see below

§ 1 — SALE OF TRANSMISSION LINES

The bill allows an electric company to sell certain transmission lines to another electric company, a municipal electric utility, CMEEC, or another entity. The eligible lines are (1) new or modified lines that operate at 345 kilovolts or more and (2) other transmission lines that provide local service.

Each electric company that sells transmission lines must submit a transfer plan to DPUC. In the case of existing lines, or lines that will be placed in the company's rate base by January 1, 2009, the plan must be submitted by September 30, 2007. For other lines, the plan must be submitted at least 90 days before the construction begins, or at least 90 days before it begins commercial operations if the line is already under construction. The plan must provide for the transfer of the line at its net book value (capital cost) minus depreciation. The plan must include terms that will not harm the selling company's customers.

DPUC must hold a hearing on the plan and approve or modify it. In the case of plans submitted by the September 30, 2007 deadline, DPUC must issue its final order in time for the transfer to be made by April 1, 2009. In the case of other lines, DPUC must issue its final order before the line goes into the company's rate base. The review conducted under the bill takes the place of a proceeding DPUC must normally hold when a utility seeks to sell its assets.

The purchasing utility must make its payments to the selling company from 30 to 120 days after DPUC issues its final order. If the purchasing utility does not make the payment in this period, the selling company's obligation to transfer the line lapses permanently. The purchasing utility's share of the ownership of the line is proportional to its share of the electrical demand in the state. If the purchaser is a municipal utility, its share is set at CMEEC's share of the load in the state.

Even though the ownership of the lines changes hands, the selling company or Independent System Operator-New England (ISO-NE), the entity that administers the regional wholesale electric market, must retain control over, and operational responsibility for, the lines.

DPUC must recognize the sales proceeds as a "regulatory asset" of the selling company. As a result, the company will continue to earn a rate of return on its equity investment in the line. By November 1, 2007, DPUC must hold a contested case proceeding to determine the rate of return and depreciation life for the transferred lines. The rate of return can be no less than the rate the company would have earned had it continued to own the line. The company is allowed to recover the costs of its investment through its rates over a period not longer than the line's depreciation life as determined by DPUC, although presumably the payment from the purchasing utility covers this investment.

The selling company can use the money it receives on specified electric efficiency programs, as described in § 9.

EFFECTIVE DATE: Upon passage, except for the definitions, which are effective July 1, 2007.

§ 2 — NEW ENERGY EFFICIENCY INITIATIVES AND ADVANCED METERING

Energy Efficiency

The bill requires ECMB to develop a "Connecticut energy excellence plan," which must at least:

1. describe in detail any existing Connecticut higher educational energy efficiency resources,
2. quantify the role that energy efficiency programs can play in creating a more efficient and competitive business climate,
3. identify measures that can be employed and investments in research that can be made to make Connecticut a national leader in energy efficiency, and
4. detail how energy efficiency efforts can be expanded to reduce the state's peak electric demand by at least 10% by 2010.

Advanced Metering

The bill requires each electric company to submit a plan to DPUC by July 1, 2007 to deploy a system to support advanced metering. The system must support net metering, under which electric companies are currently required to pay residential customers for the power the customers produce from renewable resources. The system must also be capable of tracking hourly changes in a customer's power use to support time-of-use pricing. The metering system must be able measure changes in consumption and peak demand in a 15-minute increments. It also must allow the customer or the competitive supplier he has chosen to access the data electronically.

The plan must allow for deployment of a network capable of supporting advanced metering of 75% of all of the electric company's customers by January 1, 2008 and the rest by January 1, 2009. It must provide for installing an advanced meter within 60 days of (1) the customer requesting one or (2) the customer choosing a competitive supplier who requests an advanced meter for the customer. For other customers, the plan must provide for installing advanced meters to comply with existing DPUC orders with regard to time-of-use rates. DPUC must approve the plans by January 1, 2008.

The companies must pay for the cost of the system, including the meters and supporting network, and recover the costs through their

rates. They can continue to recover the costs of the existing meters through rates.

DPUC must allocate half of the money restored to the Conservation Fund under § 24 of the bill to pay for this initiative.

EFFECTIVE DATE: Upon passage

§ 3 — TIME-OF-USE RATES

The bill requires competitive suppliers and aggregators to offer time of use rates, including hourly and real-time options, to all of their customers by January 1, 2008. Aggregators gather customers together to make them more attractive to suppliers.

