



General Assembly

February Session, 2008

Raised Bill No. 5819

LCO No. 2793

02793_____ET_

Referred to Committee on Energy and Technology

Introduced by:
(ET)

AN ACT CONCERNING ENERGY RELIEF AND ASSISTANCE.

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

1 Section 1. (NEW) (*Effective from passage*) (a) There is hereby
2 established and created a body politic and corporate, constituting a
3 public instrumentality and political subdivision of the state of
4 Connecticut established and created for the performance of an
5 essential public and governmental function, to be known as the
6 Connecticut Energy Authority. The authority shall not be construed to
7 be a department, institution or agency of the state.

8 (b) The goals and objectives of such authority shall include, but not
9 be limited to, (1) procure least-cost supply-side and demand-side
10 resources through competitive procurement processes to meet the
11 electricity needs of all retail customers who elect service by said
12 authority; (2) construct and operate generation facilities; and (3) sell
13 electricity at cost to distribution companies and to municipal electric
14 utilities and cooperatives.

15 (c) The powers of the authority shall be vested in and exercised by a
16 board of directors, which shall consist of seven directors as follows: (1)

17 A representative of the environmental community, (2) the Secretary of
18 the Office of Policy and Management, (3) the Commissioner of
19 Environmental Protection, (4) the Consumer Counsel, (5) a director
20 appointed by the Governor, (6) a director appointed by the president
21 pro tempore of the Senate, and (7) a director appointed by the speaker
22 of the House of Representatives. No director may be a member of the
23 General Assembly. The appointed directors shall serve for terms of
24 four years each and shall have education or expertise in the area of
25 finance or law. Any appointed director who fails to attend three
26 consecutive meetings of the board or who fails to attend fifty per cent
27 of all meetings of the board held during any calendar year shall be
28 deemed to have resigned from the board. Any vacancy occurring other
29 than by expiration of term shall be filled in the same manner as the
30 original appointment for the balance of the unexpired term. At its first
31 meeting, the board shall elect a chairperson.

32 (d) The chairperson shall, with the approval of the directors,
33 appoint a president of the authority who shall be an employee of the
34 authority and paid a salary prescribed by the directors. The president
35 shall supervise the administrative affairs and technical activities of the
36 authority in accordance with the directives of the board.

37 (e) Directors may engage in private employment, or in a profession
38 or business, subject to any applicable laws, rules and regulations of the
39 state or federal government regarding official ethics or conflict of
40 interest.

41 (f) Four directors of the authority shall constitute a quorum for the
42 transaction of any business or the exercise of any power of the
43 authority. For the transaction of any business or the exercise of any
44 power of the authority, and except as otherwise provided in sections 1
45 to 5, inclusive, of this act, section 11 of this act, sections 16-244b, 16-
46 244d, subsection (c) of section 16-244i, sections 16-245d and 16-245q of
47 the general statutes, as amended by this act, the authority shall have
48 power to act by a majority of the directors present at any meeting at

49 which a quorum is in attendance.

50 (g) Appointed directors may not designate a representative to
51 perform in their absence their respective duties under sections 1 to 5,
52 inclusive, of this act, section 11 of this act, sections 16-244b, 16-244d,
53 subsection (c) of section 16-244i, sections 16-245d and 16-245q of the
54 general statutes, as amended by this act.

55 (h) The term "director", as used in this section, shall include such
56 persons so designated as provided in this section and this designation
57 shall be deemed temporary only and shall not affect any applicable
58 civil service or retirement rights of any person so designated.

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

63 (j) The directors, members and officers of the authority and any
64 person executing the bonds or notes of the authority shall not be liable
65 personally on such bonds or notes or be subject to any personal
66 liability or accountability by reason of the issuance thereof, nor shall
67 any director, member or officer of the authority be personally liable for
68 damage or injury, not wanton or wilful, caused in the performance of
69 such person's duties and within the scope of such person's
70 employment or appointment as such director, member or officer.

71 Sec. 2. (NEW) (*Effective from passage*) On or before January 1, 2009,
72 the Connecticut Energy Authority established pursuant to section 1 of
73 this act shall issue a request for proposals for the purpose of procuring
74 long-term electricity contracts for Connecticut citizens. The authority
75 may, once power is procured, transfer title to such power to the electric
76 distribution companies. The administrative costs of the contracts will
77 be charged to ratepayers on nonbypassable charges.

78 Sec. 3. (NEW) (*Effective from passage*) The directors of the

79 Connecticut Energy Authority shall meet at least monthly at the call of
80 the chairperson and may meet more frequently, if necessary and
81 desirable. The first meeting shall be held on or before October 1, 2008.
82 The directors shall maintain at all times minutes of its meetings
83 including the authority's considerations, deliberations, decisions and
84 resolutions, which minutes shall be considered public records. The
85 authority shall maintain all necessary records and data with respect to
86 its operations and shall report annually to the Governor and the
87 General Assembly, upon its operations. Such reports shall include, but
88 not be limited to, a report on the request for proposals, a listing of the
89 contracts entered into for the procurement of electricity; a listing of the
90 outstanding issues of notes and bonds of the authority and the
91 payment status thereof; a budget showing the administrative expenses
92 of the authority; and a report of revenues of the authority from all
93 sources and of the redistribution of any surplus revenues. The
94 authority shall be subject to audit by the Auditors of Public Accounts
95 in accordance with normal auditing practices prescribed for
96 departments, boards, commissions and other agencies of the state.

