



Senate

General Assembly

File No. 192

January Session, 2007

Substitute Senate Bill No. 1374

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 ELECTRICITY PROCUREMENT AND ENERGY EFFICIENCY.

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

1 Section 1. Subsection (c) of section 16-244c of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective from*
3 *passage*):

4 (c) (1) On and after January 1, 2007, each electric distribution
5 company shall provide electric generation services through standard
6 service to any customer who (A) does not arrange for or is not
7 receiving electric generation services from an electric supplier, and (B)
8 does not use a demand meter or has a maximum demand of less than
9 five hundred kilowatts.

10 (2) Not later than October 1, 2006, and periodically as required by
11 subdivision (3) of this subsection, but not more often than every
12 calendar quarter, the Department of Public Utility Control shall

13 establish the standard service price for such customers pursuant to
14 subdivision (3) of this subsection. Each electric distribution company
15 shall recover the actual net costs of procuring and providing electric
16 generation services pursuant to this subsection, provided such
17 company mitigates the costs it incurs for the procurement of electric
18 generation services for customers who are no longer receiving service
19 pursuant to this subsection.

20 (3) [An] Until December 31, 2007, an electric distribution company
21 providing electric generation services pursuant to this subsection shall
22 mitigate the variation of the price of the service offered to its customers
23 by procuring electric generation services contracts in the manner
24 prescribed in a plan approved by the department. Such plan shall
25 require the procurement of a portfolio of service contracts sufficient to
26 meet the projected load of the electric distribution company. Such plan
27 shall require that the portfolio of service contracts be procured in an
28 overlapping pattern of fixed periods at such times and in such manner
29 and duration as the department determines to be most likely to
30 produce just, reasonable and reasonably stable retail rates while
31 reflecting underlying wholesale market prices over time. The portfolio
32 of contracts shall be assembled in such manner as to invite
33 competition; guard against favoritism, improvidence, extravagance,
34 fraud and corruption; and secure a reliable electricity supply while
35 avoiding unusual, anomalous or excessive pricing. The portfolio of
36 contracts procured under such plan shall be for terms of not less than
37 six months, provided contracts for shorter periods may be procured
38 under such conditions as the department shall prescribe to (A) ensure
39 the lowest rates possible for end-use customers; (B) ensure reliable
40 service under extraordinary circumstances; and (C) ensure the prudent
41 management of the contract portfolio. An electric distribution
42 company may receive a bid for an electric generation services contract
43 from any of its generation entities or affiliates, provided such
44 generation entity or affiliate submits its bid the business day preceding
45 the first day on which an unaffiliated electric supplier may submit its
46 bid and further provided the electric distribution company and the
47 generation entity or affiliate are in compliance with the code of

48 conduct established in section 16-244h.

49 (4) On and after January 1, 2008, an electric distribution company
50 providing electric generation services pursuant to this subsection shall
51 mitigate the variation of the price of the service offered to its customers
52 by procuring electric generation services in the manner prescribed in a
53 standard service procurement plan approved by the department. Such
54 plan shall specify the method for purchasing power for standard
55 service, and may require the electric distribution company to (A)
56 procure load following, full requirements service contracts in a manner
57 similar to that pursuant to subdivision (3) of this subsection; (B)
58 procure individual electric supply components electricity directly from
59 a supplier, or generator, including, but not limited to, base load,
60 intermediate and peaking energy resource, capacity and other power
61 supply services, using both requests for proposals and bilateral
62 contracts outside the request for proposal process; and (C) procure
63 physical and financial hedges to manage prices, including, but not
64 limited to, tolling arrangements and financial transmission rights. Such
65 plan shall describe how an electric distribution company shall, over
66 time, transition to its new supply aggregation role as described in this
67 section from the current method of procuring power supply pursuant
68 to subdivision (3) of this subsection to a mix of the procurement
69 options described in this section. Once its procurement plan has been
70 approved by the department, an electric distribution company shall be
71 allowed to manage the power supply portfolio on a real-time basis,
72 thereby enabling it to optimize supply for the benefit of customers. The
73 department shall set standard service rates annually by combining the
74 costs of the arrangements undertaken under the procurement plan,
75 provided such rates will be trued up to actual revenues and expenses
76 twice per year, with any over or under recovery being included in
77 either the current period or subsequent standard service rate, as
78 determined by the department. An electric distribution company shall
79 be entitled to collect the reasonable costs it incurs to provide such
80 service.

81 [(4) The] (5) In approving the plans pursuant to subdivisions (3) and

82 (4) of this subsection, the department, in consultation with the Office of
83 Consumer Counsel, shall retain the services of a third-party entity with
84 expertise in the area of energy procurement to oversee the initial
85 development of the request for proposals and the procurement of
86 contracts by an electric distribution company for the provision of
87 electric generation services offered pursuant to this subsection. Costs
88 associated with the retention of such third-party entity shall be
89 included in the cost of electric generation services that is included in
90 such price.

91 [(5) Each] (6) For resources acquired pursuant to a request for
92 proposal process, each bidder for a standard service contract shall
93 submit its bid to the electric distribution company and the third-party
94 entity who shall jointly review the bids and submit an overview of all
95 bids together with a joint recommendation to the department as to the
96 preferred bidders. The department shall make available to the Office of
97 Consumer Counsel and the Attorney General all bids it receives
98 pursuant to this subsection, provided the Office of Consumer Counsel
99 and the Attorney General shall not make the bids available to the
100 public until the department does so. The department may, [within ten]
101 not later than two business days [of] after submission of the overview,
102 reject the recommendation regarding preferred bidders. In the event
103 that the department rejects the preferred bids, the electric distribution
104 company and the third-party entity shall rebid the service pursuant to
105 this subdivision. For other resources acquired by an electric
106 distribution company pursuant to subdivision (4) of this subsection,
107 such company shall submit information on such acquisitions to the
108 department as shall be specified in the procurement plan.

109 Sec. 2. (NEW) (*Effective from passage*) Not later than January 1, 2008,
110 and annually thereafter, the electric distribution companies, in
111 consultation with the regional independent system operator and the
112 Energy Resources Procurement Board, shall develop and submit an
113 integrated resource plan to the Department of Public Utility Control
114 that analyzes, over the short term and long term, the state's electricity
115 energy resources, and specifies actions for acquiring such resources

116 into the future from the broadest possible range of options. The plan
117 shall consider and enable the use of all forms of resources that would
118 provide benefits to customers, including, but not limited to, energy
119 efficiency, new and existing conventional and renewable generation,
120 and distributed generation. The plan shall focus on obtaining resources
121 on a cost-of-service basis.

122 Sec. 3. Subsection (j) of section 16-19b of the general statutes is
123 repealed and the following is substituted in lieu thereof (*Effective July*
124 *1, 2007*):

125 (j) [Any] In order to ensure that the interests of gas and electric
126 distribution companies are aligned with customer interests in reducing
127 energy costs by severing the link between sales levels and recovery of
128 costs, any purchased gas adjustment clause or energy adjustment
129 clause approved by the department may include a provision designed
130 to allow the electric or gas company to charge or reimburse the
131 customer for any under-recovery or over-recovery of overhead and
132 fixed costs due solely to the deviation of actual retail sales of electricity
133 or gas from projected retail sales of electricity or gas. The department
134 shall include such provision in any energy adjustment clause approved
135 for an electric company if it determines (1) that a significant cause of
136 excess earnings by the electric company is an increase in actual retail
137 sales of electricity over projected retail sales of electricity as
138 determined at the time of the electric company's most recent rate
139 amendment, and (2) that such provision is likely to benefit the
140 customers of the electric company. The department shall include such
141 provision in any purchased gas adjustment clause approved for a gas
142 or electric distribution company or energy adjustment clause approved
143 for an electric distribution company on or after the issuance of a final
144 decision in a proceeding on amendments to rate schedules for such
145 company, but not later than January 1, 2009. The department shall not
146 consider the existence of such provision in determining the return on
147 equity of such company.

