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Amendment

LCO No. 8665

HB0743208665HDO

Offered by:

REP. FONTANA, 87th Dist.

REP. NARDELLO, 89th Dist.

To: House Bill No. 7432

File No.

Cal. No. 702

(As Amended)

"AN ACT CONCERNING ELECTRICITY AND ENERGY EFFICIENCY."

1 Strike sections 49, 51, 52, 53, 63, 64, 86, 92, 93, 94, 98, 107, 108, 109
2 and 117 and renumber sections and internal references accordingly

3 After the last section, add the following and renumber sections and
4 internal references accordingly:

5 "Sec. 501. Section 16-244c of the general statutes is repealed and the
6 following is substituted in lieu thereof (*Effective from passage*):

7 (a) (1) On and after January 1, 2000, each electric distribution
8 company shall make available to all customers in its service area, the
9 provision of electric generation and distribution services through a
10 standard offer. Under the standard offer, a customer shall receive
11 electric services at a rate established by the Department of Public
12 Utility Control pursuant to subdivision (2) of this subsection. Each

13 electric distribution company shall provide electric generation services
14 in accordance with such option to any customer who affirmatively
15 chooses to receive electric generation services pursuant to the standard
16 offer or does not or is unable to arrange for or maintain electric
17 generation services with an electric supplier. The standard offer shall
18 automatically terminate on January 1, 2004. While providing electric
19 generation services under the standard offer, an electric distribution
20 company may provide electric generation services through any of its
21 generation entities or affiliates, provided such entities or affiliates are
22 licensed pursuant to section 16-245.

23 (2) Not later than October 1, 1999, the Department of Public Utility
24 Control shall establish the standard offer for each electric distribution
25 company, effective January 1, 2000, which shall allocate the costs of
26 such company among electric transmission and distribution services,
27 electric generation services, the competitive transition assessment and
28 the systems benefits charge. The department shall hold a hearing that
29 shall be conducted as a contested case in accordance with chapter 54 to
30 establish the standard offer. The standard offer shall provide that the
31 total rate charged under the standard offer, including electric
32 transmission and distribution services, the conservation and load
33 management program charge described in section 16-245m, the
34 renewable energy investment charge described in section 16-245n,
35 electric generation services, the competitive transition assessment and
36 the systems benefits charge shall be at least ten per cent less than the
37 base rates, as defined in section 16-244a, in effect on December 31,
38 1996. The standard offer shall be adjusted to the extent of any increase
39 or decrease in state taxes attributable to sections 12-264 and 12-265 and
40 any other increase or decrease in state or federal taxes resulting from a
41 change in state or federal law and shall continue to be adjusted during
42 such period pursuant to section 16-19b. Notwithstanding the
43 provisions of section 16-19b, the provisions of said section 16-19b shall
44 apply to electric distribution companies. The standard offer may be
45 adjusted, by an increase or decrease, to the extent approved by the
46 department, in the event that (A) the revenue requirements of the

47 company are affected as the result of changes in (i) legislative
48 enactments other than public act 98-28*, (ii) administrative
49 requirements, or (iii) accounting standards occurring after July 1, 1998,
50 provided such accounting standards are adopted by entities
51 independent of the company that have authority to issue such
52 standards, or (B) an electric distribution company incurs extraordinary
53 and unanticipated expenses required for the provision of safe and
54 reliable electric service to the extent necessary to provide such service.
55 Savings attributable to a reduction in taxes shall not be shifted between
56 customer classes.

57 (3) The price reduction provided in subdivision (2) of this
58 subsection shall not apply to customers who, on or after July 1, 1998,
59 are purchasing electric services from an electric company or electric
60 distribution company, as the case may be, under a special contract or
61 flexible rate tariff, and the company's filed standard offer tariffs shall
62 reflect that such customers shall not receive the standard offer price
63 reduction.

64 (b) (1) (A) On and after January 1, 2004, each electric distribution
65 company shall make available to all customers in its service area, the
66 provision of electric generation and distribution services through a
67 transitional standard offer. Under the transitional standard offer, a
68 customer shall receive electric services at a rate established by the
69 Department of Public Utility Control pursuant to subdivision (2) of
70 this subsection. Each electric distribution company shall provide
71 electric generation services in accordance with such option to any
72 customer who affirmatively chooses to receive electric generation
73 services pursuant to the transitional standard offer or does not or is
74 unable to arrange for or maintain electric generation services with an
75 electric supplier. The transitional standard offer shall terminate on
76 December 31, 2006. While providing electric generation services under
77 the transitional standard offer, an electric distribution company may
78 provide electric generation services through any of its generation
79 entities or affiliates, provided such entities or affiliates are licensed
80 pursuant to section 16-245.

81 (B) The department shall conduct a proceeding to determine
82 whether a practical, effective, and cost-effective process exists under
83 which an electric customer, when initiating electric service, may
84 receive information regarding selecting electric generating services
85 from a qualified entity. The department shall complete such
86 proceeding on or before December 1, 2005, and shall implement the
87 resulting decision on or before March 1, 2006, or on such later date that
88 the department considers appropriate. An electric distribution
89 company's costs of participating in the proceeding and implementing
90 the results of the department's decision shall be recoverable by the
91 company as generation services costs through an adjustment
92 mechanism as approved by the department.

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

96 (B) The department shall hold a hearing that shall be conducted as a
97 contested case in accordance with chapter 54 to establish the
98 transitional standard offer. The transitional standard offer shall
99 provide that the total rate charged under the transitional standard
100 offer, including electric transmission and distribution services, the
101 conservation and load management program charge described in
102 section 16-245m, the renewable energy investment charge described in
103 section 16-245n, electric generation services, the competitive transition
104 assessment and the systems benefits charge, and excluding federally
105 mandated congestion costs, shall not exceed the base rates, as defined
106 in section 16-244a, in effect on December 31, 1996, excluding any rate
107 reduction ordered by the department on September 26, 2002.

108 (C) (i) Each electric distribution company shall, on or before January
109 1, 2004, file with the department an application for an amendment of
110 rates pursuant to section 16-19, which application shall include a four-
111 year plan for the provision of electric transmission and distribution
112 services. The department shall conduct a contested case proceeding
113 pursuant to sections 16-19 and 16-19e, as amended by this act, to

114 approve, reject or modify the application and plan. Upon the approval
115 of such plan, as filed or as modified by the department, the department
116 shall order that such plan shall establish the electric transmission and
117 distribution services component of the transitional standard offer.

118 (ii) Notwithstanding the provisions of this subparagraph, an electric
119 distribution company that, on or after September 1, 2002, completed a
120 proceeding pursuant to sections 16-19 and 16-19e, shall not be required
121 to file an application for an amendment of rates as required by this
122 subparagraph. The department shall establish the electric transmission
123 and distribution services component of the transitional standard offer
124 for any such company equal to the electric transmission and
125 distribution services component of the standard offer established
126 pursuant to subsection (a) of this section in effect on July 1, 2003, for
127 such company. If such electric distribution company applies to the
128 department, pursuant to section 16-19, for an amendment of its rates
129 on or before December 31, 2006, the application of the electric
130 distribution company shall include a four-year plan.

131 (D) The transitional standard offer (i) shall be adjusted to the extent
132 of any increase or decrease in state taxes attributable to sections 12-264
133 and 12-265 and any other increase or decrease in state or federal taxes
134 resulting from a change in state or federal law, (ii) shall be adjusted to
135 provide for the cost of contracts under subdivision (2) of subsection (j)
136 of this section and the administrative costs for the procurement of such
137 contracts, and (iii) shall continue to be adjusted during such period
138 pursuant to section 16-19b. Savings attributable to a reduction in taxes
139 shall not be shifted between customer classes. Notwithstanding the
140 provisions of section 16-19b, the provisions of section 16-19b shall
141 apply to electric distribution companies.