97 Sec. 4. (NEW) (*Effective from passage*) The Connecticut Energy
98 Authority shall make the following information available to the public
99 through the Internet, except for any such information which is not
100 required to be disclosed to the public pursuant to the Freedom of
101 Information Act, as defined in section 1-200 of the general statutes:

102 (1) The schedule of meetings of the board of directors of the
103 authority and each committee established by said board, not later than
104 seven days after such schedule is established;

105 (2) Draft minutes of each meeting of the board of directors of the
106 authority and each committee established by said board, not later than
107 seven days after each such meeting is held;

108 (3) An annual plan of operations, not later than seven days after the
109 plan is promulgated;

110 (4) Each report that the authority is required to submit to the
111 General Assembly pursuant to the general statutes, not later than
112 seven days after the report is submitted;

113 (5) Each audit of the authority conducted by the Auditors of Public
114 Accounts, each compliance audit of the authority's activities conducted
115 pursuant to section 1-122 of the general statutes and each audit
116 conducted by an independent auditing firm, not later than seven days
117 after each such audit is received by the board of directors of the
118 authority; and

119 (6) A report on any contract between the authority and a person,
120 other than a director, officer or employee of the authority, for the
121 purpose of influencing any legislative or administrative action on
122 behalf of the authority or providing legal advice to the authority. The
123 report shall indicate for each such contract (A) the names of the parties
124 to the contract, (B) the cost of the contract, (C) the term of the contract,
125 (D) a summary of the services to be provided under the contract, (E)
126 the method used by the authority to award the contract, and (F) a
127 summary of the authority's need for the services provided under the
128 contract. Such report shall be made available through the Internet not
129 later than fifteen days after the contract is executed between the
130 authority and the person.

131 Sec. 5. (NEW) (*Effective from passage*) The Connecticut Energy
132 Authority shall have power to:

133 (1) Employ a staff and hire consultants;

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

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

137 (4) Sue and be sued;

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

139 (6) Make and alter bylaws and rules and regulations with respect to
140 the exercise of its own powers;

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

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

147 (9) Charge reasonable fees for the services it performs and waive,
148 suspend, reduce or otherwise modify such fees, in accordance with
149 criteria established by the authority;

150 (10) Purchase, lease or rent such real and personal property as it
151 may deem necessary, convenient or desirable;

152 (11) Appoint such state and local advisory councils as it may from
153 time to time deem advisable;

154 (12) Otherwise, do all things necessary for the performance of its
155 duties, the fulfillment of its obligations and the conduct of its
156 operations;

157 (13) Receive and accept, from any source, aid or contributions,
158 including money, property, labor and other things of value;

159 (14) Invest any funds not needed for immediate use or disbursement
160 in obligations issued or guaranteed by the United States of America or
161 the state of Connecticut and in obligations that are legal investments
162 for savings banks in this state; and

163 (15) Adopt regular procedures for exercising its power under
164 sections 1 to 5, inclusive, of this act, section 11 of this act, sections 16-
165 244b, 16-244d, subsection (c) of section 16-244i, sections 16-245d and
166 16-245q of the general statutes, as amended by this act. not in conflict

167 with other provisions of the general statutes.

168 Sec. 6. Section 16-244c of the 2008 supplement to the general statutes
169 is repealed and the following is substituted in lieu thereof (*Effective*
170 *from passage*):

171 (a) (1) On and after January 1, 2000, each electric distribution
172 company shall make available to all customers in its service area, the
173 provision of electric generation and distribution services through a
174 standard offer. Under the standard offer, a customer shall receive
175 electric services at a rate established by the Department of Public
176 Utility Control pursuant to subdivision (2) of this subsection. Each
177 electric distribution company shall provide electric generation services
178 in accordance with such option to any customer who affirmatively
179 chooses to receive electric generation services pursuant to the standard
180 offer or does not or is unable to arrange for or maintain electric
181 generation services with an electric supplier. The standard offer shall
182 automatically terminate on January 1, 2004. While providing electric
183 generation services under the standard offer, an electric distribution
184 company may provide electric generation services through any of its
185 generation entities or affiliates, provided such entities or affiliates are
186 licensed pursuant to section 16-245.

187 (2) Not later than October 1, 1999, the Department of Public Utility
188 Control shall establish the standard offer for each electric distribution
189 company, effective January 1, 2000, which shall allocate the costs of
190 such company among electric transmission and distribution services,
191 electric generation services, the competitive transition assessment and
192 the systems benefits charge. The department shall hold a hearing that
193 shall be conducted as a contested case in accordance with chapter 54 to
194 establish the standard offer. The standard offer shall provide that the
195 total rate charged under the standard offer, including electric
196 transmission and distribution services, the conservation and load
197 management program charge described in section 16-245m of the 2008
198 supplement to the general statutes, the renewable energy investment

199 charge described in section 16-245n of the 2008 supplement to the
200 general statutes, electric generation services, the competitive transition
201 assessment and the systems benefits charge shall be at least ten per
202 cent less than the base rates, as defined in section 16-244a, in effect on
203 December 31, 1996. The standard offer shall be adjusted to the extent of
204 any increase or decrease in state taxes attributable to sections 12-264
205 and 12-265 and any other increase or decrease in state or federal taxes
206 resulting from a change in state or federal law and shall continue to be
207 adjusted during such period pursuant to section 16-19b.
208 Notwithstanding the provisions of section 16-19b, the provisions of
209 said section 16-19b shall apply to electric distribution companies. The
210 standard offer may be adjusted, by an increase or decrease, to the
211 extent approved by the department, in the event that (A) the revenue
212 requirements of the company are affected as the result of changes in (i)
213 legislative enactments other than public act 98-28*, (ii) administrative
214 requirements, or (iii) accounting standards occurring after July 1, 1998,
215 provided such accounting standards are adopted by entities
216 independent of the company that have authority to issue such
217 standards, or (B) an electric distribution company incurs extraordinary
218 and unanticipated expenses required for the provision of safe and
219 reliable electric service to the extent necessary to provide such service.
220 Savings attributable to a reduction in taxes shall not be shifted between
221 customer classes.