148 Sec. 4. (NEW) (*Effective July 1, 2007*) (a) The Department of Public

149 Utility Control shall, in coordination with the Energy Conservation
150 Management Board, established pursuant to section 16-245m of the
151 general statutes, as amended by this act, establish a state-wide energy
152 efficiency and outreach marketing campaign to target the following
153 sectors: (1) Commercial, including small businesses, (2) industrial, (3)
154 governmental, (4) institutional, including schools, hospitals and
155 nonprofits, (5) agricultural, and (6) residential.

156 (b) The goals of the campaign established pursuant to subsection (a)
157 of this section shall include, but not be limited to, (1) educating
158 residents on the benefits of energy efficiency, (2) motivating said
159 residents to take action to achieve lasting energy savings, (3) educating
160 and informing said residents about the real-time energy reports
161 prepared pursuant to section 6 of this act and the real-time energy alert
162 system prepared pursuant to section 7 of this act, and (4) supporting
163 the energy efficiency programs already in existence.

164 (c) On or before October 1, 2007, the department shall develop a
165 plan to meet the goals of said campaign pursuant to subsection (b) of
166 this section and, on or before January 1, 2008, the department shall
167 implement said plan. Said plan shall include a coordinated range of
168 marketing activities and outreach strategies, including, but not limited
169 to, television, radio and newspaper advertisements, printed
170 educational materials, events, a comprehensive web site resource
171 serving all sectors, a biweekly electronic newsletter, planning forums
172 and meetings throughout the state, and partnerships with businesses,
173 government entities and nonprofit organizations.

174 Sec. 5. Subsection (c) of section 16-245m of the general statutes is
175 repealed and the following is substituted in lieu thereof (*Effective July*
176 *1, 2007*):

177 (c) The Department of Public Utility Control shall appoint and
178 convene an Energy Conservation Management Board which shall
179 include representatives of: (1) An environmental group knowledgeable
180 in energy conservation program collaboratives; (2) the Office of
181 Consumer Counsel; (3) the Attorney General; (4) the Department of

182 Environmental Protection; (5) the electric distribution companies in
183 whose territories the activities take place for such programs; (6) a state-
184 wide manufacturing association; (7) a chamber of commerce; (8) a
185 state-wide business association; (9) a state-wide retail organization;
186 (10) a representative of a municipal electric energy cooperative created
187 pursuant to chapter 101a; (11) two representatives selected by the gas
188 companies in this state; [and] (12) residential customers; (13) a
189 representative of the educational sector; (14) a representative of state
190 hospitals; (15) a representative of nonprofit organizations; (16) a
191 representative of the transportation sector; and (17) a representative of
192 the agricultural sector. Such members shall serve for a period of five
193 years and may be reappointed. Representatives of the gas companies
194 shall not vote on matters unrelated to gas conservation.
195 Representatives of the electric distribution companies and the
196 municipal electric energy cooperative shall not vote on matters
197 unrelated to electricity conservation.

198 Sec. 6. (NEW) (*Effective July 1, 2007*) (a) As part of the energy
199 efficiency and outreach marketing campaign established pursuant to
200 section 4 of this act, the Department of Public Utility Control shall, in
201 consultation with the Energy Conservation Management Board,
202 established pursuant to section 16-245m of the general statutes, as
203 amended by this act, develop a real-time energy report for use on
204 television and other media as part of daily weather reports. The report
205 shall (1) identify the state's current real-time energy demand, along
206 with how the demand has changed over the course of the day, and in
207 the case of television news broadcasts, the real-time change between
208 the beginning and end of the broadcast; (2) emphasize the importance
209 of reducing peak demand and provide estimates of the money leaving
210 the state and country because of our dependence on fossil fuels; and
211 (3) provide tips on conservation measures, promote community and
212 business competition to reduce energy consumption and give visibility
213 to communities and businesses that have implemented energy saving
214 changes or that are using renewable resources.

215 (b) The department shall get the information needed to develop the

216 real-time energy reports established pursuant to subsection (a) of this
217 section from the regional independent system operator.

218 (c) The department shall adopt regulations, in accordance with the
219 provisions of chapter 54 of the general statutes, to determine the
220 parameters of developing the real-time energy report established
221 pursuant to subsection (a) of this section.

222 Sec. 7. (NEW) (*Effective July 1, 2007*) (a) As part of the energy
223 efficiency and outreach marketing campaign established pursuant to
224 section 4 of this act, the Department of Public Utility Control shall, in
225 consultation with the Energy Conservation Management Board,
226 established pursuant to section 16-245m of the general statutes, as
227 amended by this act, develop a real-time energy electronic mail and
228 cellular phone alert system to notify the public of the need to reduce
229 energy consumption during peak power periods.

230 (b) The Department of Public Utility Control shall adopt
231 regulations, in accordance with the provisions of chapter 54 of the
232 general statutes, to determine the parameters of the real-time energy
233 electronic mail and cellular phone alert system established pursuant to
234 subsection (a) of this section.

235 Sec. 8. (NEW) (*Effective July 1, 2007*) (a) On or before September 1,
236 2007, the Department of Education, in consultation with the
237 Department of Public Utility Control, electric distribution companies
238 and interested manufacturers of compact fluorescent light bulbs, shall
239 (1) establish a week-long promotional event, to be known as "See the
240 Light Week", in late September or early October each year, that will
241 promote renewable energy and energy conservation, (2) encourage
242 and solicit school districts, individual schools and other educational
243 institutions under the jurisdiction of the Department of Education to
244 participate in a state-wide compact fluorescent light bulbs fundraiser
245 established pursuant to subsection (b) of this section, and (3) provide
246 outreach, guidance and training to districts, parent and teacher
247 organizations and schools concerning the value of renewable energy.

248 (b) (1) The Department of Public Utility Control shall, in
249 consultation with the Department of Education and the Energy
250 Conservation Management Board, established pursuant to section 16-
251 245m of the general statutes, as amended by this act, develop and
252 implement a state-wide fundraiser for all public schools, in which
253 students would sell compact fluorescent light bulbs. The participating
254 schools would earn a portion of each sale.

255 (2) The Department of Public Utility Control shall establish a sales
256 target for the state-wide fundraiser developed pursuant to subdivision
257 (1) of this subsection, as well as adopt regulations, in accordance with
258 the provisions of chapter 54 of the general statutes, to determine the
259 parameters of said fundraiser.

260 Sec. 9. (NEW) (*Effective July 1, 2007*) (a) On or before October 1, 2007,
261 the Department of Public Utility Control shall establish a plan to
262 implement a voluntary rate program that will add a fourth tier to the
263 rates required pursuant to section 16-243n of the general statutes. Said
264 program shall (1) establish the surcharge on peak rates, which shall
265 apply to high-demand peak days, for customers choosing to
266 participate, (2) encourage a shift of demand, and (3) include an
267 educational component.

268 (b) The department shall establish parameters for the program
269 established in subsection (a) of this section, including, but not limited
270 to, facilitating the delivery of meters. The department shall implement
271 said program on or before June 1, 2008.

272 Sec. 10. (NEW) (*Effective July 1, 2007*) (a) On and after October 1,
273 2007, the Department of Public Utility Control shall, in consultation
274 with the Department of Environmental Protection and the Department
275 of Public Works, establish a grant program for clean and distributive
276 generation, generated from a Class I renewable energy source, projects
277 for businesses and state buildings.

278 (b) The Department of Public Utility Control shall award grants
279 under said program as follows: (1) Not more than twenty-five million

280 dollars to fuel cell projects, and (2) not more than twenty-five million
281 dollars for all other clean and distributive generation projects.

282 (c) The Department of Public Utility Control shall adopt regulations,
283 in accordance with the provisions of chapter 54 of the general statutes,
284 to set the parameters of said grant program.

285 Sec. 11. (*Effective July 1, 2007*) (a) For the purposes described in
286 subsection (b) of this section, the State Bond Commission shall have
287 the power, from time to time, to authorize the issuance of bonds of the
288 state in one or more series and in principal amounts not exceeding in
289 the aggregate fifty million dollars.

