



House of Representatives

General Assembly

File No. 450

February Session, 2010

Substitute House Bill No. 5365

House of Representatives, April 12, 2010

The Committee on Energy and Technology reported through REP. NARDELLO of the 89th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING ELECTRIC DISTRIBUTION COMPANIES.

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

1 Section 1. Section 16-243v of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2010*):

3 (a) For purposes of this section: (1) "Connecticut electric efficiency
4 partner program" means the coordinated effort among the Department
5 of Public Utility Control, persons and entities providing enhanced
6 demand-side management technologies, and electric consumers to
7 conserve electricity and reduce demand in Connecticut through the
8 purchase and deployment of energy efficient technologies; (2)
9 "enhanced demand-side management technologies" means demand-
10 side management solutions, customer-side emergency dispatchable
11 generation resources, customer-side renewable energy generation, load
12 shifting technologies and conservation and load management
13 technologies that reduce electric distribution company customers'
14 electric demand, and high efficiency natural gas and oil boilers and

15 furnaces; and (3) "Connecticut electric efficiency partner" means (A) an
16 electric distribution company customer who acquires an enhanced
17 demand-side management technology, [or] (B) a person, [other than]
18 including an electric distribution company, that provides enhanced
19 demand-side management technologies to electric distribution
20 company customers, or (C) such a customer or person working
21 together to develop, implement or monitor approved technologies,
22 proposals and programs.

23 (b) The Energy Conservation Management Board, in consultation
24 with the Renewable Energy Investments Advisory Committee, shall
25 evaluate and approve enhanced demand-side management
26 technologies that can be deployed by Connecticut electric efficiency
27 partners to reduce electric distribution company customers' electric
28 demand. Such evaluation shall include an examination of the potential
29 to reduce customers' demand, federally mandated congestion charges
30 and other electric costs. On or before October 15, 2007, the Energy
31 Conservation Management Board shall file such evaluation with the
32 Department of Public Utility Control for the department to review and
33 approve or to review, modify and approve on or before October 15,
34 2007.

35 (c) Not later than October 15, 2007, the Energy Conservation
36 Management Board shall file with the department, for the department
37 to review and approve or to review, modify and approve, an analysis
38 of the state's electric demand, peak electric demand and growth
39 forecasts for electric demand and peak electric demand. Such analysis
40 shall identify the principal drivers of electric demand and peak electric
41 demand, associated electric charges tied to electric demand and peak
42 electric demand growth, including, but not limited to, federally
43 mandated congestion charges and other electric costs, and any other
44 information the department deems appropriate. The analysis shall
45 include, but not be limited to, an evaluation of the costs and benefits of
46 the enhanced demand-side management technologies approved
47 pursuant to subsection (b) of this section and establishing suggested
48 funding levels for said individual technologies.

49 (d) Commencing April 1, 2008, any person may apply to the
50 department for certification and funding as a Connecticut electric
51 efficiency partner. Such application shall include the technologies that
52 the applicant shall purchase or provide and that have been approved
53 pursuant to subsection (b) of this section. In evaluating the application,
54 the department shall (1) consider the applicant's potential to reduce
55 customers' electric demand, including peak electric demand, and
56 associated electric charges tied to electric demand and peak electric
57 demand growth, (2) determine the portion of the total cost of each
58 project that shall be paid for by the customer participating in this
59 program and the portion of the total cost of each project that shall be
60 paid for by all electric ratepayers and collected pursuant to subsection
61 (h) of this section. In making such determination, the department shall
62 ensure that all ratepayer investments maintain a minimum two-to-one
63 payback ratio, provided the department may reduce the minimum
64 payback ratio to between one-to-one and two-to-one, inclusive, when
65 the department finds that such reduction is necessary to achieve the
66 annual ratepayer contribution level pursuant to this subsection, and (3)
67 specify that participating Connecticut electric efficiency partners shall
68 maintain the technology for a period sufficient to achieve such
69 investment payback ratio. The annual ratepayer contribution for
70 projects approved pursuant to this section shall not exceed sixty
71 million dollars. Not less than seventy-five per cent of such annual
72 ratepayer investment shall be used for the technologies themselves. No
73 person shall receive electric ratepayer funding pursuant to this
74 subsection if such person has received or is receiving funding from the
75 Energy Conservation and Load Management Funds for the projects
76 included in said person's application. No person shall receive electric
77 ratepayer funding without receiving a certificate of public convenience
78 and necessity as a Connecticut electric efficiency partner by the
79 department. The department may grant an applicant a certificate of
80 public convenience if it possesses and demonstrates adequate financial
81 resources, managerial ability and technical competency. The
82 department may conduct additional requests for proposals from time
83 to time as it deems appropriate. The department shall specify the