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

229 (b) (1) (A) On and after January 1, 2004, each electric distribution
230 company shall make available to all customers in its service area, the
231 provision of electric generation and distribution services through a

232 transitional standard offer. Under the transitional standard offer, a
233 customer shall receive electric services at a rate established by the
234 Department of Public Utility Control pursuant to subdivision (2) of
235 this subsection. Each electric distribution company shall provide
236 electric generation services in accordance with such option to any
237 customer who affirmatively chooses to receive electric generation
238 services pursuant to the transitional standard offer or does not or is
239 unable to arrange for or maintain electric generation services with an
240 electric supplier. The transitional standard offer shall terminate on
241 December 31, 2006. While providing electric generation services under
242 the transitional standard offer, an electric distribution company may
243 provide electric generation services through any of its generation
244 entities or affiliates, provided such entities or affiliates are licensed
245 pursuant to section 16-245.

246 (B) The department shall conduct a proceeding to determine
247 whether a practical, effective, and cost-effective process exists under
248 which an electric customer, when initiating electric service, may
249 receive information regarding selecting electric generating services
250 from a qualified entity. The department shall complete such
251 proceeding on or before December 1, 2005, and shall implement the
252 resulting decision on or before March 1, 2006, or on such later date that
253 the department considers appropriate. An electric distribution
254 company's costs of participating in the proceeding and implementing
255 the results of the department's decision shall be recoverable by the
256 company as generation services costs through an adjustment
257 mechanism as approved by the department.

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

261 (B) The department shall hold a hearing that shall be conducted as a
262 contested case in accordance with chapter 54 to establish the
263 transitional standard offer. The transitional standard offer shall

264 provide that the total rate charged under the transitional standard
265 offer, including electric transmission and distribution services, the
266 conservation and load management program charge described in
267 section 16-245m of the 2008 supplement to the general statutes, the
268 renewable energy investment charge described in section 16-245n of
269 the 2008 supplement to the general statutes, electric generation
270 services, the competitive transition assessment and the systems
271 benefits charge, and excluding federally mandated congestion costs,
272 shall not exceed the base rates, as defined in section 16-244a, in effect
273 on December 31, 1996, excluding any rate reduction ordered by the
274 department on September 26, 2002.

275 (C) (i) Each electric distribution company shall, on or before January
276 1, 2004, file with the department an application for an amendment of
277 rates pursuant to section 16-19, which application shall include a four-
278 year plan for the provision of electric transmission and distribution
279 services. The department shall conduct a contested case proceeding
280 pursuant to sections 16-19 and 16-19e of the 2008 supplement to the
281 general statutes to approve, reject or modify the application and plan.
282 Upon the approval of such plan, as filed or as modified by the
283 department, the department shall order that such plan shall establish
284 the electric transmission and distribution services component of the
285 transitional standard offer.

286 (ii) Notwithstanding the provisions of this subparagraph, an electric
287 distribution company that, on or after September 1, 2002, completed a
288 proceeding pursuant to sections 16-19 and 16-19e of the 2008
289 supplement to the general statutes, shall not be required to file an
290 application for an amendment of rates as required by this
291 subparagraph. The department shall establish the electric transmission
292 and distribution services component of the transitional standard offer
293 for any such company equal to the electric transmission and
294 distribution services component of the standard offer established
295 pursuant to subsection (a) of this section in effect on July 1, 2003, for
296 such company. If such electric distribution company applies to the

297 department, pursuant to section 16-19, for an amendment of its rates
298 on or before December 31, 2006, the application of the electric
299 distribution company shall include a four-year plan.

300 (D) The transitional standard offer (i) shall be adjusted to the extent
301 of any increase or decrease in state taxes attributable to sections 12-264
302 and 12-265 and any other increase or decrease in state or federal taxes
303 resulting from a change in state or federal law, (ii) shall be adjusted to
304 provide for the cost of contracts under subdivision (2) of subsection (j)
305 of this section and the administrative costs for the procurement of such
306 contracts, and (iii) shall continue to be adjusted during such period
307 pursuant to section 16-19b. Savings attributable to a reduction in taxes
308 shall not be shifted between customer classes. Notwithstanding the
309 provisions of section 16-19b, the provisions of section 16-19b shall
310 apply to electric distribution companies.

311 (E) The transitional standard offer may be adjusted, by an increase
312 or decrease, to the extent approved by the department, in the event
313 that (i) the revenue requirements of the company are affected as the
314 result of changes in (I) legislative enactments other than public act 03-
315 135* or public act 98-28*, (II) administrative requirements, or (III)
316 accounting standards adopted after July 1, 2003, provided such
317 accounting standards are adopted by entities that are independent of
318 the company and have authority to issue such standards, or (ii) an
319 electric distribution company incurs extraordinary and unanticipated
320 expenses required for the provision of safe and reliable electric service
321 to the extent necessary to provide such service.