290 (b) The proceeds of the sale of said bonds, to the extent of the
291 amount stated in subsection (a) of this section, shall be used by the
292 Department of Public Utility Control for the purpose of the grant
293 program established in section 10 of this act.

294 (c) All provisions of section 3-20 of the general statutes, or the
295 exercise of any right or power granted thereby, which are not
296 inconsistent with the provisions of this section are hereby adopted and
297 shall apply to all bonds authorized by the State Bond Commission
298 pursuant to this section, and temporary notes in anticipation of the
299 money to be derived from the sale of any such bonds so authorized
300 may be issued in accordance with said section 3-20 and from time to
301 time renewed. Such bonds shall mature at such time or times not
302 exceeding twenty years from their respective dates as may be provided
303 in or pursuant to the resolution or resolutions of the State Bond
304 Commission authorizing such bonds. None of said bonds shall be
305 authorized except upon a finding by the State Bond Commission that
306 there has been filed with it a request for such authorization which is
307 signed by or on behalf of the Secretary of the Office of Policy and
308 Management and states such terms and conditions as said commission,
309 in its discretion, may require. Said bonds issued pursuant to this
310 section shall be general obligations of the state and the full faith and
311 credit of the state of Connecticut are pledged for the payment of the
312 principal of and interest on said bonds as the same become due, and

313 accordingly and as part of the contract of the state with the holders of
314 said bonds, appropriation of all amounts necessary for punctual
315 payment of such principal and interest is hereby made, and the State
316 Treasurer shall pay such principal and interest as the same become
317 due.

318 Sec. 12. (NEW) (*Effective July 1, 2007*) On and after July 1, 2007, and
319 not later than July 1, 2017, the Secretary of the Office of Policy and
320 Management shall provide a five-hundred-dollar rebate for the
321 purchase and installation in residential structures of replacement
322 natural gas, propane and oil furnaces and boilers that are not less than
323 eighty-four per cent efficient. Such rebates shall not exceed five million
324 dollars in aggregate per year. Persons may apply to the secretary, on a
325 form prescribed by the secretary, to receive such rebate. The rebate
326 shall be available for only a residential structure containing not more
327 than four dwelling units. Eligibility for said rebate program shall
328 coincide with the guidelines set forth in subsection (c) of section 12-
329 704c of the general statutes. The costs of the rebates pursuant to this
330 section shall be recovered through the systems benefit charge
331 established pursuant to section 16-245l of the general statutes.

332 Sec. 13. (NEW) (*Effective July 1, 2007*) The Department of
333 Environmental Protection, in consultation with the Department of
334 Public Utility Control, shall have the authority to conduct an auction
335 for carbon dioxide credits allocated under the Regional Greenhouse
336 Gas Initiative. One hundred per cent of funds generated through any
337 such auction shall be allocated to consumer benefit, including, but not
338 limited to, energy efficiency programs.

339 Sec. 14. Section 16a-38k of the general statutes is repealed and the
340 following is substituted in lieu thereof (*Effective January 1, 2008*):

341 (a) Notwithstanding any provision of the general statutes, any (1)
342 new construction [of a state facility, except salt sheds, parking garages,
343 maintenance facilities or school construction,] that is projected to cost
344 not less than five million dollars, [or more,] of which two million
345 dollars is state funding, and is approved and funded on or after

346 January 1, [2007] 2008, and (2) renovation of a state facility that is
347 projected to cost not less than two million dollars, that is financed with
348 state funds and is approved and funded on or after January 1, 2008,
349 shall comply with the regulations adopted pursuant to subsection (b)
350 of this section. The Secretary of the Office of Policy and Management,
351 in consultation with the Commissioner of Public Works, [and the
352 Institute for Sustainable Energy,] shall exempt any facility from
353 complying with said regulations if [said secretary] the Institute for
354 Sustainable Energy finds, in a written analysis, that the cost of such
355 compliance significantly outweighs the benefits.

356 (b) Not later than January 1, 2007, the Secretary of the Office of
357 Policy and Management, in consultation with the Commissioner of
358 Public Works, the Commissioner of Environmental Protection and the
359 Commissioner of Public Safety, shall adopt regulations, in accordance
360 with the provisions of chapter 54, to adopt building construction
361 standards that are consistent with or exceed the silver building rating
362 of the Leadership in Energy and Environmental Design's rating system
363 for new commercial construction and major renovation projects, as
364 established by the United States Green Building Council, or an
365 equivalent standard, including, but not limited to, a two-globe rating
366 in the Green Globes USA design program, and thereafter update such
367 regulations as the secretary deems necessary.

368 Sec. 15. (NEW) (*Effective January 1, 2008*) Any municipality may, by
369 vote of its legislative body or, in a municipality where the legislative
370 body is a town meeting, by vote of the board of selectmen, provide a
371 property tax exemption with respect to any motor vehicle exempt from
372 sales and use taxes under subdivision (110) or (115) of section 12-412 of
373 the general statutes, as amended by this act.

374 Sec. 16. Subdivision (110) of section 12-412 of the general statutes is
375 repealed and the following is substituted in lieu thereof (*Effective*
376 *January 1, 2008, and applicable to sales occurring on or after said date*):

377 (110) On and after July 1, 2000, and prior to July 1, [2002] 2010, the
378 sale of any passenger car that has a United States Environmental

379 Protection Agency estimated highway gasoline mileage rating of at
380 least [fifty] forty miles per gallon.

381 Sec. 17. Subdivision (57) of section 12-81 of the general statutes is
382 repealed and the following is substituted in lieu thereof (*Effective*
383 *October 1, 2007, and applicable to assessment years commencing on or after*
384 *October 1, 2007*):

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

395 (b) Any person claiming the exemption provided in this subdivision
396 for any assessment year shall, on or before the first day of November
397 in such assessment year, file with the assessor or board of assessors in
398 the town in which such Class I renewable energy source, hydropower
399 facility, or passive or active solar water or space heating system or
400 geothermal energy resource is located, written application claiming
401 such exemption. Failure to file such application in the manner and
402 form as provided by such assessor or board within the time limit
403 prescribed shall constitute a waiver of the right to such exemption for
404 such assessment year. Such application shall not be required for any
405 assessment year following that for which the initial application is filed,
406 provided if such Class I renewable energy source, hydropower facility,
407 or passive or active solar water or space heating system or geothermal
408 energy resource is altered in a manner which would require a building
409 permit, such alteration shall be deemed a waiver of the right to such
410 exemption until a new application, applicable with respect to such
411 altered source, is filed and the right to such exemption is established as

412 required initially.

413 Sec. 18. Subdivision (63) of section 12-81 of the general statutes is
414 repealed and the following is substituted in lieu thereof (*Effective*
415 *October 1, 2007, and applicable to assessment years commencing on or after*
416 *October 1, 2007*):

417 (63) (a) Subject to authorization of the exemption by ordinance in
418 any municipality and to the provisions of subparagraph (b) of this
419 subdivision, [any solar energy electricity generating system which is
420 not eligible for exemption under subdivision (57) of this section,] any
421 cogeneration system [, or both,] installed on or after July 1, 1981, [and
422 before October 1, 2006.] The ordinance shall establish the number of
423 years that a system will be exempt from taxation, except that it may
424 not provide for an exemption beyond the first fifteen assessment years
425 following the installation of a system. The ordinance shall prohibit the
426 exemption from applying to additions to resources recovery facilities
427 operating on October 1, 1994, or to resources recovery facilities
428 constructed on and after that date and may prohibit the exemption
429 from applying to property acquired by eminent domain for the
430 purpose of qualifying for the exemption;