142 (E) The transitional standard offer may be adjusted, by an increase
143 or decrease, to the extent approved by the department, in the event
144 that (i) the revenue requirements of the company are affected as the
145 result of changes in (I) legislative enactments other than public act 03-
146 135* or public act 98-28*, (II) administrative requirements, or (III)

147 accounting standards adopted after July 1, 2003, provided such
148 accounting standards are adopted by entities that are independent of
149 the company and have authority to issue such standards, or (ii) an
150 electric distribution company incurs extraordinary and unanticipated
151 expenses required for the provision of safe and reliable electric service
152 to the extent necessary to provide such service.

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

160 (4) (A) In addition to its costs received pursuant to subsection (h) of
161 this section, as compensation for providing transitional standard offer
162 service, each electric distribution company shall receive an amount
163 equal to five-tenths of one mill per kilowatt hour. Revenues from such
164 compensation shall not be included in calculating the electric
165 distribution company's earnings for purposes of, or in determining
166 whether its rates are just and reasonable under, sections 16-19, 16-19a
167 and 16-19e, including an earnings sharing mechanism. In addition,
168 each electric distribution company may earn compensation for
169 mitigating the prices of the contracts for the provision of electric
170 generation services, as provided in subdivision (2) of this subsection.

171 (B) The department shall conduct a contested case proceeding
172 pursuant to the provisions of chapter 54 to establish an incentive plan
173 for the procurement of long-term contracts for transitional standard
174 offer service by an electric distribution company. The incentive plan
175 shall be based upon a comparison of the actual average firm full
176 requirements service contract price for electricity obtained by the
177 electric distribution company compared to the regional average firm
178 full requirements service contract price for electricity, adjusted for such
179 variables as the department deems appropriate, including, but not

180 limited to, differences in locational marginal pricing. If the actual
181 average firm full requirements service contract price obtained by the
182 electric distribution company is less than the actual regional average
183 firm full requirements service contract price for the previous year, the
184 department shall split five-tenths of one mill per kilowatt hour equally
185 between ratepayers and the company. Revenues from such incentive
186 plan shall not be included in calculating the electric distribution
187 company's earnings for purposes of, or in determining whether its
188 rates are just and reasonable under sections 16-19, 16-19a and 16-19e.
189 The department may, as it deems necessary, retain a third party entity
190 with expertise in energy procurement to assist with the development
191 of such incentive plan.

192 (c) (1) On and after [January 1, 2007,] the effective date of this
193 section, each electric distribution company shall provide electric
194 generation services through standard service to any customer who (A)
195 does not arrange for or is not receiving electric generation services
196 from an electric supplier [,] and [(B) does not use a demand meter or]
197 has a maximum demand of less than five hundred kilowatts, and (B) is
198 a school district or municipality.

199 (2) Not later than October 1, 2006, and [periodically as required by
200 subdivision (3) of this subsection, but not more often than every
201 calendar quarter] annually thereafter, the Department of Public Utility
202 Control shall establish the standard service price for such customers
203 pursuant to [subdivision (3) of] this subsection except the department
204 may adjust the price more frequently if it determines that such
205 adjustment would be in the best interest of ratepayers, but not more
206 than once every six months. Each electric distribution company shall
207 recover the actual net costs of procuring and providing electric
208 generation services pursuant to this subsection, provided such
209 company mitigates the costs it incurs for the procurement of electric
210 generation services for customers who are no longer receiving service
211 pursuant to this subsection.

212 (3) On or before August 1, 2007, the electric distribution companies

213 shall file with the Department of Public Utility Control a proposal to
214 establish principles and standards that shall govern the manner in
215 which the companies enter into, and the department reviews and
216 grants approval to, bilateral contracts to provide standard service
217 supply. The department, in consultation with the Office of Consumer
218 Counsel, shall conduct a contested case proceeding to approve, modify
219 or reject said proposal. No electric distribution company may initiate
220 any bilateral negotiations for standard service contracts before the
221 department's adoption of the principles and standards required
222 pursuant to this section.

223 [(3) An] (4) Until December 31, 2007, an electric distribution
224 company providing electric generation services pursuant to this
225 subsection shall mitigate the variation of the price of the service
226 offered to its customers by procuring electric generation services
227 contracts in the manner prescribed in a plan approved by the
228 department. Such plan shall require the procurement of a portfolio of
229 service contracts sufficient to meet the projected load of the electric
230 distribution company. Such plan shall require that the portfolio of
231 service contracts be procured in an overlapping pattern of fixed
232 periods at such times and in such manner and duration as the
233 department determines to be most likely to produce just, reasonable
234 and reasonably stable retail rates while reflecting underlying
235 wholesale market prices over time. The portfolio of contracts shall be
236 assembled in such manner as to invite competition; guard against
237 favoritism, improvidence, extravagance, fraud and corruption; and
238 secure a reliable electricity supply while avoiding unusual, anomalous
239 or excessive pricing. The portfolio of contracts procured under such
240 plan shall be for terms of not less than six months, provided contracts
241 for shorter periods may be procured under such conditions as the
242 department shall prescribe to (A) ensure for end-use customers the
243 lowest rates possible, [for end-use customers] giving due consideration
244 to risk and amount of volatility in the overall rates; (B) ensure reliable
245 service under extraordinary circumstances; and (C) ensure the prudent
246 management of the contract portfolio. An electric distribution

247 company may receive a bid for an electric generation services contract
248 from any of its generation entities or affiliates, provided such
249 generation entity or affiliate submits its bid the business day preceding
250 the first day on which an unaffiliated electric supplier may submit its
251 bid and further provided the electric distribution company and the
252 generation entity or affiliate are in compliance with the code of
253 conduct established in section 16-244h.

254 [(4) The] (5) On and after January 1, 2008, an electric distribution
255 company providing electric generation services pursuant to this
256 subsection shall mitigate the variation of the price of the service
257 offered to its customers by procuring electric generation services in the
258 manner prescribed in a standard service procurement plan approved
259 by the department. Such plan shall be consistent with the resource
260 procurement plan approved pursuant to section 501 of this act, when
261 available, and shall specify the method for purchasing power for
262 standard service, and may require the electric distribution company to
263 (A) procure load following, full requirements service contracts in a
264 manner similar to that pursuant to subdivision (3) of this subsection;
265 (B) procure individual electric supply components directly from a
266 supplier, or generator, including, but not limited to, base load,
267 intermediate and peaking energy resource, capacity and other power
268 supply services, using both requests for proposals and bilateral
269 contracts outside the request for proposal process; and (C) procure
270 physical and financial hedges to manage prices, including, but not
271 limited to, tolling arrangements and financial transmission rights. Such
272 plan shall describe how an electric distribution company shall, over
273 time, transition to its new supply aggregation role as described in this
274 section from the current method of procuring power supply pursuant
275 to subdivision (4) of this subsection to a mix of the procurement
276 options described in this section. Once its procurement plan has been
277 approved by the department, an electric distribution company shall be
278 allowed to manage the power supply portfolio on a real-time basis,
279 thereby enabling it to optimize supply for the benefit of customers. The
280 department shall set standard service rates annually by combining the

281 costs of the arrangements undertaken under the procurement plan,
282 provided such rates will be trued up to actual revenues and expenses
283 twice per year, with any over or under recovery being included in
284 either the current period or subsequent standard service rate, as
285 determined by the department. An electric distribution company shall
286 be entitled to collect the reasonable costs it incurs to provide such
287 service.

288 (6) In approving the plans pursuant to subdivisions (4) and (5) of
289 this subsection, the department, in consultation with the Office of
290 Consumer Counsel, shall retain the services of a third-party entity with
291 expertise in the area of energy procurement to oversee the initial
292 development of the request for proposals and the procurement of
293 contracts by an electric distribution company for the provision of
294 electric generation services offered pursuant to this subsection. Costs
295 associated with the retention of such third-party entity shall be
296 included in the cost of electric generation services that is included in
297 such price.