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

329 (4) (A) In addition to its costs received pursuant to subsection (h) of
330 this section, as compensation for providing transitional standard offer
331 service, each electric distribution company shall receive an amount
332 equal to five-tenths of one mill per kilowatt hour. Revenues from such
333 compensation shall not be included in calculating the electric
334 distribution company's earnings for purposes of, or in determining
335 whether its rates are just and reasonable under, sections 16-19, 16-19a
336 and 16-19e of the 2008 supplement to the general statutes, including an
337 earnings sharing mechanism. In addition, each electric distribution
338 company may earn compensation for mitigating the prices of the
339 contracts for the provision of electric generation services, as provided
340 in subdivision (2) of this subsection.

341 (B) The department shall conduct a contested case proceeding
342 pursuant to the provisions of chapter 54 to establish an incentive plan
343 for the procurement of long-term contracts for transitional standard
344 offer service by an electric distribution company. The incentive plan
345 shall be based upon a comparison of the actual average firm full
346 requirements service contract price for electricity obtained by the
347 electric distribution company compared to the regional average firm
348 full requirements service contract price for electricity, adjusted for such
349 variables as the department deems appropriate, including, but not
350 limited to, differences in locational marginal pricing. If the actual
351 average firm full requirements service contract price obtained by the
352 electric distribution company is less than the actual regional average
353 firm full requirements service contract price for the previous year, the
354 department shall split five-tenths of one mill per kilowatt hour equally
355 between ratepayers and the company. Revenues from such incentive
356 plan shall not be included in calculating the electric distribution
357 company's earnings for purposes of, or in determining whether its
358 rates are just and reasonable under sections 16-19, 16-19a and 16-19e of
359 the 2008 supplement to the general statutes. The department may, as it
360 deems necessary, retain a third party entity with expertise in energy
361 procurement to assist with the development of such incentive plan.

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

368 (2) Not later than October 1, 2006, and [periodically as required by
369 subdivision (3) of this subsection, but not more often than every
370 calendar quarter] annually thereafter, the Department of Public Utility
371 Control shall establish the standard service price for such customers
372 pursuant to [subdivision (3)] of this subsection, except the department
373 may adjust the price more frequently if it determines that such
374 adjustment would be in the best interest of ratepayers, but no more
375 than once every six months. Each electric distribution company shall
376 recover the actual net costs of procuring and providing electric
377 generation services pursuant to this subsection, provided such
378 company mitigates the costs it incurs for the procurement of electric
379 generation services for customers who are no longer receiving service
380 pursuant to this subsection.

381 (3) On or before August 1, 2008, the electric distribution companies
382 shall file with the Department of Public Utility Control a proposal to
383 establish principles and standards that shall govern the manner in
384 which the companies enter into, and the department reviews and
385 grants approval to, bilateral contracts to provide standard service
386 supply. The department, in consultation with the Office of Consumer
387 Counsel, shall conduct a contested case proceeding to approve, modify
388 or reject such proposal. No electric distribution company may initiate
389 any bilateral negotiations for standard service contracts before the
390 department's adoption of the principles and standards required
391 pursuant to this section.

392 [(3) An] (4) Until December 31, 2008, an electric distribution
393 company providing electric generation services pursuant to this

394 subsection shall mitigate the variation of the price of the service
395 offered to its customers by procuring electric generation services
396 contracts in the manner prescribed in a plan approved by the
397 department. Such plan shall require the procurement of a portfolio of
398 service contracts sufficient to meet the projected load of the electric
399 distribution company. Such plan shall require that the portfolio of
400 service contracts be procured in an overlapping pattern of fixed
401 periods at such times and in such manner and duration as the
402 department determines to be most likely to produce just, reasonable
403 and reasonably stable retail rates while reflecting underlying
404 wholesale market prices over time. The portfolio of contracts shall be
405 assembled in such manner as to invite competition; guard against
406 favoritism, improvidence, extravagance, fraud and corruption; and
407 secure a reliable electricity supply while avoiding unusual, anomalous
408 or excessive pricing. The portfolio of contracts procured under such
409 plan shall be for terms of not less than six months, provided contracts
410 for shorter periods may be procured under such conditions as the
411 department shall prescribe to (A) ensure for end-use customers the
412 lowest rates possible, [for end-use customers] giving due consideration
413 to risk and amount of volatility in the overall rates; (B) ensure reliable
414 service under extraordinary circumstances; and (C) ensure the prudent
415 management of the contract portfolio. An electric distribution
416 company may receive a bid for an electric generation services contract
417 from any of its generation entities or affiliates, provided such
418 generation entity or affiliate submits its bid the business day preceding
419 the first day on which an unaffiliated electric supplier may submit its
420 bid and further provided the electric distribution company and the
421 generation entity or affiliate are in compliance with the code of
422 conduct established in section 16-244h.