431 (b) As used in this subdivision, [(A) "solar energy electricity
432 generating system" means equipment which is designed, operated and
433 installed as a system which utilizes solar energy as the energy source
434 for at least seventy-five per cent of the electricity produced by the
435 system and meets the standards established by regulation, in
436 accordance with the provisions of chapter 54, by the Secretary of the
437 Office of Policy and Management, and (B)] "cogeneration system"
438 means equipment which is designed, operated and installed as a
439 system which produces, in the same process, electricity and exhaust
440 steam, waste steam, heat or other resultant thermal energy which is
441 used for space or water heating or cooling, industrial, commercial,
442 manufacturing or other useful purposes and which meets standards
443 established by regulation, in accordance with the provisions of chapter
444 54, by the Secretary of the Office of Policy and Management;

445 (c) Any municipality which adopts an ordinance authorizing an
446 exemption provided by this subdivision may enter into a written
447 agreement with an applicant for the exemption, which may require the
448 applicant to make payments to the municipality in lieu of taxes. The
449 agreement may vary the amount of the payments in lieu of taxes in
450 each assessment year of the agreement, provided the payment in any
451 assessment year is not greater than the taxes which would otherwise
452 be due in the absence of the exemption. Any agreement negotiated
453 under this subdivision shall be submitted to the legislative body of the
454 municipality for its approval or rejection;

455 (d) Any person claiming the exemption provided in this subdivision
456 for any assessment year and whose application has been approved in
457 accordance with subparagraph (c) of this subdivision shall, on or
458 before the first day of November in such assessment year, file with the
459 assessor or board of assessors in the town in which the system is
460 located written application claiming the exemption. Failure to file the
461 application in the manner and form as provided by such assessor or
462 board within the time limit prescribed shall constitute a waiver of the
463 right to the exemption for such assessment year. Such application shall
464 not be required for any assessment year following that for which the
465 initial application is filed, provided if such [solar energy electricity
466 generating system or] cogeneration system is altered in a manner
467 which would require a building permit, such alteration shall be
468 deemed a waiver of the right to such exemption until a new
469 application, applicable with respect to such altered system, is filed and
470 the right to such exemption is established as required initially.

471 Sec. 19. Section 1 of public act 05-2 of the October 25 special session
472 is repealed and the following is substituted in lieu thereof (*Effective July*
473 *1, 2007*):

474 Notwithstanding the provisions of sections 4-28b and 16a-41a of the
475 general statutes, the Commissioner of Social Services shall [amend the
476 adopted] adopt a low income home energy assistance program block
477 grant allocation plan for the [purpose of modifying the 2005/2006]

478 2007/2008 Connecticut energy assistance program state plan in the
479 following manner: (1) To increase the basic benefit provided to all
480 eligible households, including eligible households whose heat is
481 included in their rent, over the benefit provided for the 2005/2006
482 plan, prior to the amendment of said plan, by two hundred dollars, (2)
483 to fund, for the fiscal year ending June 30, 2008, the contingency
484 heating assistance program under the Connecticut energy assistance
485 program to provide a three hundred dollar basic benefit to eligible
486 households, as defined in the Connecticut energy assistance program
487 state plan, whose gross annual income is not more than sixty per cent
488 of the median state income by household size, and an additional two
489 hundred dollar crisis assistance benefit for such households who have
490 exhausted their basic benefit and are unable to secure primary heat,
491 causing a life threatening situation, (3) to increase the number of
492 households weatherized pursuant to the Connecticut energy assistance
493 program, and (4) to increase the number of households receiving home
494 heating equipment tune-ups and home energy efficiency measures
495 pursuant to the home energy assistance and reimbursements for tune-
496 ups on heating equipment grant program as administered pursuant to
497 subsection (c) of section 2 of [this act] public act 05-2 of the October 25
498 special session, as amended by section 1 of public act 05-4 of the
499 October 25 special session.

500 Sec. 20. Subsection (a) of section 16a-41h of the general statutes is
501 repealed and the following is substituted in lieu thereof (*Effective from*
502 *passage*):

503 (a) (1) Each electric [and] distribution company, gas company [, as
504 defined in section 16-1, having at least seventy-five thousand
505 customers] and municipal utility furnishing electric or gas service,
506 shall include in its monthly bills a request to each customer to add a
507 [one-dollar] donation in an amount designated by the customer to the
508 bill payment. Such company shall provide to all of its customers the
509 opportunity to donate one dollar, two dollars, three dollars or another
510 amount on each bill provided to a customer either through the mail or
511 electronically. Such designation shall be made available and included

512 where customers are either electronically billed or bill payment is
513 handled electronically. The opportunity to donate one dollar, two
514 dollars, three dollars or another amount shall be included on the bill in
515 such a way that facilitates such donations.

516 (2) Operation Fuel, Incorporated, shall provide fundraising inserts
517 and remittance envelopes to retail dealers of fuel oil that volunteer to
518 include the inserts and envelopes in their customers' bills for one or
519 more billing cycles each year. Such retail dealers of fuel oil shall inform
520 Operation Fuel, Incorporated, as to the number of inserts and
521 envelopes needed to conduct such a mailing.

522 (3) Each electric, gas or fuel oil company shall transmit all such
523 donations received each month and match dollars to Operation Fuel,
524 Inc., a state-wide nonprofit organization designed to respond to people
525 within the state who are in financial crisis and need emergency energy
526 assistance. [Donations] Operation Fuel, Inc. shall [be distributed]
527 distribute donations and match dollars to nonprofit social services
528 agencies and private fuel banks in accordance with guidelines
529 established by the board of directors of Operation Fuel, Inc., provided
530 such funds shall be distributed on a priority basis to low-income
531 elderly and working poor households [which] that are not eligible for
532 public assistance or state-administered general assistance but are faced
533 with a financial crisis and are unable to make timely payments on
534 winter fuel, electricity or gas bills. Such companies shall coordinate
535 their promotions of this program, holding promotions during the same
536 month and using similar formats.

537 Sec. 21. Section 10a-180 of the general statutes is amended by adding
538 subsection (w) as follows (*Effective October 1, 2007*):

539 (NEW) (w) To make grants or provide other forms of financial
540 assistance to any institution of higher education, to any health care
541 institution, to any nursing home, to any child care or child
542 development facility and to any qualified nonprofit organization in
543 such amounts, for energy efficient construction or renovation projects
544 or renewable energy construction or renovation projects subject to

545 such eligibility and other requirements the board of directors
546 establishes pursuant to written procedures adopted by the board
547 pursuant to subsection (h) of section 10a-179.

548 Sec. 22. Section 5 of public act 05-2 of the October 25 special session
549 is repealed and the following is substituted in lieu thereof (*Effective*
550 *from passage*):

551 Notwithstanding the provisions of section 16a-40b of the general
552 statutes, as amended by section 5 of public act 05-191, for the fiscal
553 year ending June 30, [2006] 2008, the range of rates of interest payable
554 on all loans pursuant to subsection (b) of said section 16a-40b for
555 purchases set forth in subsection (a) of said section 16a-40b, except for
556 goods or services relating to [aluminum or vinyl siding,] replacement
557 central air conditioning, [replacement roofs,] heat pumps or solar
558 systems and passive solar additions, shall be not less than zero per cent
559 for any applicant in the lowest income class and not more than three
560 per cent for any applicant for whom the adjusted gross income of the
561 household member or members who contribute to the support of the
562 household was at least one hundred fifteen per cent of the median area
563 income by household size.

564 Sec. 23. Section 29-256a of the general statutes is repealed and the
565 following is substituted in lieu thereof (*Effective October 1, 2007*):

566 [The] (a) On and after January 1, 2008, the State Building Inspector
567 and the Codes and Standards Committee shall revise the State
568 Building Code to require that buildings and building elements,
569 including residential, be designed to provide optimum cost-effective
570 energy efficiency over the useful life of the building. Such revision
571 shall meet the American Society of Heating, Refrigerating and Air
572 Conditioning Engineers Standard 90.1 for new construction.