EFFECTIVE DATE: July 1, 2007

§§ 4 & 5 — RETAIL SUPPLIER CHOICE AND REFERRAL PROGRAM

Bill Inserts Regarding Competitive Suppliers

The bill establishes several measures to make it easier for an electric customer to choose a competitive supplier. It allows suppliers to provide information on their introductory offers to small- and medium-sized standard service customers as an insert on the customer's electric bill. For participating suppliers, the introductory offer must compare its cost of power to the cost under standard service. Each participating supplier must offer at least one time-of-use rate. It can offer fixed-priced and "green" options. Participating suppliers must allow customers to enroll by marking the appropriate box on the bill insert, by telephone, or through a DPUC website. DPUC must establish comparable enrollment procedures for electric company customers who pay electronically or through third parties whenever this is practicable (e.g., those in which the proposition of power provided by renewable resources exceeds the requirements of the renewable portfolio standard (RPS)).

Referral Programs

The bill requires electric companies, at DPUC's direction, to offer

customers information on suppliers' introductory offers when the customer starts a new service or moves his home or business. If the customer chooses a specific supplier, he must be enrolled with that supplier. If the customer does not choose a specific supplier, one will be chosen for him on a rotating basis.

In addition, whenever a customer calls the electric company, he or she must be offered the option of learning about his ability to choose a supplier and be told that he or she has the option to save money by choosing a supplier (although the bill does not require participating suppliers to offer a discount off of the standard service rate). If the customer expresses an interest, he or she must be transferred to a customer service representative and told of the available introductory offers. If the customer chooses a specific supplier, he or she must be enrolled with that supplier.

In all three cases (the offers made in bill inserts, or when the customer begins service or calls the electric company), after the introductory offer ends, the customer can return to standard service or choose another supplier. If the customer takes no action, he or she stays with the supplier who provided the introductory offer. Under the first (bill insert) provision, the customer must provide 30 days written notice before switching to a new supplier or going back to standard service.

Buying Pool

The bill requires DPUC to establish a voluntary buying pool for standard service customers. DPUC must promote the pool through advertising and marketing. The pool must be created from customers who choose to participate by (1) marking a check box on their electric bills, (2) calling a toll-free number, (3) using a DPUC website, or (4) responding to a non-utility mailing approved by DPUC. It appears that the buying pool operates independently from the referral programs described above.

Enrollment in the initial pool continues for a period specified by

DPUC not to exceed 90 days from the time it announces the pool's creation. Once the pool is closed, DPUC must solicit bids from competitive suppliers to serve the customers in the pool. DPUC can choose one or more bidders in an uncontested proceeding based on their price compared to the price of standard service, the bidder's financial and managerial strength, and its ability to adhere to current retail choice rules. If DPUC finds none of the bids acceptable, it must seek new bids within 120 days after rejecting the initial bids. Customers who chose to enter the pool stay in it until DPUC chooses the winning bidders. If DPUC does not choose winning bidders within one year after the initial solicitation for bids, the pool is dissolved.

The winning bidders must provide service to members of the pool for one year. During this time members can, without penalty, choose another supplier or another service offered by their current supplier. After the year ends, the customer can return to standard service or choose another supplier. If the customer takes no action, he or she stays with the supplier who served the pool.

DPUC can establish subsequent pools, although not in the 30 days after it selects winning bidders in the initial pool. To the extent practicable, customers already served by competitive suppliers must not be solicited to join the new pool.

Electric Company Cost Recovery and Incentives

The bill entitles the electric companies to recover all of the costs they prudently incur in implementing the initiatives described above. It requires DPUC to establish performance-based financial incentives for the companies operating the programs.

Conservation Programs for Participating Customers

The bill requires DPUC, in consultation with ECMB, to implement cost-effective conservation programs for customers participating in the choice and referral programs described above. The conservation programs may include (1) the use of coupons or vouchers to encourage customers to buy energy-efficient lighting and appliances and (2)

promotion of advanced metering systems. Participating suppliers and the electric companies must support the conservation programs, although the bill does not specify how or how the conservation programs would be funded.

Additional Provisions

The bill allows electric companies to provide enhanced billing and related services at DPUC-set rates, which cannot exceed the companies' costs. However, DPUC can establish performance-based financial incentives for the electric companies in connection with these services.

The bill requires each electric company to implement a program in which it buys accounts receivable from competitive suppliers, with full and timely cost recovery by the electric company under DPUC-set terms and conditions.