423 [(4) The] (5) On and after January 1, 2008, an electric distribution
424 company providing electric generation services pursuant to this
425 subsection shall mitigate the variation of the price of the service
426 offered to its customers by procuring electric generation services in the
427 manner prescribed in a standard service procurement plan approved

428 by the department. Such plan shall be consistent with the resource
429 procurement plan approved pursuant to this section, when available,
430 and shall specify the method for purchasing power for standard
431 service, and may require the electric distribution company to (A)
432 procure load following full requirements service contracts in a manner
433 similar to that pursuant to subdivision (3) of this subsection; (B)
434 procure individual electric supply components directly from a supplier
435 or generator, including, but not limited to, base load, intermediate and
436 peaking energy resource, capacity and other power supply services,
437 using both requests for proposals and bilateral contracts outside the
438 request for proposal process; and (C) procure physical and financial
439 hedges to manage prices, including, but not limited to, tolling
440 arrangements and financial transmission rights. Such plan shall
441 describe how an electric distribution company shall, over time,
442 transition to its new supply aggregation role as described in this
443 section from the current method of procuring power supply pursuant
444 to subdivision (4) of this subsection to a mix of the procurement
445 options described in this section. Once its procurement plan has been
446 approved by the department, an electric distribution company shall be
447 allowed to manage the power supply portfolio on a real-time basis,
448 thereby enabling it to optimize supply for the benefit of customers. The
449 department shall set standard service rates annually by combining the
450 costs of the arrangements undertaken under the procurement plan,
451 provided such rates will be trued up to actual revenues and expenses
452 twice per year, with any over or under recovery being included in
453 either the current period or subsequent standard service rate, as
454 determined by the department. An electric distribution company shall
455 be entitled to collect the reasonable costs it incurs to provide such
456 service.

457 (6) In approving the plans pursuant to subdivisions (4) and (5) of
458 this subsection, the department, in consultation with the Office of
459 Consumer Counsel, shall retain the services of a third-party entity with
460 expertise in the area of energy procurement to oversee the initial
461 development of the request for proposals and the procurement of

462 contracts by an electric distribution company for the provision of
463 electric generation services offered pursuant to this subsection. Costs
464 associated with the retention of such third-party entity shall be
465 included in the cost of electric generation services that is included in
466 such price.

467 [(5) Each] (7) For resources acquired pursuant to a request for
468 proposal process, each bidder for a standard service contract shall
469 submit its bid to the electric distribution company and the third-party
470 entity who shall jointly review the bids, conduct an analysis of the cost
471 of such proposal and submit an overview of all bids together with a
472 joint recommendation to the department as to the preferred bidders.
473 The department shall make available to the Office of Consumer
474 Counsel and the Attorney General all bids it receives pursuant to this
475 subsection, provided the bids and any analysis of such bids shall not
476 be subject to the disclosure under the Freedom of Information Act for a
477 period of three months. The department may, [within ten] not later
478 than two business days of submission of the overview, reject the
479 recommendation regarding preferred bidders. In the event that the
480 department rejects the preferred bids, the electric distribution
481 company and the third-party entity shall rebid the service pursuant to
482 this subdivision. For other resources acquired by an electric
483 distribution company pursuant to subdivision (5) of this subsection,
484 such company shall submit information on such acquisitions to the
485 department as shall be specified in the procurement plan.

486 (8) Upon approval of the preferred bids by the department, the
487 respective electric distribution company shall enter into contracts with
488 approved bidders. The department shall approve or reject such
489 contracts not later than seven calendar days after such contracts are
490 entered into, but can extend such period an additional seven days with
491 the consent of all parties.

492 (9) Not later than October 1, 2009, and biennially thereafter, the
493 department shall conduct a contested case proceeding in accordance

494 with chapter 54 to review the efficacy of the process of procuring
495 contracts pursuant to this subsection including as assessment of the
496 extent to which the standards set forth in this section are met.

497 (d) (1) [Notwithstanding] Not later than January 1, 2008, and on a
498 continuing basis, notwithstanding the provisions of this section
499 regarding the electric generation services component of the transitional
500 standard offer or the procurement of electric generation services under
501 standard service, section 16-244h or 16-245o, the Department of Public
502 Utility Control [may, from time to time, direct an electric distribution
503 company] shall direct the electric distribution companies to offer,
504 through an electric supplier or electric suppliers, [before January 1,
505 2007, one or more alternative transitional standard offer options or, on
506 or after January 1, 2007,] one or more [alternative standard] renewable
507 service options. Such [alternative] renewable service options shall
508 include, but not be limited to, an option that consists of the provision
509 of electric generation services that exceed the renewable portfolio
510 standards established in section 16-245a of the 2008 supplement to the
511 general statutes and an option that allows consumers to purchase
512 renewable energy directly and may include an option that utilizes
513 strategies or technologies that reduce the overall consumption of
514 electricity of the customer.

515 (2) (A) The department shall develop such [alternative] renewable
516 service option or options in [a contested case] contested cases, as
517 necessary, conducted in accordance with the provisions of chapter 54.
518 The department shall determine the terms and conditions of such
519 alternative option or options, including, but not limited to, (i) the
520 minimum contract terms, including pricing, length and termination of
521 the contract, and (ii) the minimum percentage of electricity derived
522 from Class I or Class II renewable energy sources, if applicable. The
523 electric distribution [company] companies shall, under the supervision
524 of the department, subsequently conduct a bidding process in order to
525 solicit electric suppliers to provide such [alternative] renewable service
526 option or options.

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

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

532 (4) An electric supplier who fails to fulfill its contractual obligations
533 resulting from this subdivision shall be subject to civil penalties, in
534 accordance with the provisions of section 16-41 of the 2008 supplement
535 to the general statutes, or the suspension or revocation of such
536 supplier's license or a prohibition on the acceptance of new customers,
537 following a hearing that is conducted as a contested case, in
538 accordance with the provisions of chapter 54.