573 (b) Notwithstanding subsection (a) of this section, the State Building
574 Inspector and the Codes and Standards Committee shall revise the
575 State Building Code to require that any (1) building, except a
576 residential building with no more than four units, constructed after

577 January 1, 2009, that is projected to cost not less than five million
578 dollars, and (2) renovation to any building, except a residential
579 building with no more than four units, started after January 1, 2010,
580 that is projected to cost not less than two million dollars shall be built
581 or renovated using building construction standards consistent with or
582 exceeding the silver building rating of the Leadership in Energy and
583 Environmental Design's rating system for new commercial
584 construction and major renovation projects, as established by the
585 United States Green Building Council, or an equivalent standard,
586 including, but not limited to, a two-globe rating in the Green Globes
587 USA design program. The inspector and the committee shall provide
588 for an exemption for any building if the Institute for Sustainable
589 Energy finds, in a written analysis, that the cost of such compliance
590 significantly outweighs the benefits.

591 Sec. 24. Subsection (b) of section 32-317 of the general statutes is
592 repealed and the following is substituted in lieu thereof (*Effective from*
593 *passage*):

594 (b) Except as provided under subsection (c) of this section, any such
595 loan or deferred loan shall be available only for a residential structure
596 containing not more than four dwelling units, shall be not less than
597 four hundred dollars and not more than [fifteen] twenty-five thousand
598 dollars per structure and shall be made only to an applicant who
599 submits evidence, satisfactory to the commissioner, that the adjusted
600 gross income of the household member or members who contribute to
601 the support of his household was not in excess of one hundred fifty per
602 cent of the median area income by household size. Repayment of all
603 loans or deferred loans made under this subsection shall be subject to a
604 rate of interest to be determined in accordance with subsection (t) of
605 section 3-20 and such terms and conditions as the commissioner may
606 establish. The State Bond Commission shall establish a range of rates of
607 interest payable on all loans or deferred loans under this subsection
608 and shall apply the range to applicants in accordance with a formula
609 which reflects their income. Such range shall be not less than zero per
610 cent for any applicant in the lowest income class and not more than

611 one per cent above the rate of interest borne by the general obligation
 612 bonds of the state last issued prior to the most recent date such range
 613 was established for any applicant for whom the adjusted gross income
 614 of the household member or members who contribute to the support
 615 of his household was at least one hundred fifteen per cent of the
 616 median area income by household size.

617 Sec. 25. (*Effective July 1, 2007*) The sum of five million dollars is
 618 appropriated to the Department of Public Utility Control, from the
 619 General Fund, for the fiscal year ending June 30, 2008, for the purposes
 620 of carrying out the requirements of sections 4 to 8, inclusive, of this act.

| | | |
|---|---|-------------|
| This act shall take effect as follows and shall amend the following sections: | | |
| Section 1 | <i>from passage</i> | 16-244c(c) |
| Sec. 2 | <i>from passage</i> | New section |
| Sec. 3 | <i>July 1, 2007</i> | 16-19b(j) |
| Sec. 4 | <i>July 1, 2007</i> | New section |
| Sec. 5 | <i>July 1, 2007</i> | 16-245m(c) |
| Sec. 6 | <i>July 1, 2007</i> | New section |
| Sec. 7 | <i>July 1, 2007</i> | New section |
| Sec. 8 | <i>July 1, 2007</i> | New section |
| Sec. 9 | <i>July 1, 2007</i> | New section |
| Sec. 10 | <i>July 1, 2007</i> | New section |
| Sec. 11 | <i>July 1, 2007</i> | New section |
| Sec. 12 | <i>July 1, 2007</i> | New section |
| Sec. 13 | <i>July 1, 2007</i> | New section |
| Sec. 14 | <i>January 1, 2008</i> | 16a-38k |
| Sec. 15 | <i>January 1, 2008</i> | New section |
| Sec. 16 | <i>January 1, 2008, and applicable to sales occurring on or after said date</i> | 12-412(110) |
| Sec. 17 | <i>October 1, 2007, and applicable to assessment years commencing on or after October 1, 2007</i> | 12-81(57) |

| | | |
|---------|---|---|
| Sec. 18 | <i>October 1, 2007, and applicable to assessment years commencing on or after October 1, 2007</i> | 12-81(63) |
| Sec. 19 | <i>July 1, 2007</i> | PA 05-2 of the October 25 Sp. Sess., Sec. 1 |
| Sec. 20 | <i>from passage</i> | 16a-41h(a) |
| Sec. 21 | <i>October 1, 2007</i> | 10a-180 |
| Sec. 22 | <i>from passage</i> | PA 05-2 of the October 25 Sp. Sess., Sec. 5 |
| Sec. 23 | <i>October 1, 2007</i> | 29-256a |
| Sec. 24 | <i>from passage</i> | 32-317(b) |
| Sec. 25 | <i>July 1, 2007</i> | New section |

Statement of Legislative Commissioners:

In section 24, new provisions were inserted into section 32-317 of the general statutes.

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 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 1 requires the Department of Public Utility Control (DPUC) to disclose to the Office of the Attorney General (OAG) the bids for standard offer service. There is no fiscal impact to OAG to receive information in accordance with this provision. However, if OAG engages a consultant to assist in its review of the bids, the agency would incur a minimal cost whenever the standard offer is put out to bid.

This section also requires DPUC to hire additional staff to comply with provisions set forth in this section. These provisions involve a more intensive, complex, and frequent new supply procurement process. Specifically, the agency would require an additional Attorney, Utilities Examiner, and a Lead Rate Specialist, totaling approximately \$390,620 in FY 08 and \$402,336 in FY 09, including fringe benefits.

Section 2 also results in the need for additional staff for DPUC for energy resource planning proposed in this section and for reviewing the proposed resource plan. These staff include an Engineer and two Energy Planners. DPUC's cost for these positions is approximately

\$393,043 in FY 08 and \$404,834 in FY 09, including fringe benefits.

Sections 4-7 require DPUC, in coordination with the Energy Conservation Management Board (ECMB), to establish an energy efficiency and outreach marketing campaign, which would result in a cost, the extent of which cannot be determined at this time.

Section 8 results in an estimated cost to the State Department of Education (SDE) of approximately \$125,000 due to the requirements surrounding "See the Light Week." Currently the agency has no staff with expertise in the duties and knowledge areas contained in the section, thus new staff would need to be hired or contracted in order to meet the section's requirements.

This section also requires the ECMB to coordinate with DPUC and SDE for the development and implementation of this fundraiser program. Any costs incurred to ECMB would be paid through the ratepayer surcharge. This surcharge could affect the state and municipalities as ratepayers, the extent of which cannot be determined at this time.

Section 10 requires DPUC to establish a grant program for clean and distributed generation projects, which has no fiscal impact. This section also requires the Department of Public Works (DPW) to establish this grant program with DEP, which can be accommodated within DPW's budgetary resources. To the extent that the information necessary to establish the grant program is readily available, DEP can consult within existing agency resources.

Section 12 establishes a \$500 rebate for the purchase and installation of replacement residential gas and oil heating equipment in residential structures containing up to four dwelling units from July 1, 2007 through July 1, 2017. Up to \$5 million is to be provided annually from the systems benefits charge on electric bills to fund these rebates. There is no fiscal impact to the Office of Policy and Management.

Section 13 allows DEP, in conjunction with DPUC, to auction the

carbon dioxide credits under the Regional Greenhouse Gas Initiative cap and trade program (which allows power plant owners to buy and sell credits to comply with emission caps). This will result in millions of dollars being raised for consumer benefits, including energy efficiency programs. The bill requires that 100% of these funds be used for this purpose, currently estimated at \$20 million to \$50 million dollars. The extent to which this program affects the state and municipalities as ratepayers is unknown at this time.

Section 14 requires that new state facilities costing \$5.0 million or more must comply with energy efficiency building standards adopted by the Office of Policy and Management (OPM). This section extends the requirement to: (1) all new construction (including schools) costing at least \$5 million if at least \$2 million of the funding comes from the state and (2) renovation projects at state facilities costing at least \$2 million. It also requires the Institute for Sustainable Energy rather than OPM to determine whether the cost of compliance significantly outweighs the benefits. It is anticipated that any additional construction costs associated with the energy efficiency building standards will only be incurred in cases where the operational savings exceed the cost, over the life of the building.