298 [(5) Each] (7) For resources acquired pursuant to a request for
299 proposal process, each bidder for a standard service contract shall
300 submit its bid to the electric distribution company and the third-party
301 entity who shall jointly review the bids, conduct an analysis of the cost
302 of such proposal and submit an overview of all bids together with a
303 joint recommendation to the department as to the preferred bidders.
304 The department shall make available to the Office of Consumer
305 Counsel and the Attorney General all bids it receives pursuant to this
306 subsection, provided the bids and any analysis of such bids shall not
307 be subject to disclosure under the Freedom of Information Act for a
308 period of three months. The department may, [within ten] not later
309 than two business days [of] after submission of the overview, reject the
310 recommendation regarding preferred bidders. In the event that the
311 department rejects the preferred bids, the electric distribution
312 company and the third-party entity shall rebid the service pursuant to
313 this subdivision. For other resources acquired by an electric
314 distribution company pursuant to subdivision (5) of this subsection,

315 such company shall submit information on such acquisitions to the
316 department as shall be specified in the procurement plan.

317 (8) Upon approval of the preferred bids by the department, the
318 respective electric distribution company shall enter into contracts with
319 approved bidders. The department shall approve or reject such
320 contracts not later than seven calendar days after such contracts are
321 entered into, but can extend such period an additional seven days with
322 the consent of all parties.

323 (9) Not later than October 1, 2009, and biennially thereafter, the
324 department shall conduct a contested case proceeding in accordance
325 with chapter 54 to review the efficacy of the process of procuring
326 contracts pursuant to this subsection including as assessment of the
327 extent to which the standards set forth in sections 501 and 504 of this
328 act are met.

329 (d) (1) [Notwithstanding] Not later than January 1, 2008, and on a
330 continuing basis, notwithstanding the provisions of this section
331 regarding the electric generation services component of the transitional
332 standard offer or the procurement of electric generation services under
333 standard service, section 16-244h or 16-245o, the Department of Public
334 Utility Control [may, from time to time, direct an electric distribution
335 company] shall direct the electric distribution companies to offer,
336 through an electric supplier or electric suppliers, [before January 1,
337 2007, one or more alternative transitional standard offer options or, on
338 or after January 1, 2007,] one or more [alternative standard] renewable
339 service options. Such [alternative] renewable service options shall
340 include, but not be limited to, an option that consists of the provision
341 of electric generation services that exceed the renewable portfolio
342 standards established in section 16-245a and an option that allows
343 consumers to purchase renewable energy directly and may include an
344 option that utilizes strategies or technologies that reduce the overall
345 consumption of electricity of the customer.

346 (2) (A) The department shall develop such [alternative] renewable

347 service option or options in [a contested case] contested cases, as
348 necessary, conducted in accordance with the provisions of chapter 54.
349 The department shall determine the terms and conditions of such
350 [alternative] renewable service option or options, including, but not
351 limited to, (i) the minimum contract terms, including pricing, length
352 and termination of the contract, and (ii) the minimum percentage of
353 electricity derived from Class I or Class II renewable energy sources, if
354 applicable. The electric distribution [company] companies shall, under
355 the supervision of the department, subsequently conduct a bidding
356 process in order to solicit electric suppliers to provide such
357 [alternative] renewable service option or options.

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

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

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

369 (e) (1) On and after January 1, 2007, an electric distribution company
370 shall serve customers that are not eligible to receive standard service
371 pursuant to subsection (c) of this section as the supplier of last resort.
372 This subsection shall not apply to customers purchasing power under
373 contracts entered into pursuant to section 16-19hh. Any customer
374 previously receiving electric generation services from an electric
375 supplier shall not be eligible to receive supplier of last resort service
376 pursuant to this subsection unless such customer agrees to receive
377 supplier of last resort service for a period of not less than one year.

378 (2) An electric distribution company shall procure electricity to

379 provide electric generation services to customers pursuant to this
380 subsection. The Department of Public Utility Control shall determine a
381 price for such customers that reflects the full cost of providing the
382 electricity on a monthly basis and that is consistent with the approved
383 procurement and deployment plan pursuant to section 501 of this act
384 or, on an alternative basis as determined pursuant to subdivision (3) of
385 this subsection. Each electric distribution company shall recover the
386 actual net costs of procuring and providing electric generation services
387 pursuant to this subsection, provided such company mitigates the
388 costs it incurs for the procurement of electric generation services for
389 customers that are no longer receiving service pursuant to this
390 subsection.

391 (3) On or after July 1, 2008, the Department of Public Utility Control
392 may conduct a contested case proceeding to study the frequency with
393 which it should determine the price for supplier of last resort service.

394 (f) On and after January 1, 2000, and until such time the regional
395 independent system operator implements procedures for the provision
396 of back-up power to the satisfaction of the Department of Public Utility
397 Control, each electric distribution company shall provide electric
398 generation services to any customer who has entered into a service
399 contract with an electric supplier that fails to provide electric
400 generation services for reasons other than the customer's failure to pay
401 for such services. Between January 1, 2000, and December 31, 2006, an
402 electric distribution company may procure electric generation services
403 through a competitive bidding process or through any of its generation
404 entities or affiliates. On and after January 1, 2007, such company shall
405 procure electric generation services through a competitive bidding
406 process pursuant to a plan submitted by the electric distribution
407 company and approved by the department. Such company may
408 procure electric generation services through any of its generation
409 entities or affiliates, provided such entity or affiliate is the lowest
410 qualified bidder and provided further any such entity or affiliate is
411 licensed pursuant to section 16-245.

412 (g) An electric distribution company is not required to be licensed
413 pursuant to section 16-245 to provide standard offer electric generation
414 services in accordance with subsection (a) of this section, transitional
415 standard offer service pursuant to subsection (b) of this section,
416 standard service pursuant to subsection (c) of this section, supplier of
417 last resort service pursuant to subsection (e) of this section or back-up
418 electric generation service pursuant to subsection (f) of this section.

419 (h) The electric distribution company shall be entitled to recover
420 reasonable costs incurred as a result of providing standard offer
421 electric generation services pursuant to the provisions of subsection (a)
422 of this section, transitional standard offer service pursuant to
423 subsection (b) of this section, standard service pursuant to subsection
424 (c) of this section or back-up electric generation service pursuant to
425 subsection (f) of this section. The provisions of this section and section
426 16-244a shall satisfy the requirements of section 16-19a until January 1,
427 2007.

428 (i) The Department of Public Utility Control shall establish, by
429 regulations adopted pursuant to chapter 54, procedures for when and
430 how a customer is notified that his electric supplier has defaulted and
431 of the need for the customer to choose a new electric supplier within a
432 reasonable period of time.

433 (j) (1) Notwithstanding the provisions of subsection (d) of this
434 section regarding [an alternative transitional standard offer option or
435 an alternative standard] a renewable service option, an electric
436 distribution company providing transitional standard offer service,
437 standard service, supplier of last resort service or back-up electric
438 generation service in accordance with this section shall contract with
439 its wholesale suppliers to comply with the renewable portfolio
440 standards. The Department of Public Utility Control shall annually
441 conduct a contested case, in accordance with the provisions of chapter
442 54, in order to determine whether the electric distribution company's
443 wholesale suppliers met the renewable portfolio standards during the
444 preceding year. An electric distribution company shall include a

445 provision in its contract with each wholesale supplier that requires the
446 wholesale supplier to pay the electric distribution company an amount
447 of five and one-half cents per kilowatt hour if the wholesale supplier
448 fails to comply with the renewable portfolio standards during the
449 subject annual period. The electric distribution company shall
450 promptly transfer any payment received from the wholesale supplier
451 for the failure to meet the renewable portfolio standards to the
452 Renewable Energy Investment Fund for the development of Class I
453 renewable energy sources. Any payment made pursuant to this section
454 shall not be considered revenue or income to the electric distribution
455 company.