The bill requires electric companies to provide certain customer information to a supplier upon request, unless the customer objects. The information includes the account name and number, billing and service addresses, and consumption data for the last 12 months, among other things.

EFFECTIVE DATE: January 1, 2008

§§ 4(Q) & 6 — SWITCHING SUPPLIERS, LAST RESORT SERVICE

The bill allows a customer to switch at any time from a supplier to standard service or last-resort service (which is provided to large customers). It allows a customer to switch from an electric company to a supplier at any time without paying a penalty. It repeals a provision that prohibited customers who had received last-resort service from returning to this service unless they agree to stay on this service for at least one year. It requires electric companies to procure power for last-resort service at least once per quarter.

EFFECTIVE DATE: July 1, 2007 for the repeal, January 1, 2008 for the remaining provisions

§ 7 — ENERGY SERVICES FOR STATE FACILITIES

The bill requires state agencies and institutions to participate in an integrated energy purchasing and efficiency program and gives DPUC oversight of it.

The program must provide for:

1. consolidated electricity purchases,
2. coordinated deployment of innovative conservation and load management and energy efficiency standards, and
3. coordination and joint management and use of state-owned or operated electric infrastructure used to achieve the lowest possible total energy costs for the state.

Each state agency that implements energy conservation and load management measures under the program may reallocate 50% of the annual net savings in electric costs to its budget for the next fiscal year. The savings is based on the standard service rate, whether or not the agency is on this rate.

Under the bill, DPUC may contract with a third party, including CMEEC or a project that it owns or controls, to provide all or some of state facility electric services (i.e., power, conservation, and related services) for up to five years. The contractor must possess the requisite managerial, technical, and financial capacity that DPUC determines necessary to perform the contract. If CMEEC is chosen as the contractor, it does not thereby come under DPUC jurisdiction. The contract may be renewed annually.

The contract must allow for the purchase of electric generation services on a consolidated basis across agencies. It must also require the contractor to:

1. provide electric generation services that he procured at wholesale and credited against the state facility load;

2. use energy conservation and load management services, maximize the use of state facility electric services in combination or coordination with existing or new distributed resources that a state agency owns or operates;
3. purchase or hedge fuels used by any distributed resources owned or operated by any state agency; and
4. measure and report annual electric costs and benefits associated with overall electric procurement strategies for the state and each state agency's or institution's implementation of energy conservation and load management measures.

DPUC, in cooperation with the contractor, must determine (1) how to reduce federally mandated congestion charges by maximizing the value of existing and new load curtailment capability in combination or coordination with existing or new distributed resources owned or operated by any state agency, and (2) feasible options for establishing the most desirable mechanism to monitor electric load levels and hourly energy market prices and initiating curtailment requests to achieve the bill's objectives.

DPUC must order electric companies to (1) at least partially implement, by January 1, 2008, any measures DPUC or the contractor considers appropriate, including the installation of necessary smart metering and communication equipment and (2) consolidate all of the state facilities in their service areas into a single consolidated account so that transmission and distribution services are billed as a single coincident peak demand. If CMEEC is chosen as the contractor, the electric companies must incorporate the state facilities' load into any existing agreement for transmission or related services and under the same terms.

The companies may recover implementation costs through their rates. The state recovers its cost including the cost incurred by the state facilities contractor from the state budget. DPUC must consult with the Office of Policy and Management and the Department of Public Works

in implementing those provisions.

EFFECTIVE DATE: Upon passage

§§ 8-12 — CONNECTICUT ELECTRIC EFFICIENCY PARTNERSHIP PROGRAM

The bill requires DPUC, by July 1, 2007 (the section's effective date) to issue a request for proposals (RFP) from companies formed to provide investments in enhanced demand-side initiatives under DPUC-approved terms and conditions. The bill refers to these companies as Connecticut electric efficiency partners. It subjects the partners to DPUC orders and civil penalties if they disobey them. Electric companies and municipal electric utilities can own up to 49% of a partner's equity, but cannot exert direct control over its operations or budget. DPUC must set a goal in the RFP of \$100 million in investments in 2008, with the goal increasing by \$50 million in each of the next four years.

The initiatives to be sought in the RFP are:

1. load management measures that can be dispatched, i.e., centrally controlled;
2. load shifting technologies;
3. dispatchable emergency generation;
4. renewable energy generation; and
5. energy efficient capital equipment.