539 (e) (1) On and after January 1, 2007, an electric distribution company
540 shall serve customers that are not eligible to receive standard service
541 pursuant to subsection (c) of this section as the supplier of last resort.
542 This subsection shall not apply to customers purchasing power under
543 contracts entered into pursuant to section 16-19hh.

544 (2) An electric distribution company shall procure electricity at least
545 every calendar quarter to provide electric generation services to
546 customers pursuant to this subsection. The Department of Public
547 Utility Control shall determine a price for such customers that reflects
548 the full cost of providing the electricity on a monthly basis and that is
549 consistent with the approved procurement and deployment plan
550 pursuant to this section or, on an alternative basis as determined
551 pursuant to subdivision (3) of this subsection. Each electric distribution
552 company shall recover the actual net costs of procuring and providing
553 electric generation services pursuant to this subsection, provided such
554 company mitigates the costs it incurs for the procurement of electric
555 generation services for customers that are no longer receiving service
556 pursuant to this subsection.

557 (3) On and after July 1, 2008, the Department of Public Utility

558 Control may conduct a contested case proceeding to study the
559 frequency with which it should determine that price for supplier of last
560 resort service.

561 (f) On and after January 1, 2000, and until such time the regional
562 independent system operator implements procedures for the provision
563 of back-up power to the satisfaction of the Department of Public Utility
564 Control, each electric distribution company shall provide electric
565 generation services to any customer who has entered into a service
566 contract with an electric supplier that fails to provide electric
567 generation services for reasons other than the customer's failure to pay
568 for such services. Between January 1, 2000, and December 31, 2006, an
569 electric distribution company may procure electric generation services
570 through a competitive bidding process or through any of its generation
571 entities or affiliates. On and after January 1, 2007, such company shall
572 procure electric generation services through a competitive bidding
573 process pursuant to a plan submitted by the electric distribution
574 company and approved by the department. Such company may
575 procure electric generation services through any of its generation
576 entities or affiliates, provided such entity or affiliate is the lowest
577 qualified bidder and provided further any such entity or affiliate is
578 licensed pursuant to section 16-245.

579 (g) An electric distribution company is not required to be licensed
580 pursuant to section 16-245 to provide standard offer electric generation
581 services in accordance with subsection (a) of this section, transitional
582 standard offer service pursuant to subsection (b) of this section,
583 standard service pursuant to subsection (c) of this section, supplier of
584 last resort service pursuant to subsection (e) of this section or back-up
585 electric generation service pursuant to subsection (f) of this section.

586 (h) The electric distribution company shall be entitled to recover
587 reasonable costs incurred as a result of providing standard offer
588 electric generation services pursuant to the provisions of subsection (a)
589 of this section, transitional standard offer service pursuant to

590 subsection (b) of this section, standard service pursuant to subsection
591 (c) of this section or back-up electric generation service pursuant to
592 subsection (f) of this section. The provisions of this section and section
593 16-244a shall satisfy the requirements of section 16-19a until January 1,
594 2007.

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

600 (j) (1) Notwithstanding the provisions of subsection (d) of this
601 section regarding [an alternative transitional standard offer option or
602 an alternative standard] a renewable service option, an electric
603 distribution company providing transitional standard offer service,
604 standard service, supplier of last resort service or back-up electric
605 generation service in accordance with this section shall contract with
606 its wholesale suppliers to comply with the renewable portfolio
607 standards. The Department of Public Utility Control shall annually
608 conduct a contested case, in accordance with the provisions of chapter
609 54, in order to determine whether the electric distribution company's
610 wholesale suppliers met the renewable portfolio standards during the
611 preceding year. An electric distribution company shall include a
612 provision in its contract with each wholesale supplier that requires the
613 wholesale supplier to pay the electric distribution company an amount
614 of five and one-half cents per kilowatt hour if the wholesale supplier
615 fails to comply with the renewable portfolio standards during the
616 subject annual period. The electric distribution company shall
617 promptly transfer any payment received from the wholesale supplier
618 for the failure to meet the renewable portfolio standards to the
619 Renewable Energy Investment Fund for the development of Class I
620 renewable energy sources. Any payment made pursuant to this section
621 shall not be considered revenue or income to the electric distribution
622 company.

623 (2) Notwithstanding the provisions of subsection (d) of this section
624 regarding [an alternative transitional standard offer option or an
625 alternative standard] a renewable service option, an electric
626 distribution company providing transitional standard offer service,
627 standard service, supplier of last resort service or back-up electric
628 generation service in accordance with this section shall, not later than
629 July 1, 2008, file with the Department of Public Utility Control for its
630 approval one or more long-term power purchase contracts from Class I
631 renewable energy source projects that receive funding from the
632 Renewable Energy Investment Fund and that are not less than one
633 megawatt in size, at a price that is either, at the determination of the
634 project owner, (A) not more than the total of the comparable wholesale
635 market price for generation plus five and one-half cents per kilowatt
636 hour, or (B) fifty per cent of the wholesale market electricity cost at the
637 point at which transmission lines intersect with each other or interface
638 with the distribution system, plus the project cost of fuel indexed to
639 natural gas futures contracts on the New York Mercantile Exchange at
640 the natural gas pipeline interchange located in Vermillion Parish,
641 Louisiana that serves as the delivery point for such futures contracts,
642 plus the fuel delivery charge for transporting fuel to the project, plus
643 five and one-half cents per kilowatt hour. The department shall
644 approve or reject such contracts not later than thirty calendar days
645 after such contract is filed, unless the department determines before
646 the expiration of that period that additional time is needed, but in no
647 event longer than a total of sixty days. If the department does not issue
648 a decision within sixty calendar days, the contract shall be deemed to
649 have been approved. In its approval of such contracts, the department
650 shall give preference to purchase contracts from those projects that
651 would provide a financial benefit to ratepayers or would enhance the
652 reliability of the electric transmission system of the state. Such projects
653 shall be located in this state. The owner of a fuel cell project principally
654 manufactured in this state shall be allocated all available air emissions
655 credits and tax credits attributable to the project and no less than fifty
656 per cent of the energy credits in the Class I renewable energy credits