456 (2) Notwithstanding the provisions of subsection (d) of this section
457 regarding [an alternative transitional standard offer option or an
458 alternative standard] a renewable service option, an electric
459 distribution company providing transitional standard offer service,
460 standard service, supplier of last resort service or back-up electric
461 generation service in accordance with this section shall, not later than
462 July 1, 2008, file with the Department of Public Utility Control for its
463 approval one or more long-term power purchase contracts from Class I
464 renewable energy source projects that receive funding from the
465 Renewable Energy Investment Fund and that are not less than one
466 megawatt in size, at a price that is either, at the determination of the
467 project owner, (A) not more than the total of the comparable wholesale
468 market price for generation plus five and one-half cents per kilowatt
469 hour, or (B) fifty per cent of the wholesale market electricity cost at the
470 point at which transmission lines intersect with each other or interface
471 with the distribution system, plus the project cost of fuel indexed to
472 natural gas futures contracts on the New York Mercantile Exchange at
473 the natural gas pipeline interchange located in Vermillion Parish,
474 Louisiana that serves as the delivery point for such futures contracts,
475 plus the fuel delivery charge for transporting fuel to the project, plus
476 five and one-half cents per kilowatt hour. The department shall
477 approve or reject such contracts not later than thirty calendar days
478 after such contract is filed, unless the department determines before

479 the expiration of that period that additional time is needed, but in no
480 event longer than a total of sixty days. If the department does not issue
481 a decision within sixty calendar days, the contract shall be deemed to
482 have been approved. In its approval of such contracts, the department
483 shall give preference to purchase contracts from those projects that
484 would provide a financial benefit to ratepayers or would enhance the
485 reliability of the electric transmission system of the state. Such projects
486 shall be located in this state. The owner of a fuel cell project principally
487 manufactured in this state shall be allocated all available air emissions
488 credits and tax credits attributable to the project and no less than fifty
489 per cent of the energy credits in the Class I renewable energy credits
490 program established in section 16-245a attributable to the project.
491 [Such] On and after January 1, 2007, and until September 30, 2008, such
492 contracts shall be comprised of not less than a total, apportioned
493 among each electric distribution company, of one hundred twenty-five
494 megawatts; and on and after October 1, 2008, such contracts shall be
495 comprised of not less than a total, apportioned among each electrical
496 distribution company, of one hundred fifty megawatts. The cost of
497 such contracts and the administrative costs for the procurement of
498 such contracts directly incurred shall be eligible for inclusion in the
499 adjustment to the transitional standard offer as provided in this section
500 and any subsequent rates for standard service, provided such contracts
501 are for a period of time sufficient to provide financing for such
502 projects, but not less than ten years, and are for projects which began
503 operation on or after July 1, 2003. Except as provided in this
504 subdivision, the amount from Class I renewable energy sources
505 contracted under such contracts shall be applied to reduce the
506 applicable Class I renewable energy source portfolio standards. For
507 purposes of this subdivision, the department's determination of the
508 comparable wholesale market price for generation shall be based upon
509 a reasonable estimate. On or before July 1, 2007, the department, in
510 consultation with the Office of Consumer Counsel and the Renewable
511 Energy Investments Advisory Council, shall initiate a study of the
512 operation of such renewable energy contracts and report its findings
513 and recommendations to the joint standing committee of the General

514 Assembly having cognizance of matters relating to energy.

515 Sec. 502. (NEW) (*Effective from passage*) (a) The electric distribution
516 companies shall conduct an energy and capacity resource assessment
517 and develop a comprehensive plan for the procurement and
518 deployment of energy resources, including, but not limited to,
519 conventional and renewable generating facilities, energy conservation,
520 energy efficiency, load management, demand response, transmission
521 combined heat and power facilities and distributed generation to meet
522 the projected requirements of their customers in a manner that
523 minimizes the cost and price volatility of such resources to customers
524 over time and maximizes consumer benefits consistent with the state's
525 environmental goals and standards. On or before January 1, 2008, and
526 every two years thereafter, the companies shall submit to the
527 Connecticut Energy Advisory Board, established pursuant to section
528 16a-3 of the general statutes, as amended by this act, an assessment of
529 (1) the energy and capacity requirements of customers for the next
530 three, five and ten years, (2) the impact of current and projected
531 environmental standards, including, but not limited to, those related to
532 greenhouse gas emissions and the federal Clean Air Act goals and how
533 different resources could help achieve those standards and goals, (3)
534 energy security and economic risks associated with potential energy
535 resources, and (4) the estimated lifetime cost and availability of
536 potential energy resources, including those related to reliability and
537 price volatility.

538 (b) Resource needs shall first be met through all available energy
539 efficiency and demand reduction resources that are cost effective,
540 reliable and feasible. The plan shall specify (1) the total amount of
541 energy and capacity resources needed to meet the requirements of all
542 customers, (2) the extent to which demand side measures, including
543 efficiency, conservation, demand response and load management can
544 cost-effectively meet these needs, (3) needs for generating capacity and
545 transmission and distribution improvements, and (4) how the
546 development of such resources will reduce and stabilize the costs of
547 electricity to consumers.

548 (c) The procurement and deployment plan shall consider: (1)
549 Approaches to maximizing the impact of demand side measures; (2)
550 the extent to which generation needs can be met by renewable and
551 combined heat and power facilities and by the impact of regional
552 market incentives; (3) types and locations for generation that would
553 optimize the generation portfolio within the state; (4) fuel types,
554 diversity, availability, firmness of supply and security and
555 environmental impacts thereof, including impacts on meeting the
556 state's greenhouse gas emission goals; (5) reliability, peak load and
557 energy forecasts, system contingencies and existing resource
558 availabilities; (6) import limitations and the appropriate reliance on
559 such imports; (7) the costs and benefits of options for the ownership of
560 energy resources; (8) if it is in the best interest of customers, how new
561 resources could be integrated into the standard service and last-resort
562 service provided pursuant to section 16-244c of the general statutes, as
563 amended by this act; and (9) the impact of the plan on the costs of
564 electric customers, including, but not limited to, effects on capacity and
565 energy costs, rate stability and affordability for low-income customers.

566 (d) The board, in consultation with the regional independent system
567 operator, in-state generators and other interested stakeholders, shall
568 review and approve the proposed procurement and deployment plan
569 as submitted not later than one hundred twenty days after receipt. The
570 companies shall provide any additional information requested by the
571 board that is relevant to the consideration of the plan. In the course of
572 conducting such review, the board may retain the services of a third-
573 party entity with experience in the area of energy procurement and
574 may consult with the regional independent system operator. The board
575 shall submit the reviewed plan, together with a statement of any
576 unresolved issues, to the Department of Public Utility Control. The
577 department shall consider the plan in an uncontested proceeding and
578 shall provide an opportunity for interested parties to submit comments
579 regarding the plan. Not later than one hundred fifty days after
580 submission of the plan, the department shall approve, or modify and
581 approve, the plan.

582 (e) All reasonable costs associated with the development of the
583 resource assessment and procurement and deployment plan shall be
584 recoverable by the electric distribution companies through the
585 nonbypassable federally mandated congestion charge, as defined in
586 section 16-1 of the general statutes the generation services charge or
587 other charge consistent with section 16-19 of the general statutes and
588 section 16-19e of the general statutes.

589 (f) The board shall meet at least quarterly to consider progress in the
590 implementation of the procurement and deployment plan and any
591 changes in circumstances that might affect the resource needs or said
592 procurement plan. The board may, at any time, recommend to the
593 companies and to the department that said plan be modified based on
594 a substantial change in the need for or availability of resources. The
595 companies or the department, on its own motion with notice to the
596 board, may also request consideration of plan modifications based on
597 changes in circumstance. The department shall consider any such
598 request in an uncontested proceeding.

599 Sec. 503. (NEW) (*Effective from passage*) (a) The Department of Public
600 Utility Control shall implement the procurement and deployment plan
601 established in section 502 of this act by (1) issuing requests for
602 proposals pursuant to section 504 of this act to meet specified energy
603 resource needs set forth in the plan or by directing the electric
604 distribution companies to issue such requests for proposals, (2)
605 directing the electric distribution companies to incorporate additional
606 demand-side measures set forth in the plan into the comprehensive
607 conservation and load management plan prepared pursuant to section
608 16-245m of the general statutes for review by the Energy Conservation
609 Management Board, (3) directing the distribution companies to submit
610 proposals for specific transmission or distribution improvements,
611 generation projects or other projects set forth in the plan, or (4) taking
612 other actions within its authority to implement the plan.