These provisions potentially have an impact on the operating budgets and debt service accounts of both the General Fund and Transportation Fund. Since building construction is financed with bond funds, any increase in construction costs would result in an increase in General Fund or Transportation Fund debt service costs.

The additional construction costs could be offset by savings in the operations of the new buildings over their lifetime, especially in heating and ventilation costs. These savings are estimated by industry sources to be up to 30% of annual utility costs. Any General Fund operating budget savings would be achieved through the Department of Public Works, the Judicial Department, the University of Connecticut, and any agency with care and control of its buildings. Any Transportation Fund operating budget savings would be achieved

through the Department of Transportation and the Department of Motor Vehicles.

Passage of this bill could substantially increase the state's costs for school construction projects¹. Based on recent school construction trends, costs could range between \$7.5 million and \$15 million per year. Since school construction projects are financed with General Fund bond funds, any increase in construction costs would result in an increase in General Fund debt service costs. It should be noted that the operating cost savings for these buildings would accrue to the municipalities.

This section also results in an estimated cost with regard to public school buildings of approximately \$10 million per year beginning in FY 09, due to the requirement of meeting green building standards. This cost would be shared on an approximate equal basis between the state, local, regional school districts through the school construction grant program. The local and regional school districts will recoup their costs in an estimated seven years through energy savings.

Section 15 of the bill allows municipalities to exempt hybrid motor vehicles and vehicles with fuel efficiencies of at least 40 miles per gallon from the property tax. Municipalities electing to exempt these vehicles from the property tax will experience a loss to their net grand list (assessed value less exemptions permitted under state law) and will likely necessitate an increase in a municipality's mill rate to offset the loss of taxable property

Section 16 of bill establishes a sales tax exemption for vehicles with fuel efficiencies of at least 40 miles per gallon from 1/1/08 to 7/1/10. This is anticipated to result in a General fund revenue loss of up to \$1 million in FY 08 and up to \$2 million² in FY 09 and FY 10.

¹ The state normally provides between 20% and 80% of the construction cost for school building projects and magnet schools receive 95% reimbursement.

² According to fueleconomy.com there are four models with fuel efficiencies of at least 40 miles per gallon: (1) the Honda Civic (automatic 5-speed) , (2) the Toyota

Sections 17 and 18 of the bill require, rather than allow, 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 19 requires the Department of Social Services (DSS) to (a) maintain basic and contingency heating assistance program benefits under the Connecticut Energy Assistance Program (CEAP) at 2006/2007 levels during the 2007/2008 heating season; (b) increase the number of households weatherized pursuant to CEAP; and (c) increase the number of households receiving home heating equipment tune-ups and home energy efficiency measures pursuant to the HEARTH program³.

The ability of the agency to comply with Section 19's provisions without needing to expend state dollars during 2008 will depend upon (a) the amount of federal dollars received by Connecticut in FY 08; (b) whether CEAP enrollment is restricted or open, and (c) the number of households weatherized, and receiving heating tune-ups/other home energy efficiency measures.

CEAP is funded with federal Low Income Home Energy Assistance Program (LIHEAP) dollars. To date, a total of approximately \$60.1 million has been made available to support the state's 2006/2007 plan. Additional federal dollars may be received if the President releases previously authorized contingency funding, and/or if supplemental

Yaris (manual 5-speed), (3) the Toyota Corolla (manual 5-speed), and (4) the Mini Cooper (manual 6-speed). Therefore, the estimates assume only a small number of overall new vehicle sales will be affected.

³ The Office of Policy and Management was authorized to operate the HEARTH program during FY 09. DSS expended \$205,744 for HEARTH benefits for CEAP households in that year. The program was not authorized in FY 07.

FY 07 appropriations bills are passed.

Original estimates indicated that the 2006/2007 CEAP plan would result in program costs of approximately \$64.3 million (\$4.2 million more than currently available funding). If no additional federal funding is forthcoming, the DSS may incur unbudgeted state costs in 2007. (While the Commissioner of Social Services has the discretion to limit program enrollment to operate within available funding, he does not intend to close enrollment this year.) The President's FY 08 proposed LIHEAP budget includes an estimated \$30.8 million for Connecticut. Final federal appropriations will likely not be known until Fall 2007.

The CEAP plan has traditionally included moneys (usually \$0.5 or \$1.0 million annually) for emergency heating system repairs/replacement for heating systems determined to be unsafe or inoperable. It is assumed that comparable funding would be proposed within the 2007/2008 plan, and would meet Section's 19 requirement that the agency increase the number of households receiving home heating equipment tune-ups and home energy efficiency measures. CEAP eligible households have also historically been allowed to use a portion of their basic or crisis benefits to cover the cost of a clean, tune and test of their deliverable fuel heating system.

However, the state has not historically utilized LIHEAP dollars for household weatherization activities. Estimated average costs per household of \$3,000 would be incurred. The ability of the agency to support these costs within available LIHEAP funding will depend upon the number of households receiving these weatherization services (not specified in the bill), and overall available program funding, as discussed above.

Section 21 permits the Connecticut Health and Educational Facilities Authority (CHEFA) to provide financial assistance to certain organizations for (1) energy efficient construction or renovation projects, or (2) renewable energy construction or renovation programs using bonds issued by CHEFA. This has no state fiscal impact,

because the bonds are not obligations of the state.

Section 22 reinstates the reduction in the potential maximum interest rate for loans under the Energy Conservation Loan Program from provisions in PA 05-2 Special Session, but excludes siding and replacement roofs from these rates. This is anticipated to have a minimal impact on the number of loans closed in a year and have no impact on costs to the state. The Connecticut Housing Investment Fund Inc. (CHIF) has the contract to administer the Energy Conservation Loan (ECL) program for the Department of Economic and Community Development (DECD). The ECL revolving loan fund has an estimated balance of \$4.9 million and the current unallocated General Obligation (GO) bond balance for the ECLF is \$5 million as of 3/23/07. The administrative costs will be handled through program funds.

Section 24 reinstates the reduction in the potential maximum interest rate for loans under the Energy Conservation Loan Program from provisions in PA 05-2 Special Session, but excludes siding and replacement roofs from these rates. In addition, the bill increases the maximum loan to owners of residential properties with no more than 4 units from \$15,000 to 25,000. The change in the maximum loan is anticipated to have a very minimal impact on the number of loans closed in a year and have no impact on costs to the state. The Connecticut Housing Investment Fund Inc. (CHIF) has the contract to administer the Energy Conservation Loan (ECL) program for the Department of Economic and Community Development (DECD). The ECL revolving loan fund has an estimated balance of \$4.9 million and the current unallocated General Obligation (GO) bond balance for the ECLF is \$5 million as of 3/23/07. The administrative costs will be handled through program funds.

Section 25 would require DPUC to hire an additional Lead Rate Specialist to carryout the outreach campaign and compact fluorescent bulb program provided in this section, for a cost of \$124,326 in FY 08 and \$128,056 in FY 09, including fringe benefits.

The Out Years

Except as otherwise described above, the impact in the out years would continue subject to inflation. In addition, effects on state and municipal electric ratepayers in the future are uncertain and cannot be determined at this time.

OLR Bill Analysis**sSB 1374*****AN ACT CONCERNING ELECTRICITY PROCUREMENT AND ENERGY EFFICIENCY.*****SUMMARY:**

This bill establishes several energy initiatives, mainly affecting electric power. Among other things, the bill:

1. changes the rules governing the acquisition of power by electric companies for small- and medium-size standard service customers who do not choose a competitive supplier;
2. requires the companies to develop a plan that analyzes the state's resources, including energy efficiency, new and existing conventional and renewable generation, and distributed generation (small-scale generators), and specifies actions to acquire such resources;
3. allows the Department of Public Utility Control (DPUC) to develop a mechanism that decouples the amount of money gas and electric companies make from their sales;
4. expands "green building" standards for state facilities and extends them to state-funded school projects and large private-sector building projects; and
5. authorizes \$50 million in bonding for a distributed generation grant program.