657 program established in section 16-245a of the 2008 supplement to the
658 general statutes attributable to the project. On and after October 1,
659 2007, and until September 30, 2008, such contracts shall be comprised
660 of not less than a total, apportioned among each electric distribution
661 company, of one hundred twenty-five megawatts; and on and after
662 October 1, 2008, such contracts shall be comprised of not less than a
663 total, apportioned among each electrical distribution company, of one
664 hundred fifty megawatts. The cost of such contracts and the
665 administrative costs for the procurement of such contracts directly
666 incurred shall be eligible for inclusion in the adjustment to the
667 transitional standard offer as provided in this section and any
668 subsequent rates for standard service, provided such contracts are for a
669 period of time sufficient to provide financing for such projects, but not
670 less than ten years, and are for projects which began operation on or
671 after July 1, 2003. Except as provided in this subdivision, the amount
672 from Class I renewable energy sources contracted under such contracts
673 shall be applied to reduce the applicable Class I renewable energy
674 source portfolio standards. For purposes of this subdivision, the
675 department's determination of the comparable wholesale market price
676 for generation shall be based upon a reasonable estimate. On or before
677 September 1, 2007, the department, in consultation with the Office of
678 Consumer Counsel and the Renewable Energy Investments Advisory
679 Council, shall study the operation of such renewable energy contracts
680 and report its findings and recommendations to the joint standing
681 committee of the General Assembly having cognizance of matters
682 relating to energy.

683 (k) (1) As used in this section:

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

687 (B) "Residential customer" means a customer who is eligible for
688 standard service and who takes electric distribution-related service

689 from an electric distribution company pursuant to a residential tariff.

690 (C) "Small commercial customer" means a customer who is eligible
691 for standard service and who takes electric distribution-related service
692 from an electric distribution company pursuant to a small commercial
693 tariff.

694 (D) "Qualifying electric offer" means an offer to provide full
695 requirements commodity electric service and all other generation-
696 related service to a residential or small commercial customer at a fixed
697 price per kilowatt hour for a term of no less than one year.

698 (2) In the manner determined by the department, residential or
699 small commercial service customers (A) initiating new utility service,
700 (B) reinitiating service following a change of residence or business
701 location, (C) making an inquiry regarding their utility rates, or (D)
702 seeking information regarding energy efficiency shall be offered the
703 option to learn about their ability to enroll with a participating electric
704 supplier. Customers expressing an interest to learn about their electric
705 supply options shall be informed of the qualifying electric offers then
706 available from participating electric suppliers. The electric distribution
707 companies shall describe then available qualifying electric offers
708 through a method reviewed and approved by the department. The
709 information conveyed to customers expressing an interest to learn
710 about their electric supply options shall include, at a minimum, the
711 price and term of the available electric supply option. Customers
712 expressing an interest in a particular qualifying electric offer shall be
713 immediately transferred to a call center operated by that participating
714 electric supplier.

715 (3) Not later than September 1, 2007, the department shall establish
716 terms and conditions under which a participating electric supplier can
717 be included in the referral program described in subdivision (2) of this
718 subsection. Such terms shall include, but not be limited to, requiring
719 participating electrical suppliers to offer time-of-use and real-time use
720 rates to residential customers.

721 (4) Each calendar quarter, participating electric suppliers shall be
722 allowed to list qualifying offers to provide electric generation service
723 to residential and small commercial customers with each customer's
724 utility bill. The department shall determine the manner such
725 information is presented in customers' utility bills.

726 (5) Any customer that receives electric generation service from a
727 participating electric supplier may return to standard service or may
728 choose another participating electric supplier at any time, including
729 during the qualifying electric offer, without the imposition of any
730 additional charges. Any customer that is receiving electric generation
731 service from an electric distribution company pursuant to standard
732 service can switch to another participating electric supplier at any time
733 without the imposition of additional charges.

734 (l) Each electric distribution company shall offer to bill customers on
735 behalf of participating electric suppliers and to pay such suppliers in a
736 timely manner the amounts due such suppliers from customers for
737 generation services, less a percentage of such amounts that reflects
738 uncollectible bills and overdue payments as approved by the
739 Department of Public Utility Control.

740 (m) On or before July 1, 2007, the Department of Public Utility
741 Control shall initiate a proceeding to examine whether electric supplier
742 bills rendered pursuant to section 16-245d and any regulations
743 adopted thereunder sufficiently enable customers to compare pricing
744 policies and charges among electric suppliers.