613 (b) Effective January 1, 2008, until the comprehensive plan is
614 implemented by the department, the electric distribution companies

615 shall include all available energy efficiency and demand reduction
616 resources that are cost effective, reliable and feasible in the
617 comprehensive conservation and load management plan prepared
618 pursuant to section 16-245m of the general statutes for review by the
619 Energy Conservation Management Board.

620 Sec. 504. (NEW) (*Effective from passage*) (a) Pursuant to the
621 assessment conducted pursuant to section 502 of this act, the
622 Department of Public Utility Control shall conduct a contested case
623 proceeding to develop and issue a request for proposals pursuant to
624 subdivision (1) of subsection (a) of section 502 of this act to solicit the
625 development of demand response, efficiency and load management
626 and new, expanded or repowered cost-of-service generation to address
627 any deficiencies or needs identified in the assessment prepared
628 pursuant to section 501 of this act. A person, including an electric
629 distribution company submitting a proposal pursuant to this
630 subsection, shall include draft contracts containing information
631 required by subsection (d) of this section in its submission, with
632 compensation based exclusively on cost-of-service, including, but not
633 limited to, a reasonable rate of return of and on prudent investment,
634 operation and maintenance expenses, depreciation, fuel costs, taxes
635 and other governmental charges. The department shall review the
636 recovery of such charges in an annual, contested rate case as to all the
637 units or measures owned by each person with a contract pursuant to
638 this section, and said contract shall expressly subject such person to
639 such review by the department. The department shall review such
640 recovery of costs consistent with the principles set forth in sections 16-
641 19, 16-19b and 16-19e of the general statutes, provided the return on
642 equity associated with such project shall be established in the initial
643 annual contested case proceeding under this subsection for each
644 person and updated at least once every four years. The department
645 may retain a third-party consultant to help determine whether
646 projected costs submitted by any person are reasonable preliminary
647 estimates or whether the department should reject or require
648 modification of any proposals that do not reflect reasonable estimates.

649 The department may request that a person submitting a proposal
650 submit further information that the department determines to be in the
651 public interest, which the department may use in evaluating the
652 proposal. The department shall approve contracts consistent with the
653 principles set forth in sections 16-19, 16-19b and 16-19e of the general
654 statutes. The department shall reject proposals that are not in the best
655 interests of customers.

656 (b) The Department of Public Utility Control shall evaluate
657 proposals received pursuant to subsection (a) of this section and may
658 approve one or more of such proposals. The department shall evaluate
659 the proposals based on an analysis of the expected costs and benefits of
660 the proposals, consistency with environmental sustainability,
661 reduction and stabilization of electric rates, market power risks, the
662 promotion of fuel diversity and the reduction or overall minimization
663 of increases in greenhouse gas emissions. The department shall only
664 approve such proposals that have expected benefits in excess of
665 expected costs and are in the best long-term interest of the customers
666 of the state. All proposals received by the department pursuant to this
667 section shall be available for public review six months after
668 department approval or rejection.

669 (c) The Department of Public Utility Control shall publish requests
670 for proposals under this section in one or more newspapers or
671 periodicals, as selected by the department, and shall post such requests
672 for proposals on its web site. The department may retain the services
673 of a third-party entity with expertise in the area of energy procurement
674 to oversee the development of the requests for proposals and to assist
675 the department in its approval of proposals pursuant to this section.
676 The reasonable and proper expenses for retaining such third-party
677 entity shall be recoverable through federally mandated congestion
678 charges, as defined in section 16-1 of the general statutes, which
679 charges the department shall allocate to electric distribution companies
680 in proportion to their revenue.

681 (d) Any person, other than an electric distribution company,

682 submitting a proposal pursuant to this section shall include with its
683 proposal a draft of a contract that includes the transfer to the electric
684 distribution company of all rights to payment or to assignment of
685 credits related to the facility, including, but not limited to, energy,
686 installed capacity, forward reserve capacity, locational forward reserve
687 capacity, environmental credits and all other similar or ancillary
688 products associated with such proposal. The draft contract shall also
689 include security for ensuring performance of the contractual
690 obligations. No such contract shall have a term exceeding fifteen years.
691 Such contract shall include such provisions as the Department of
692 Public Utility Control directs.

693 (e) An electric distribution company submitting a proposal pursuant
694 to this section shall expressly state in its proposal that, in return for
695 payment based on cost-of-service pursuant to subsection (a) of this
696 section, such company will hold for the benefit of ratepayers all other
697 rights to payment or assignment of environmental credits that derive
698 from a contract pursuant to this section.

699 (f) An electric distribution company shall enter into contracts to
700 implement those proposals approved pursuant to this section, and
701 shall apply to the Department of Public Utility Control for approval of
702 each such contract. After thirty days, either party may request the
703 assistance of the department to resolve any outstanding issues. No
704 such contract may become effective without approval of the
705 department. The department shall hold a hearing that shall be
706 conducted as a contested case, in accordance with the provisions of
707 chapter 54 of the general statutes, to approve, reject or modify an
708 application for approval of such contracts. Such a contract shall contain
709 terms that mitigate the long-term risk assumed by customers. The
710 electric distribution company shall recover all reasonable costs
711 incurred in implementing this section, including all costs incurred as a
712 result of such contracts, through nonbypassable federally mandated
713 congestion charges.

714 (g) Projects approved pursuant to this section are eligible for

715 expedited siting through a petition for declaratory ruling pursuant to
716 subsection (a) of section 16-50k of the general statutes. The provisions
717 of section 16a-7c of the general statutes shall not apply to projects
718 approved pursuant to this section.

719 (h) All department reviews pursuant to this section shall be
720 consistent with the principles set forth in sections 16-19, 16-19b and 16-
721 19c of the general statutes.

722 Sec. 505. Section 16a-3 of the general statutes is repealed and the
723 following is substituted in lieu thereof (*Effective from passage*):

724 (a) There is established a Connecticut Energy Advisory Board
725 consisting of nine members, including the Commissioner of
726 Environmental Protection, [the chairperson of the Public Utilities
727 Control Authority, the Commissioner of Transportation,] the
728 Consumer Counsel, [the Commissioner of Agriculture,] the executive
729 director of Connecticut Innovations, Incorporated, and the Secretary of
730 the Office of Policy and Management, or their respective designees.
731 The Governor shall appoint [one member, the] a representative of a
732 state-wide business association, a representative of a state-wide
733 manufacturing association and a representative of low-income
734 ratepayers. The president pro tempore of the Senate shall appoint [one
735 member, and the] a representative of an environmental organization
736 who is knowledgeable in energy efficiency programs. The speaker of
737 the House of Representatives shall appoint [one member, all of whom]
738 a representative of a consumer advocacy organization. All appointed
739 members shall serve in accordance with section 4-1a. The appointing
740 authorities shall make all appointments within ninety days of the
741 effective date of this section. No appointee may be employed by, or a
742 consultant of, a public service company, as defined in section 16-1, or
743 an electric supplier, as defined in section 16-1 or an affiliate or
744 subsidiary of such company or supplier.

745 (b) The board shall, (1) prepare an annual report pursuant to section
746 16a-7a; (2) represent the state in regional energy system planning

747 processes conducted by the regional independent system operator, as
748 defined in section 16-1; (3) encourage representatives from the
749 municipalities that are affected by a proposed project of regional
750 significance to participate in regional energy system planning
751 processes conducted by the regional independent system operator; (4)
752 issue a request-for-proposal in accordance with subsections (b) and (c)
753 of section 16a-7c; (5) evaluate the proposals received pursuant to the
754 request-for-proposal in accordance with subsection (f) of section 16a-
755 7c; (6) participate in a forecast proceeding conducted pursuant to
756 subsection (a) of section 16-50r; [and] (7) participate in a life-cycle
757 proceeding conducted pursuant to subsection (b) of section 16-50r; and
758 (8) review the procurement and deployment plan submitted by the
759 electric distribution companies pursuant to section 501 of this act.

760 (c) The board shall elect a chairman and a vice-chairman from
761 among its members and shall adopt such rules of procedure as are
762 necessary to carry out its functions.

763 (d) The board shall convene its first meeting not later than
764 September 1, 2003. A quorum of the board shall consist of two-thirds
765 of the members currently serving on the board.