The RFP must solicit prospective partners to design, develop, own, operate, and maintain these initiatives. DPUC must encourage proposals for investments in class I renewable resources, such as solar technologies and fuel cells. But DPUC must ensure that no one technology accounts for a significant proportion of the total investments in class I resources approved under these provision. Any proposal must describe in detail the initiative to be deployed, its target

market, the cost to ratepayers, and its projected load-reduction benefits.

DPUC must review and select cost-effective proposals that target activities to areas not adequately addressed (presumably by existing programs) and offer lasting beneficial changes in the market. When DPUC evaluates proposals, it must determine whether a company seeking to become a partner has experience in implementing demand side management programs and has demonstrated managerial competence. DPUC can only approve proposals that benefit the system as a whole and provide benefits to participating customers that exceed the net costs to ratepayers from recovering the initiatives' costs in rates during the life of the contract between the partner and the electric company.

DPUC must evaluate the proposals and choose one or more partners by November 1, 2007. It may issue a second RFP by July 1, 2008. Once it has selected the partners, each one must enter into a contract with the electric companies. The contract must include effectiveness measures, performance milestones, and provisions allowing DPUC or its consultants to audit the partner's books and records and subpoena witnesses and records. The contract must be for at least five years and renewable at DPUC's option (although DPUC is not a party to the contract).

DPUC-approved proposals can include an authorization for an electric company to invest in the partner's initiatives, including discounted financing programs. But electric companies can only do this if the projected system benefits exceed the projected subsidy costs to ratepayers. The costs of the investments by the electric company and the partner are recovered from ratepayers at a return equal to that allowed on transmission line investments. DPUC may also allow electric companies to earn a bonus rate of return, based on the overall net system benefit created from initiatives. However, § 11 provides that the costs of the electric company's investments are recovered in the systems benefit charge on electric bills. The bill thus appears to

provide two cost-recovery mechanisms.

A partner providing discounted financing to end users must, after receiving DPUC approval, enter into an agreement with an electric company for it to provide billing services with respect to the payments due to the partner from the person receiving the financing. The electric company must recover all of its reasonable implementation costs.

An electric company, through a partner, may propose to DPUC to create a capital-intensive enhanced demand side management financing initiative. DPUC must review the applications to ensure that the projects (1) do not target areas adequately addressed in the marketplace; (2) provide significant system benefits; and (3) offer lasting and beneficial changes in the market. After DPUC review and approval, the company may apply to DPUC for approval to include such projects in its rate base. DPUC's approval may allow the company to defer recovery of such investment to a future rate case.

EFFECTIVE DATE: July 1, 2007

§§ 13 & 14 — PUBLIC EDUCATION PROGRAMS

The bill requires DPUC, in consultation with the Office of Consumer Counsel, to implement an outreach program to inform electric ratepayers about the various programs and options available to them. These include choices of alternative electric suppliers, the range of energy efficiency products and options available, time of use rates, and programs that encourage customer-side distributed generation (technologies such as microturbines or fuel cells on the customer's premises). DPUC may retain a consultant to implement the program. (The authorization for DPUC to retain consultants for a prior education program expired December 31, 2005.) The reasonable expenses for retaining the consultant and implementing the program are recovered from the systems benefits charge on electric bills.

EFFECTIVE DATE: July 1, 2007

§ 15 — DPUC/DEP MEMORANDUM OF UNDERSTANDING ON EMERGENCY GENERATORS

The bill requires DPUC and the Department of Environmental Protection (DEP) to enter into a memorandum of understanding by September 1, 2007. The memorandum must allow for the timely permitting and operation of emergency electric generation resources so that they can participate in the locational forward reserve market (this wholesale electric market will provide incentives for dispatchable generation). The memorandum must also cover (1) the installation of pollution control equipment or measures on these generators and (2) the timely coordination of such installation and any necessary regulatory reviews and approvals. The bill specifies the objectives of the memorandum, which include, among other things, the maximization of the savings to electric ratepayers while preserving and improving the environment. The agencies must include in the memorandum, among other things, an estimate of the emissions reductions caused by a decreased reliance on traditional power plants in meeting the state's electric reliability needs. The agencies must report to the Energy and Technology and Environment committees on the actions and measures they have taken under the memorandum by September 1, 2007 and whenever the memorandum is modified.