The bill requires DPUC to establish a (1) statewide energy efficiency and outreach marketing campaign, (2) program to promote the sale of compact fluorescent lights (CFLs) in schools, and (3) voluntary rate

program to reduce electricity use during peak demand periods. It appropriates \$5 million to DPUC for the efficiency and outreach and CFL programs.

EFFECTIVE DATE: Various, see below

§ 1: PROCUREMENT OF POWER FOR STANDARD SERVICE

The bill changes the rules governing the acquisition of power by electric companies for their standard service customers, i.e., small- and medium-sized customers who do not choose a competitive supplier. By law, the electric companies must submit a procurement plan to the DPUC, which must mitigate variation in prices over time. Under current law, the plan must require the procurement of a portfolio of overlapping wholesale supply contracts. The portfolio must be assembled in a way that produces just, reasonable, and reasonably stable retail prices while reflecting the underlying wholesale market. The contracts generally must run for at least six months.

The bill instead requires, starting January 1, 2008, that the plan specify how the power will be procured. The plan may require the company to (1) procure load following, full requirements service contracts in a way similar to that required under current law; (2) procure individual electric supply components directly from a supplier, or generator, such as base load, intermediate and peaking energy resource, capacity and other power supply services, using both requests for proposals (RFPs) and bilateral contracts outside the RFP process; and (3) procure physical and financial hedges to manage prices, including tolling arrangements and financial transmission rights.

The plan must describe how the company will, over time, transition from its current procurement methods to its new supply aggregation role. Once DPUC approves the procurement plan, a company must be allowed to manage the power supply portfolio on a real-time basis to allow it to optimize supply for the benefit of customers.

DPUC must annually set standard service rates by combining the

costs of the arrangements undertaken under the procurement plan. The rates must be adjusted twice per year to reflect actual revenues and expenses, with any adjustment being included in either the current period or subsequent standard service rate, as determined by DPUC. An electric company is entitled to collect the reasonable costs it incurs to provide such service. As under current law, DPUC, in consultation with the Office of Consumer Counsel (OCC), can retain a consultant with expertise in energy procurement to help DPUC develop the RFP and oversee the procurement process. The consultant's costs are recovered in rates.

Under current law, each bidder must submit its bid to the electric company and the DPUC consultant, who must jointly review the bids submitted in the RFP and make a recommendation to DPUC. The bill continues this requirement for that part of the power procured through RFPs, but it reduces the amount of time DPUC has to reject a recommendation from 10 to two days after DPUC receives it. It requires DPUC to make the bids available to OCC and the attorney general, but prohibits them from publicizing the bids until DPUC does. With regard to power procured by means other than an RFP, the bill requires the electric companies to submit information regarding the acquisition to DPUC as specified in the procurement plan.

EFFECTIVE DATE: Upon passage

§ 2: INTEGRATED RESOURCES PLAN

The bill requires the electric companies, in consultation with the entity that manages the regional wholesale electric market and the Energy Resources Procurement Board, to develop an integrated resources plan. (The board does not currently exist, and the bill does not create it.) The plan must analyze the state's electricity energy resources, over the short and long term, and specify actions to acquire such resources into the future from the broadest possible range of options. The plan must consider and enable the use of all forms of resources that would provide benefits to customers, including energy efficiency, new and existing conventional and renewable generation,

and distributed generation. The plan must focus on obtaining resources on a cost-of-service basis. The companies must submit the plan to DPUC by January 1, annually, beginning in 2008.

EFFECTIVE DATE: Upon passage

§ 3: DECOUPLING

By law, DPUC can approve an energy adjustment clause for electric companies and a purchased gas adjustment clause for gas companies. These clauses adjust rates for such things as changes in the cost of purchased power and natural gas. They can include a provision that further adjusts rates to allow the electric or gas company to charge or reimburse customers for over- or under-recovery of its overhead or fixed costs due solely to actual sales varying from projected sales. For example, an electric company would over-recover its fixed costs in a particularly hot summer, because it would sell more power than it had projected in which case it would reimburse consumers. Similarly, a gas company would under-recover its fixed costs in a warm winter, because it would sell less than had been projected in which case it would add an adjustment charge to the consumer's bills.

The bill specifically allows this type of provision in order to ensure that the interests of the company and its customers' interest in saving energy are aligned by severing the link between the company's sales levels and its recovery of its costs. The bill requires DPUC to include this type of provision in the company's next rate case, or January 1, 2009, whichever comes first. DPUC cannot consider the existence of this provision in determining the return the company is allowed to earn on its equity.

EFFECTIVE DATE: July 1, 2007

§§ 4-7: ENERGY EFFICIENCY OUTREACH CAMPAIGN

Campaign Goals and Plan

The bill requires DPUC, in coordination with the Energy Conservation Management Board (ECMB), to establish a statewide energy efficiency and outreach marketing campaign to target the

following sectors: (1) commercial, including small businesses; (2) industrial; (3) governmental; (4) institutional, including schools, hospitals and nonprofit organizations; (5) agricultural; and (6) residential. The bill expands ECMB's membership to include representatives of the educational, agricultural, and transportation sectors; hospitals; and nonprofit organizations, all appointed by DPUC.

The campaign's goals must include: (1) educating residents on the benefits of energy efficiency, (2) motivating them to achieve lasting energy savings, (3) educating and informing them about the real-time energy reports and the real-time alert system prepared under the bill, and (4) supporting existing energy efficiency programs.

By October 1, 2007, DPUC must develop a plan to meet the program's goals and must implement it by January 1, 2008. The plan must include coordinated marketing activities and outreach strategies, including television, radio, and newspaper advertisements; printed educational materials; events; a comprehensive website resource serving all sectors; a biweekly electronic newsletter; planning forums and meetings throughout the state; and partnerships with businesses, government entities, and nonprofit organizations.

Real-Time Energy Report and Alert System

As part of the campaign, DPUC, in consultation with ECMB, must develop a real-time energy report for use on TV and other media as part of daily weather reports. The report must:

1. identify the state's current energy demand, along with how the demand has changed over the course of the day, and in the case of TV news broadcasts, the real-time change between the beginning and end of the broadcast;
2. emphasize the importance of reducing peak demand and estimate the money leaving the state and country because of Connecticut's dependence on fossil fuels;

3. provide tips on conservation measures;
4. promote community and business competition to reduce energy consumption; and
5. publicize communities and businesses that have implemented energy saving changes or that are using renewable resources.

DPUC must get the information needed for the reports from the entity that administers the regional wholesale electric market. DPUC must adopt regulations establishing the program's parameters.

Also as part of the campaign, DPUC, in consultation with ECMB, must develop a real-time system to alert the public via e-mail and cell phone alerts of the need to reduce consumption during peak periods. DPUC must adopt regulations to establish the system's parameters.

EFFECTIVE DATE: July 1, 2007

§ 8: COMPACT FLUORESCENT LIGHT PROMOTIONS

The bill requires the State Department of Education, by September 1, 2007, to (1) establish a week-long promotional event, known as See the Light Week, in late September or early October each year, to promote renewable energy and energy conservation; (2) encourage and solicit school districts, individual schools, and other public educational institutions to participate in a statewide compact fluorescent light (CFL) bulbs fundraiser; and (3) provide outreach, guidance, and training to districts, parent and teacher organizations, and schools concerning the value of renewable energy. The department must consult with DPUC, electric companies, and interested CFL manufacturers in developing this program.

DPUC, in consultation with the Education Department and ECMB, must develop and implement a statewide fundraiser for all elementary and secondary schools in which students sell CFLs, with the participating schools keeping part of each sale. DPUC must establish a sales target for the fundraiser and adopt regulations to determine the

program's parameters.

EFFECTIVE DATE: July 1, 2007

§ 9: VOLUNTARY TIME OF USE RATES

By law, the electric companies must develop time-of-use rates, in which the rate charged to customers varies depending on whether they use electricity during a peak, shoulder, or off-peak period. Large customers must participate in this three tier system, and residential customers can choose to participate.