766 (e) The board shall employ such staff as is required for the proper
767 discharge of its duties. The board may also retain any third-party
768 consultants it deems necessary to accomplish the goals set forth in
769 subsection (b) of this section. The board shall annually submit to the
770 Department of Public Utility Control a proposal regarding the level of
771 funding required for the discharge of its duties, which proposal shall
772 be approved by the department either as submitted or as modified by
773 the department.

774 (f) The Connecticut Energy Advisory Board shall be within the
775 Office of Policy and Management for administrative purposes only.

776 Sec. 506. Subdivision (6) of subsection (a) of section 16-244e of the
777 general statutes is repealed and the following is substituted in lieu
778 thereof (*Effective July 1, 2007*):

779 (6) Once unbundling is completed to the satisfaction of the
780 department and consistent with the provisions of section 16-244, [(A)]
781 any corporate affiliate or separate division that provides electric
782 generation services as a result of unbundling pursuant to this
783 subsection shall be considered a generation entity or affiliate of the
784 electric company, and the division or corporate affiliate of the electric
785 company that provides transmission and distribution services shall be
786 considered an electric distribution company. [, and (B) an electric
787 distribution company shall not own or operate generation assets,
788 except as provided in this section and section 16-243m.]

789 Sec. 507. Section 16-19ss of the general statutes is repealed and the
790 following is substituted in lieu thereof (*Effective July 1, 2007*):

791 (a) The Department of Public Utility Control may, from July 1, 2003,
792 to January 1, 2008, inclusive, determine, by an affirmative vote of four
793 commissioners of the Public Utilities Control Authority, that (1) safe,
794 adequate and reasonably priced electricity is not available on the
795 wholesale market; (2) additional temporary electric generation
796 facilities will result in reductions in federally mandated congestion
797 costs for which the ratepayers of the state are responsible; and (3) the
798 prices and costs specified in subdivision (2) of this subsection will
799 exceed the cost of investment in temporary electric generation
800 facilities. Such determination shall be in writing and shall state the
801 reasons supporting the determination.

802 (b) Upon issuing a determination pursuant to subsection (a) of this
803 section, the department shall hold a contested case proceeding, in
804 accordance with the provisions of chapter 54, to develop a request for
805 proposal to solicit the provision of such additional temporary electric
806 generation facilities, containing such terms and conditions that will
807 best serve the interests of the public. The request for proposal process
808 shall be designed to ensure fairness and full participation by all
809 qualified responders.

810 (c) The department may negotiate for terms and conditions

811 necessary to conclude a transaction with one or more entities
812 responding to a request for proposal, after notice to all entities that
813 responded. The department shall base its decision to conclude a
814 transaction on the best interest of the public and ratepayers.

815 [(d) Nothing in this section shall be construed to allow an electric
816 distribution company to own, operate, lease or control any facility or
817 asset that generates electricity, or retain any interest in such facility or
818 asset as part of any transaction concluded pursuant to this section,
819 except as provided in subsection (e) of section 16-244e and section 16-
820 243m.]

821 Sec. 508. (NEW) (*Effective from passage*) The Department of Public
822 Utility Control shall direct an electric distribution company to
823 negotiate, in good faith, long-term contracts that use a call option as to
824 the payment for the electric energy output of each of the generation
825 projects selected and approved by the department to provide capacity
826 pursuant to section 16-243m of the general statutes. The department
827 shall require that any unit under contract and operating shall bid into
828 the regional independent system operator energy markets at an
829 amount not exceeding a certain price, which shall be the call option
830 price, and shall also provide that the project shall return the positive
831 difference between the clearing price and the call option price,
832 multiplied by the number of megawatts operating, to the electric
833 distribution company for the benefit of ratepayers. The call option
834 price shall be set by the department at a level no higher than two
835 hundred dollars per megawatt-hour as of January 1, 2007, plus three
836 per cent per year, compounded, for each calendar year following 2007.
837 The electric distribution company shall apply to the department for
838 approval of any such energy output contract. No such contract shall be
839 effective unless approved by the department. The department may
840 approve only such contracts it finds would reduce and stabilize the
841 cost of electricity to Connecticut ratepayers. Such contract may not
842 exceed the term of the capacity contract for such generation project.

843 Sec. 509. Section 16-244c of the general statutes is amended by

844 adding subsections (k) and (l) as follows (*Effective July 1, 2007*):

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

846 (A) "Participating electric supplier" means an electric supplier that is
847 licensed by the department to provide electric service, pursuant to this
848 subsection, to residential or small commercial customers.

849 (B) "Residential customer" means a customer who is eligible for
850 standard service and who takes electric distribution-related service
851 from an electric distribution company pursuant to a residential tariff.

852 (C) "Small commercial customer" means a customer who is eligible
853 for standard service and who takes electric distribution-related service
854 from an electric distribution company pursuant to a small commercial
855 tariff.

856 (D) "Qualifying electric offer" means an offer to provide full
857 requirements commodity electric service and all other generation
858 related service to a residential or small commercial customer at a fixed
859 price per kilowatt hour for a term of not less than one year.

860 (2) Electric distribution companies shall indicate to customers
861 initiating new service or reinitiating service following a change of
862 residence or business location that they have a choice of suppliers to
863 provide electric generation service. Electric distribution companies
864 shall direct customers expressing an interest in choosing a
865 participating electric supplier to the department's web site or toll-free
866 telephone number, to a participating electric supplier's web site or toll-
867 free telephone number, or to other publicly available information on
868 participating electric suppliers. The department shall not require any
869 additional efforts on behalf of participating electric suppliers by
870 electric distribution companies.

871 (3) Not later than August 1, 2007, the department shall establish
872 terms and conditions under which a participating electric supplier can
873 be included in the referral program described in subdivision (2) of this

874 subsection.

875 (NEW) (l) (1) Each electric distribution company may offer to bill
876 customers on behalf of participating electric suppliers and to pay such
877 suppliers in a timely manner the amounts due such suppliers from
878 customers for generation services, less a percentage of such amounts
879 that reflects uncollectible bills and overdue payments. Each
880 participating electric supplier shall reimburse the electric distribution
881 companies for such program in full and in a timely manner under
882 terms and conditions approved by the department.

883 (2) Participating electric suppliers may, at their own expense,
884 provide bill inserts advertising their services to provide electric
885 generation service to residential and small commercial customers to be
886 included by an electric distribution company in their customer's
887 monthly utility bill. Said inserts shall specify the rates that will pertain
888 to customers for the first year of service. Said rates shall reflect the
889 actual cost to provide such services, including the actual generation
890 rate and all additional charges and shall not contain any introductory
891 discounted price for a fixed number of months. Said inserts shall also
892 list a toll-free telephone number and web site for contacting the
893 supplier.

894 Sec. 510. (NEW) (*Effective July 1, 2007*) (a) For purposes of this
895 section: (1) "Connecticut electric efficiency partner program" means the
896 coordinated effort among the Department of Public Utility Control,
897 persons and entities providing enhanced demand-side management
898 technologies and electric consumers to conserve electricity and reduce
899 demand in Connecticut through the purchase and deployment of
900 energy efficient technologies; (2) "enhanced demand-side management
901 technologies" means demand-side management solutions, customer-
902 side Class I renewable energy generation, load shifting technologies
903 and conservation and load management technologies that reduce
904 electric distribution company customers' electric demand; and (3)
905 "Connecticut electric efficiency partner" means an electric distribution
906 company customer who acquires an enhanced demand-side

907 management technology or a person, other than an electric distribution
908 company, that provides enhanced demand-side management
909 technologies to electric distribution company customers.

910 (b) The Energy Conservation Management Board, in consultation
911 with the Renewable Energy Investments Advisory Committee, shall
912 evaluate and approve enhanced demand-side management
913 technologies that can be deployed by Connecticut electric efficiency
914 partners to reduce electric distribution company customers' electric
915 demand. Such evaluation shall include an examination of the potential
916 to reduce customers' demand, federally mandated congestion charges
917 and other electric costs. On or before October 15, 2007, the Energy
918 Conservation Management Board shall file such evaluation with the
919 Department of Public Utility Control.