EFFECTIVE DATE: July 1, 2007

§ 16 — DEP PERMITTING

The bill requires DEP to issue a final decision no later than 90 days following the submission of a complete and accurate application for certain permit applications filed with DEP between May 1, 2007 and January 1, 2010. The provision applies to permits for installing emergency generators and distributed resources that will be offered in the locational forward reserve market. Any such permit must run for at least three years.

By August 1, 2007, DEP must notify DPUC of the acceptable pollution control equipment or measures applicable to the various types of emergency electric generation resources that may participate

in the locational forward reserve market.

EFFECTIVE DATE: Upon passage

§ 17 — PROCURING POWER FOR STANDARD SERVICE

The bill requires each electric company to file with DPUC a new plan for procuring power contracts for standard service by June 1, 2007. Each plan must address: (1) the potential benefits of various types of contracts such as full requirements and unit specific and block power purchases; (2) how the plan uses all available types of contracts to produce just, reasonable, and reasonably stable retail rates; (3) the potential benefits of various term lengths for service contracts and how the plan uses all available term lengths for service contracts to create the most cost-effective portfolio; (4) the potential benefits of procuring contracts separately for particular times of use or seasons and how the plan uses these options to create the most cost-effective portfolio; (5) how the timing of contract procurement affects electric prices and how the plan addresses and mitigates any adverse price impacts related to the timing of procurements; (6) the potential benefits of procuring contracts separately for different customer classes and how the plan uses these options to create the most cost-effective portfolio; (7) how the plan balances the competing needs of transparency and flexibility in the process of procuring contracts; and (8) the need for a third party to acquire and administer the most cost-effective portfolio and the potential net benefit of such an entity. The plan must also address the relationship between any capacity contracts obtained under current law and any existing contracts between non-utility generators and electric companies and the service contracts obtained under the proposed plan and how the plan will make cost-effective use of any such resources.

Each plan must address each requirement, identify those provisions of the plan that address each requirement, and demonstrate how the plan will meet each requirement. DPUC must approve or modify each plan by October 1, 2007. The bill does not amend or repeal the existing law governing the electric companies' procurement of power for

standard service, which has substantially different requirements.

The bill requires DPUC, on a quarterly basis, to determine the percentage of load served by each competitive supplier in each electric company's service area. Within two months before the delivery date of any standard service contract, DPUC must make available to all competitive suppliers the output of standard service contracts entered into by the electric companies. The quantity of output available to each must be based upon each supplier's share of load in each service area. The bill does not specifically require the suppliers to pay the electric companies for the power.

EFFECTIVE DATE: Upon passage

§ 18 — POWER PLANT INTERCONNECTION STANDARDS

By law, electric utilities (including municipal electric utilities) must interconnect with non-utility generators. The bill requires DPUC to adopt regulations on interconnection by January 1, 2008 that meet or exceed national standards. (Interconnection standards deal with such things as the transformers that connect generating facilities with transmission lines.) If DPUC has not adopted these regulations by October 1, 2008, each of the utilities and the municipal electric energy cooperative must meet New Jersey's interconnection standards.

EFFECTIVE DATE: October 1, 2007

§ 19 — NET METERING

By law, electric utilities and competitive suppliers must give a credit to their customers in one- to-four-dwelling-unit properties who generate electricity using class I renewable resources or hydropower. The bill expands these provisions to cover commercial customers with generating capacity up to two megawatts. It provides for payments to customers who generate more power than they use in a given billing period, providing a credit against the next billing period. At the end of the billing year, the company or supplier must compensate the owner for any remaining excess production at its wholesale cost.

EFFECTIVE DATE: October 1, 2007 and all applicable assessment years beginning on or after that date

§ 20 — PROPERTY TAX EXEMPTIONS FOR RENEWABLE RESOURCES

The bill requires, rather than allows, municipalities to exempt class I renewable resources (such as photovoltaic systems) and hydropower facilities at one- to-four-unit dwellings from the property tax. It also requires them to exempt any passive or active solar water or space heating system and geothermal energy resources from the tax, regardless of location.

EFFECTIVE DATE: October 1, 2007

§ 21 — SOLAR CONTRACTOR LICENSING

The bill exempts from Department of Consumer Protection licensure requirements employees and subcontractors of licensed solar contractors engaged in solar technology installations, who perform work limited to hoisting, placement, and anchoring of solar equipment.

EFFECTIVE DATE: Upon passage

§ 22 — SALES TAX EXEMPTIONS

The bill exempts from the sales tax:

1. sales of active and passive solar energy systems, geothermal resource systems, and related installation services and
2. sales of ice storage systems used for cooling, including related equipment and installation services, for customers who are billed on time-of-use rates.