745 (n) Nothing in the provisions of this section shall preclude an
746 electric distribution company from entering into standard service
747 supply contracts or standard service supply components with electric
748 generating facilities.

749 Sec. 7. (NEW) (*Effective from passage*) (a) The Department of Public
750 Utility Control shall conduct a contested case proceeding to develop
751 and issue a request for proposals to solicit the development of demand

752 response, efficiency and load management and new, expanded or
753 repowered cost-of-service generation to address any deficiencies or
754 needs identified in the assessment prepared pursuant to section 55 of
755 this act. A person that is not an electric distribution company
756 submitting a proposal pursuant to this subsection shall include draft
757 contracts containing information required by subsection (d) of this
758 section in its submission, with compensation based exclusively on cost-
759 of-service. An electric distribution company submitting a proposal or
760 proposals pursuant to this subsection shall only recover up to the
761 reasonable level of any costs of construction of such facility. An electric
762 distribution company, in an annual retail generation rate contested
763 case, shall be entitled to recover its prudently incurred costs of such
764 project, including, but not limited to, capital costs, operation and
765 maintenance expenses, depreciation, fuel costs, taxes and other
766 governmental charges and a reasonable rate of return on equity. The
767 department shall review such recovery of costs consistent with the
768 principles set forth in sections 16-19, 16-19b and 16-19e of the general
769 statutes, as amended by this act, provided the return on equity
770 associated with such project shall be established in the initial annual
771 contested case proceeding under this subsection and updated at least
772 once every four years. The department may retain a third-party
773 consultant to help determine whether projected costs submitted by an
774 electric distribution company are reasonable preliminary estimates or
775 whether the department should reject or require modification of any
776 proposals that do not reflect reasonable estimates. The department
777 may request that a person submitting a proposal submit further
778 information that the department determines to be in the public
779 interest, which the department may use in evaluating the proposal.
780 The department shall approve contracts consistent with the principles
781 set forth in sections 16-19, 16-19b and 16-19e of the general statutes, as
782 amended by this act. The department shall reject proposals that are not
783 in the best interests of customers.

784 (b) The Department of Public Utility Control shall evaluate
785 proposals received pursuant to subsection (a) of this section and may

786 approve one or more of such proposals. The department shall evaluate
787 the proposals based on an analysis of the expected costs and benefits of
788 the proposals, consistency with environmental sustainability,
789 reduction and stabilization of electric rates, the promotion of fuel
790 diversity and the reduction or overall minimization of increases in
791 greenhouse gas emissions. The department shall only approve such
792 proposals that have expected benefits in excess of expected costs and
793 are in the best long-term interest of the customers of the state. All
794 proposals received by the department pursuant to this section shall be
795 available for public review six months after department approval or
796 rejection.

797 (c) The Department of Public Utility Control shall publish requests
798 for proposals under this section in one or more newspapers or
799 periodicals, as selected by the department, and shall post such request
800 for proposals on its web site. The department may retain the services
801 of a third-party entity with expertise in the area of energy procurement
802 to oversee the development of the requests for proposals and to assist
803 the department in its approval of proposals pursuant to this section.
804 The reasonable and proper expenses for retaining such third-party
805 entity shall be recoverable through federally mandated congestion
806 charges, as defined in section 16-1 of the general statutes, as amended
807 by this act, which charges the department shall allocate to electric
808 distribution companies in proportion to their revenue.

809 (d) Any person, other than an electric distribution company,
810 submitting a proposal pursuant to this section shall include with its
811 proposal a draft of a contract that includes the transfer to the electric
812 distribution company of all rights to payment or assignment of credits
813 related to the facility, including, but not limited to, energy, installed
814 capacity, forward reserve capacity, locational forward reserve capacity,
815 environmental credits and all other similar or ancillary products
816 associated with such proposal. The draft contract shall also include
817 compensation based on cost-of-service and security for ensuring
818 performance of the contractual obligations. No such draft of a contract

819 shall have a term exceeding fifteen years. Such draft contract shall
820 include such provisions as the Department of Public Utility Control
821 directs.

822 (e) An electric distribution company shall enter into contracts to
823 implement those proposals approved pursuant to this section, and
824 shall apply to the Department of Public Utility Control for approval of
825 each such contract. After thirty days, either party may request the
826 assistance of the department to resolve any outstanding issues. No
827 such contract may become effective without approval of the
828 department. The department shall hold a hearing that shall be
829 conducted as a contested case, in accordance with the provisions of
830 chapter 54 of the general statutes, to approve, reject or modify an
831 application for approval of such contracts. Such a contract shall contain
832 terms that mitigate the long-term risk assumed by customers. No
833 contract approved by the department shall have a term exceeding
834 fifteen years. The electric distribution company shall recover all
835 reasonable costs incurred in implementing this section, including all
836 costs incurred as a result of such contracts, through nonbypassable
837 federally mandated congestion charges.

838 (f) Projects approved pursuant to this section are eligible for
839 expedited siting through a petition for declaratory ruling pursuant to
840 subsection (a) of section 16-50k of the general statutes, as amended by
841 this act. The provisions of section 16a-7c of the general statutes shall
842 not apply to projects approved pursuant to this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage</i>	New section
Sec. 4	<i>from passage</i>	New section
Sec. 5	<i>from passage</i>	New section
Sec. 6	<i>from passage</i>	16-244c
Sec. 7	<i>from passage</i>	New section

Statement of Purpose:

To help Connecticut ratepayers.

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