920 (c) On or before October 15, 2007, the Department of Public Utility
921 Control and Connecticut Innovations Incorporated, as administrator of
922 the Renewable Energy Investment Fund, shall enter into a
923 memorandum of understanding to establish procedures for the fund to
924 assist the department in developing and implementing the Connecticut
925 Energy Efficiency Partnership program by providing technical review
926 and analysis of customer-side renewable energy projects filed with the
927 department pursuant to this section.

928 (d) On or before October 15, 2007, the Energy Conservation
929 Management Board shall file with the department an analysis of the
930 state's electric demand, peak electric demand and growth forecasts for
931 electric demand and peak electric demand. Such analysis shall identify
932 the principal drivers of electric demand and peak electric demand,
933 associated electric charges tied to electric demand and peak electric
934 demand growth, including, but not limited to, federally mandated
935 congestion charges and other electric costs, and any other information
936 the department deems appropriate. The analysis shall include, but not
937 be limited to, an evaluation of the costs and benefits of the enhanced
938 demand-side management technologies approved pursuant to
939 subsection (b) of this section and establishing suggested funding levels

940 for said individual technologies.

941 (e) Commencing April 1, 2008, a certified Connecticut electric
942 efficiency partner may only receive funding if selected in a request for
943 proposal developed, issued and evaluated by the department. The
944 department shall not approve an enhanced demand-side technology
945 pursuant to this section that is already being offered to customers
946 through the Conservation and Load Management Fund or through
947 other programs funded by ratepayers. In evaluating a proposal, the
948 department shall consider the potential to reduce customers' electric
949 demand, including peak electric demand, and associated electric
950 charges tied to electric demand and peak electric demand growth,
951 including, but not limited to, federally mandated congestion charges
952 and other electric costs, and shall utilize a cost benefit test established
953 pursuant to subsection (c) of this section to rank responses for
954 selection. Such proposal shall include the technologies that the
955 applicant shall purchase or provide and that have been approved
956 pursuant to subsection (d) of this section and a description of the
957 application of those technologies to be funded as part of the
958 Connecticut electric efficiency partner program and shall include a
959 request for a license as a Connecticut electric efficiency partner. In
960 evaluating the proposal, the department shall (1) consider the
961 applicant's potential to reduce customers' electric demand, including
962 peak electric demand, and associated electric charges tied to electric
963 demand and peak electric demand growth, (2) consider the electric
964 distribution companies' evaluation of the payback ratio of customer
965 benefits to investment and cost-effectiveness of the projects proposed
966 in the proposal, (3) determine the portion of the total cost of each
967 project that shall be paid for by the customer that is participating in
968 this program and the portion of the total cost of each project that shall
969 be paid for by all electric ratepayers and collected pursuant to the
970 provisions of this subsection, provided that at least fifty per cent of the
971 cost shall be paid for by the participating customer and that ratepayer
972 funding shall not exceed the limits of cost-effectiveness. In making
973 such determination, the department shall ensure that all ratepayer

974 investments are cost-effective and maintain a minimum two-to-one
975 payback ratio of customer benefits of investment, and (4) specify that
976 participating Connecticut electric efficiency partners shall maintain the
977 technology for a period sufficient to achieve such investment payback
978 ratio and provide for repayment of a portion of customer contribution
979 if the technology is not so maintained. The projects funded under this
980 section shall not exceed sixty million dollars in total investment per
981 year, with no more than five million dollars of ratepayer funding per
982 year received by any individual electric efficiency partner. Not less
983 than seventy-five per cent of such annual ratepayer investment shall be
984 used for the technologies themselves. No person shall receive electric
985 ratepayer funding without having been approved by the department.
986 The department may license an applicant if it possesses and
987 demonstrates adequate financial resources, managerial ability and
988 technical competency. The department shall not approve an enhanced
989 demand-side technology pursuant to this section that is already being
990 offered to customers through the Conservation and Load Management
991 Fund or through other programs funded by ratepayers.

992 (f) The department may retain the services of a third-party entity
993 with expertise in areas such as demand-side management solutions,
994 customer-side renewable energy generation, customer-side distributed
995 generation resources, load shifting technologies and conservation and
996 load management investments to assist in the development and
997 operation of the Connecticut electric efficiency partner program. The
998 costs for obtaining third-party services pursuant to this subsection
999 shall be recoverable through the systems benefits charge.

1000 (g) The department shall develop a long-term low-interest loan
1001 program to assist certified Connecticut electric efficiency partners in
1002 financing the customer portion of the capital costs of approved
1003 enhanced demand-side management technologies. The department
1004 may establish such financing mechanism by using one or more of the
1005 following strategies: (1) Modifying the existing long-term customer-
1006 side distributed generation financing mechanism established pursuant
1007 to section 16-243j of the general statutes, (2) negotiating and entering

1008 into an agreement with the Connecticut Development Authority to
1009 establish a credit facility or to utilize grants, loans or loan guarantees
1010 for the purposes of this section upon such terms and conditions as the
1011 authority may prescribe including provisions regarding the rights and
1012 remedies available to the authority in case of default, or (3) selecting by
1013 competitive bid one or more entities that can provide such long-term
1014 financing.

1015 (h) The department shall provide for the payment of the electric
1016 ratepayers' portion of the costs of deploying enhanced demand-side
1017 management technologies by implementing a contractual financing
1018 agreement with the Connecticut Development Authority or a private
1019 financing entity selected through an appropriate open competitive
1020 selection process. Any electric ratepayer costs resulting from such
1021 financing agreement shall be recovered from all electric ratepayers
1022 through the systems benefits charge.

1023 (i) On or before February 1, 2009, and annually thereafter, the
1024 department shall report to the joint standing committee of the General
1025 Assembly having cognizance of matters relating to energy and the
1026 subcommittee with cognizance of matters relating to results-based
1027 accountability of the joint standing committee of the General Assembly
1028 having cognizance of matters relating to appropriations regarding the
1029 cost-effectiveness, including lower peak electricity usage per capita, of
1030 the Connecticut electric efficiency partner program established
1031 pursuant to this section. Said report shall include, but not be limited to,
1032 an accounting of all benefits and costs to ratepayers, a description of
1033 the approved technologies, the payback ratio of all investments, the
1034 number of programs deployed and a list of proposed projects
1035 compared to approved projects and reasons for not being approved.

1036 (j) The electric distribution companies shall recover all prudently
1037 incurred costs, including a return of and on any prudent investment, in
1038 connection with the electric efficiency partner program through the
1039 systems benefit charge pursuant to section 16-245l of the general
1040 statutes.

1041 Sec. 511. (NEW) (*Effective July 1, 2007*) Not later than July 1, 2010, all
1042 industrial and commercial customers with an average monthly
1043 demand in excess of three hundred fifty kilowatts, except for those
1044 entities otherwise exempted by state law from supplier of last resort
1045 service, shall receive on demand, metering technology capable of
1046 supporting hourly pricing.

1047 Sec. 512. (NEW) (*Effective July 1, 2007*) Not later than September 1,
1048 2008, the Department of Public Utility Control shall initiate a contested
1049 case proceeding to review the performance of specific metering
1050 technology in a meter test or system test conducted by an electric
1051 distribution company within its service territory voluntarily or
1052 pursuant to the department's decision in docket number 05-10-03. The
1053 department shall analyze such performance for cost-effectiveness for
1054 commercial customers with an average monthly demand of less than
1055 three hundred fifty kilowatts and residential customers and account in
1056 such analysis for any stranded investment in existing metering
1057 technology and report on its findings to the joint standing committee
1058 of the General Assembly having cognizance of matters relating to
1059 energy and the subcommittee with cognizance of matters relating to
1060 results-based accountability of the joint standing committee of the
1061 General Assembly having cognizance of matters relating to
1062 appropriations on or before January 1, 2009. If the department finds
1063 the installation of specific metering technology for commercial
1064 customers with an average monthly demand of less than three
1065 hundred fifty kilowatts or residential customers to be cost-effective
1066 and in the best interest of such customers, it may direct the electric
1067 distribution company that is the subject of the department's docket 05-
1068 10-03 to install such metering technology throughout its service
1069 territory to such customers, provided in no case shall the department
1070 direct such company to complete such installation before December 31,
1071 2011.