The bill requires DPUC, by October 1, 2007, to establish a plan to implement a voluntary rate program that will add a fourth tier to the rates. The program must (1) establish the surcharge on peak rates for high-demand peak days, for customers choosing to participate in the program; (2) encourage a shift of demand; and (3) include an educational component. DPUC must establish parameters for the program including facilitating the delivery of meters. DPUC must implement the program by June 1, 2008.

EFFECTIVE DATE: July 1, 2007

§§ 10 & 11: GRANTS FOR DISTRIBUTED GENERATION

The bill requires DPUC, by October 1, 2007, to establish a grant program for clean and distributed generation projects in businesses and state buildings powered by a Class I renewable energy source. Distributed resources include technologies such as microturbines and fuel cells; class I resources include power from solar and wind energy, among other sources. DPUC must consult with the departments of Environmental Protection (DEP) and Public Works (DPW) in developing this program. The grants for fuel cell projects cannot exceed \$25 million and other types of projects can receive no more than \$25 million. DPUC must adopt regulations to set parameters for this program. The bill authorizes \$50 million in bonding for this program.

EFFECTIVE DATE: July 1, 2007

§ 12: REPLACEMENT FURNACE REBATE PROGRAM

The bill requires, between July 1, 2007 and July 1, 2017, the Office of Policy and Management (OPM) secretary to provide a \$500 rebate for the purchase and installation of replacement residential gas and oil heating equipment that is at least 84% efficient. The rebate is available for equipment installed in residential structures containing up to four dwelling units. The total amount of rebates is capped at \$5 million annually, with funding coming from the systems benefits charge on electric bills.

EFFECTIVE DATE: July 1, 2007

§ 13: AUCTION OF GREENHOUSE GAS EMISSION CREDITS

Connecticut is participating in the Regional Greenhouse Gas Initiative, which will cap the amount of carbon dioxide that can be emitted from power plants in the Northeast as part the effort of northeastern states and eastern Canadian provinces to address global warming. The bill authorizes DEP, in consultation with DPUC, to auction the carbon dioxide credits allocated under the initiative. (Under the initiative, power plant owners will be able to buy and sell these credits in order to comply with the emission caps.) The bill requires that 100% of the money raised in the auction be used for consumer benefits, including energy efficiency programs.

EFFECTIVE DATE: July 1, 2007

§ 14: PUBLIC SECTOR GREEN BUILDING STANDARDS

Under current law, most state facility projects costing at least \$5 million that are funded on or after January 1, 2007, must comply with specified energy and environmental standards, e. g., earning a silver rating under the Leadership in Energy and Environmental Design (LEED) program. The requirement does not currently apply to parking garages, salt sheds, maintenance facilities, or state-funded school projects.

The bill extends the requirement, starting January 1, 2008, to all new construction, including garages, salt sheds, maintenance facilities, and

schools, that costs at least \$5 million, if at least \$2 million of the funding comes from the state. It also extends the requirement to state facility renovation projects costing the state at least \$2 million approved and funded after January 1, 2008.

Under current law, a project can get a waiver from these requirements if OPM, in consultation with DPW and the Institute for Sustainable Energy, finds that the costs of compliance significantly exceed the benefits. The bill eliminates the requirement that OPM consult with the institute, and it transfers from OPM to the institute the responsibility of making the finding.

EFFECTIVE DATE: January 1, 2008

§§ 15 & 16: TAX EXEMPTIONS FOR EFFICIENT VEHICLES

The bill establishes, starting January 1, 2008, a local option property tax exemption for hybrid motor vehicles and those with fuel efficiencies of at least 40 miles per gallon. It creates a sales tax exemption from January 1, 2008, until July 1, 2010, for vehicles with fuel efficiencies of at least 40 miles per gallon.

EFFECTIVE DATE: January 1, 2008

§§ 17 & 18: PROPERTY TAX EXEMPTIONS FOR RENEWABLE ENERGY

The bill requires, rather than allows, municipalities to exempt certain renewable energy systems from the property tax and expands the scope of the systems subject to the exemption. Under current law, municipalities can exempt class I renewable resources (e. g., solar electric, wind, and fuel cell systems) and hydropower facilities in one to four-unit residential buildings. The bill requires them to exempt these resources. It also requires municipalities to exempt any passive or active solar water or space heating system or geothermal energy resource, in any type of building.

EFFECTIVE DATE: October 1, 2007

§ 19: ENERGY ASSISTANCE BENEFITS

The bill requires the Department of Social Services to maintain the energy assistance benefit increases that were adopted in 2005 when it proposes its plan for 2007-2008. Among other things, the 2005 legislation (1) increased, by \$200, the basic benefit provided to low income households under the Connecticut Energy Assistance Program and (2) required the program to provide a \$300 basic benefit and \$200 crisis benefit for moderate income households.

EFFECTIVE DATE: July 1, 2007

§ 20: FUNDING FOR OPERATION FUEL

Under current law, electric and gas companies must allow their customers to donate \$1 per billing cycle to Operation Fuel, which helps people ineligible for state energy assistance. The bill extends this requirement to electric and gas municipal utilities. It allows customers to designate any donation amount and requires all utilities to (1) offer \$1, \$2, \$3, or other donation options and (2) allow customers who are billed or pay electronically to participate. It also requires Operation Fuel, Inc. (the group that administers the program) to provide fundraising inserts to fuel oil dealers who choose to participate in the program. It explicitly requires the utilities and dealers who match contributions to send the matching funds to Operation Fuel. It requires the utilities and the participating fuel oil dealers to coordinate their promotions of the program.

EFFECTIVE DATE: Upon passage

§ 21: CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

The bill allows the Connecticut Health and Educational Facilities Authority to provide grants or other financial assistance to colleges, health care facilities, nursing homes, day care centers, and other non-profit organizations for energy efficiency and renewable energy construction and renovation projects.

EFFECTIVE DATE: October 1, 2007

§ 22: LOW INTEREST ENERGY CONSERVATION LOANS

The bill reinstates, until June 30, 2008, provisions of PA 05-2, October 25 Special Session that lowered the interest rate for the Connecticut Housing Investment Fund's (CHIF) energy efficiency loan program. But it excludes siding and replacement roof projects from the interest rate reduction.

EFFECTIVE DATE: Upon passage

§ 23: GREEN BUILDING STANDARDS IN THE PRIVATE SECTOR

The bill requires the state building inspector and the Codes and Standards Committee to amend the State Building Code to require large private sector construction projects to meet the green building standards described above in section 14. The requirements apply to (1) buildings costing \$5 million or more built on or after January 1, 2009 and (2) renovations costing \$2 million or more made on or after January 1, 2010. The requirements do not apply to residential buildings with up to four units. The bill requires the inspector and the committee to waive these requirements if the Institute for Sustainable Energy finds that the cost of compliance significantly outweighs the benefits.

By law, the State Building Code must require that buildings and building elements provide optimum cost-effective energy efficiency over their life. The code must meet standard 90.1 of the American Society of Heating, Refrigerating and Air Conditioning Engineers. The bill extends these requirements to residential buildings as of January 1, 2008.

EFFECTIVE DATE: October 1, 2007

§ 24: LOW INTEREST ENERGY EFFICIENCY LOANS

The bill requires CHIF to provide loans of up to \$25,000 to owners of one to four unit residential properties under this program. Under current practice, CHIF has a \$15,000 cap on such loans.

EFFECTIVE DATE: Upon passage

§ 25: APPROPRIATIONS

The bill appropriates \$5 million to DPUC in FY 08 for its outreach campaign and CFL program.

EFFECTIVE DATE: July 1, 2007

BACKGROUND

Related Bills

sHB 7098, An Act Concerning Connecticut's Energy Future, favorably reported by the Energy and Technology Committee, has several provisions similar to those in this bill, including those dealing with green building standards and energy assistance. SB 1373 has similar standard service power procurement provisions.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute

Yea 19 Nay 2 (03/13/2007)