EFFECTIVE DATE: July 1, 2007 and applicable to sales on or after that date

§§ 23 & 24 — RESTORING UTILITY CONSERVATION FUNDS AND THE CLEAN ENERGY FUND

In recent years, the legislature has diverted to the General Fund part of the revenues that would have otherwise gone into the electric companies' conservation funds and the state's Clean Energy Fund. To reduce the impact of the transfer on the conservation and clean energy funds, it authorized the issuance of bonds backed by future revenue from the conservation and renewable energy charges on electric bills.

The bill instead makes these bonds outstanding state indebtedness. It appropriates \$95 million from the FY 07 budget surplus to defease or buy back the bonds that mature after December 30, 2007, or a combination of these measures. Seventy-five percent of the revenues freed up as a result of this measure (net of the state's administrative costs) must go back into the conservation funds and 25% must go back into the Clean Energy Fund.

EFFECTIVE DATE: Upon passage

§ 25 — BONDING FOR RENEWABLE ENERGY PROJECTS IN STATE BUILDINGS

The bill authorizes up to \$30 million in bonds for Connecticut Innovations, Inc., which administers the Clean Energy Fund, to fund the net project costs of renewable energy projects in state buildings. To be eligible, the building must be certified in the Leadership in Energy and Environmental Design (LEED) program or be in the process of certification.

EFFECTIVE DATE: July 1, 2007

§ 26 — DPUC STUDY OF BASELOAD GENERATION

The bill requires DPUC, by January 1, 2008, to evaluate the state's need for baseload generation (power plants that operate most of the time throughout the year). The evaluation must include an assessment of the least cost per kilowatt-hour generation and delivery options for consumers. DPUC can retain a consultant to help it prepare the evaluation. It must report its findings to the Energy and Technology Committee.

EFFECTIVE DATE: Upon passage

§§ 27 & 28 — CLASS III RENEWABLE RESOURCES

By law, electric companies and suppliers must get part of their supply from class III resources as part of the RPS. The bill makes several changes regarding these resources. Under current law, they are (1) electricity produced by systems that produce heat and power that are developed at commercial and industrial facilities and (2) electricity savings from conservation and load management programs at these facilities that began on or after January 1, 2006. The bill expands class III resources to include combined heat and power (cogeneration) systems that increase, by at least 10%, the operating efficiency of baseload generating plants developed on or after January 1, 2006.

Under current law, electric companies and suppliers must get 1% of their power from class III resources this year, 2% starting in 2008, 3% in 2009, and 4% in 2010 and thereafter. The bill increases the requirements in 2008 through 2010 by 1% in each year, and requires that electric companies and suppliers get at least 6% of their power from class III resources in 2011 and thereafter.

EFFECTIVE DATE: July 1, 2007

§ 29 — STANDARD SERVICE AND LAST-RESORT SERVICE

The bill reduces, from 500 kilowatts to 350 kilowatts, the maximum demand a customer can have to be eligible for standard service. As a result, customers with a demand of between 350 and 500 kilowatts would be transferred to last-resort service.

EFFECTIVE DATE: July 1, 2007

§ 30 — MUNICIPAL UTILITIES AND DISTRIBUTED GENERATION

PA 05-1, June Special Session, established incentives for new distributed generation (e. g., small power plants using technologies such as microturbines and fuel cells). Currently, the awards are funded by a charge on the bills of electric company customers.

The bill requires municipal electric utilities to contribute a pro rata share of the awards in order for their customers to be eligible for them. DPUC must conduct a contested case to determine the utility's share, which must be proportional to the municipal utilities' share of the total amount of electricity sold in the state. Funding for the remaining portion of the award continues to come from electric company customers, paid in semiannual payments over a period of up to five years.

EFFECTIVE DATE: July 1, 2007

BACKGROUND

Related Bills

HB 7098, An Act Concerning Connecticut's Energy Future, favorably reported by the Energy and Technology Committee, has several similar provisions. These include the DPUC/DEP memorandum of understanding, interconnection standards, net metering, and tax provisions.

SB 1374, An Act Concerning Electricity Procurement and Energy Efficiency, favorably reported by the Energy and Technology Committee, has similar standard service power procurement provisions.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute

Yea 17 Nay 4 (03/13/2007)