1072 Sec. 513. Subsection (i) of section 16-243m of the general statutes is
1073 repealed and the following is substituted in lieu thereof (*Effective*
1074 *October 1, 2007*):

1075 (i) An electric distribution company shall negotiate in good faith the
1076 final terms of the draft contract, submitted under subsection (e) of this
1077 section and included in a proposal approved under subsection (g) of
1078 this section, and shall apply to the department for approval of each
1079 such contract. After thirty days, either party may request the assistance
1080 of the department to resolve any outstanding issues. No such contract
1081 may become effective without approval of the department. The
1082 department shall hold a hearing that shall be conducted as a contested
1083 case, in accordance with the provisions of chapter 54, to approve, reject
1084 or modify an application for approval of a capacity purchase contract.
1085 No contract shall be approved unless the department finds that
1086 approval of such contract would (1) result in the lowest reasonable cost
1087 of such products and services, including providing lower overall
1088 electric rates than a similar plant that is owned and operated by a state
1089 electric authority for the sole benefit of consumers or a similar plant
1090 owned and operated by an electric distribution company that provides
1091 all of its electric output to ratepayers on a cost-plus basis, (2) increase
1092 reliability, and (3) minimize federally mandated congestion charges to
1093 the state over the life of the contract. Such a contract shall contain
1094 terms that mitigate the long-term risk assumed by ratepayers. No
1095 contract approved by the department shall have a term exceeding
1096 fifteen years. As determined by the department, the electric
1097 distribution company shall either sell into the capacity markets all or a
1098 portion of capacity rights transferred pursuant to this section and use
1099 all proceeds from such sales to offset federally mandated congestion
1100 charges incurred by all customers, or shall retain such capacity rights
1101 to offset electric capacity charges associated with transitional standard
1102 offer, standard service or service as supplier of last resort under section
1103 16-244c, as amended by this act. The costs associated with long-term
1104 electric capacity contracts shall be recovered through federally
1105 mandated congestion charges.

1106 Sec. 514. Subsection (a) of section 16-243n of the general statutes is
1107 repealed and the following is substituted in lieu thereof (*Effective from*
1108 *passage*):

1109 (a) Not later than October 1, 2005, each electric distribution
1110 company, as defined in section 16-1, shall submit an application to the
1111 Department of Public Utility Control to (1) on or before January 1,
1112 2007, implement mandatory peak, shoulder and off-peak time of use
1113 rates for commercial or industrial customers, other than schools and
1114 municipal buildings, that have a maximum demand of not less than
1115 three hundred fifty kilowatts, and (2) on or before June 1, 2006, offer
1116 optional interruptible or load response rates for customers that have a
1117 maximum demand of not less than three hundred fifty kilowatts and
1118 offer optional seasonal and time of use rates for all customers. The
1119 application shall propose to establish time of use rates through a
1120 procurement plan, revenue neutral adjustments to delivery rates, or
1121 both. Each electric distribution company shall continue to provide
1122 rates that are not time-of-use based for all residential customers,
1123 including a separate residential electric heating service rate, and for all
1124 other municipal customers and educational facilities.

1125 Sec. 515. (NEW) (*Effective July 1, 2007*) On or before October 1, 2007,
1126 the Department of Public Utility Control shall initiate a contested case
1127 proceeding to design a cost-effective revenue adjustment mechanism
1128 to provide additional flexibility within the link between sales levels
1129 and the recovery of costs for electric distribution companies. The
1130 department shall develop for each electric distribution company a
1131 revenue adjustment mechanism that adjusts billed revenues associated
1132 with the distribution component of rates to the gross revenues based
1133 on the rate decision and shall provide for an annual true-up of billed
1134 revenues compared to the base level for deviations from the base level
1135 directly resulting from new or ongoing energy efficiency, conservation,
1136 demand response or load management initiatives implemented by the
1137 company. On or before March 1, 2008, the Energy Conservation
1138 Management Board shall provide such deviations to the department.
1139 The department may implement the revenue adjustment mechanism if
1140 it determines such a mechanism to be in the best interest of ratepayers
1141 pursuant to the principles set forth in sections 16-19, 16-19b and 16-19e
1142 of the general statutes, as amended by this act. To assure the cost basis

1143 for Financial Accounting Standards 71 purposes, any over collection or
1144 under collection of the per-customer revenue shall be adjusted through
1145 a per kilowatt-hour charge or credit in the subsequent year. The
1146 accounting recognition of the impact of the mechanism shall be made
1147 in the year in which the sales actually occurred. The base level of
1148 revenues per customer shall be reset in each department decision
1149 modifying the company's distribution rates. On or before February 1,
1150 2010, the department shall report to the joint standing committee of the
1151 General Assembly having cognizance of matters relating to energy
1152 regarding said mechanism and the use thereof. The department shall
1153 use the existence of the mechanism as a factor in determining the
1154 company's authorized rate of return.

1155 Sec. 516. (NEW) (*Effective July 1, 2007*) The Commissioner of
1156 Environmental Protection shall adopt regulations in accordance with
1157 the provisions of chapter 54 of the general statutes to establish a carbon
1158 cap and trade program that will limit and then reduce the total carbon
1159 emissions released by electric generating units or other units located in
1160 Connecticut in accordance with the Regional Greenhouse Gas Initiative
1161 Memorandum of Understanding, as may be amended. The
1162 Department of Environmental Protection, in consultation with the
1163 Department of Public Utility Control, shall auction all emissions
1164 allowances and invest the proceeds on behalf of electric ratepayers in
1165 energy conservation and load management programs and may also
1166 invest proceeds in new Class I renewable energy generation or
1167 combined heat and power if the Commissioner of Environmental
1168 Protection determines such investments will yield greenhouse gas
1169 emission reductions at equal or lesser cost per ton than additional
1170 investments in conservation. A contractor or trustee shall auction
1171 allowances under the oversight of the Department of Environmental
1172 Protection, in consultation with the Department of Public Utility
1173 Control. The Department of Environmental Protection may make
1174 provision for the payment of reasonable Regional Greenhouse Gas
1175 Initiative administrative costs and fund assessment and planning of
1176 measures to reduce emissions and mitigate the impacts of climate

1177 change and may initiate rulemaking to allow for recovery of costs
1178 directly attributable to the auction of allowances before December 31,
1179 2011, for power plants included in the Regional Greenhouse Gas
1180 Initiative Program that had long-term contracts for electric output in
1181 effect before December 20, 2005, from allowance proceeds not to
1182 exceed ten per cent of the total projected allowance value. (1) A de
1183 minimus portion of the allowances may be set aside to support the
1184 voluntary renewable energy provisions of the Regional Greenhouse
1185 Gas Initiative model rule. (2) Any allowances or allowance value
1186 allocated to the electric distribution companies on behalf of consumers
1187 or investments in increased efficiency shall be incorporated into the
1188 planning and procurement process in section 502 of this act.

1189 Sec. 517. (*Effective July 1, 2007*) (a) On and after July 1, 2009, if the
1190 Department of Public Utility Control does not receive and approve
1191 proposals pursuant to the requests for proposals processes, pursuant
1192 to section 58 of this act, sufficient to reach the goal set by the plan
1193 approved pursuant to section 55 of this act, the department shall order
1194 an electric distribution company to submit for the department's review
1195 in a contested case proceeding, in accordance with chapter 54 of the
1196 general statutes, a proposal to develop demand response, energy
1197 efficiency and load management or build new, expanded or repowered
1198 cost-of-service electric generation in the state. Each electric distribution
1199 company shall be entitled to recover its prudently incurred costs
1200 consistent with the principles set forth in section 16-19e of the general
1201 statutes, as amended by this act.

1202 (b) On or before January 1, 2008, the department shall initiate a
1203 contested case proceeding to determine the costs and benefits of the
1204 state serving as the builder of last resort for the shortfall of megawatts
1205 from said request for proposal process."