84 manner in which a Connecticut electric efficiency partner shall address
85 measures of effectiveness and shall include performance milestones.
86 For each project that has been supported by ratepayer contribution, the
87 department shall require the applicable Connecticut electric efficiency
88 partner to submit data sufficient to enable the department to monitor
89 the efficacy and cost effectiveness of such project at least annually,
90 commencing in the year after the project has become operational. In
91 conducting such monitoring, the department may work in conjunction
92 with the Energy Conservation Management Board or may use a third-
93 party consultant, provided the costs of monitoring shall be included as
94 recoverable costs pursuant to subsection (f) of this section. The
95 department shall review the results of the monitoring in an
96 uncontested proceeding and include the decision in the proceeding as
97 part of the department's report under subsection (i) of this section.

98 (e) Beginning February 1, 2010, a certified Connecticut electric
99 efficiency partner may only receive funding if selected in a request for
100 proposal developed, issued and evaluated by the department. In
101 evaluating a proposal, the department shall take into consideration the
102 potential to reduce customers' electric demand including peak electric
103 demand and energy consumption, and associated electric charges tied
104 to electric demand, energy and peak electric demand growth,
105 including, but not limited to, federally mandated congestion charges
106 and other electric costs, and shall utilize a cost benefit test established
107 pursuant to subsection (c) of this section to rank responses for
108 selection. The department shall determine the portion of the total cost
109 of each project that shall be paid by the customer participating in this
110 program and the portion of the total cost of each project that shall be
111 paid by all electric ratepayers and collected pursuant to the provisions
112 of this subsection. In making such determination, the department shall
113 (1) ensure that all ratepayer investments maintain a minimum two-to-
114 one payback ratio, and (2) specify that participating Connecticut
115 electric efficiency partners shall maintain the technology for a period
116 sufficient to achieve such investment payback ratio. The annual
117 ratepayer contribution shall not exceed sixty million dollars. Not less
118 than seventy-five per cent of such annual ratepayer investment shall be

119 used for the technologies themselves. No Connecticut electric
120 efficiency partner shall receive funding pursuant to this subsection if
121 such partner has received or is receiving funding from the Energy
122 Conservation and Load Management Funds for such technology. The
123 department may conduct additional requests for proposals from time
124 to time as it deems appropriate. The department shall specify the
125 manner in which a Connecticut electric efficiency partner shall address
126 measures of effectiveness and shall include performance milestones.
127 For each project that has been paid by electric ratepayer contribution,
128 the department shall require the applicable Connecticut electric
129 efficiency partner to submit data sufficient to enable the department to
130 monitor the efficacy and cost effectiveness of such project at least
131 annually, commencing in the year after the project has become
132 operational. In conducting such monitoring, the department may work
133 in conjunction with the Energy Conservation Management Board or
134 may use a third-party consultant, provided the costs of monitoring
135 shall be included as recoverable costs pursuant to subsection (f) of this
136 section. The department shall review the results of the monitoring in
137 an uncontested proceeding and include the decision in the proceeding
138 as part of the department's report under subsection (i) of this section.

139 (f) The department may retain the services of a third party entity
140 with expertise in areas such as demand-side management solutions,
141 customer-side renewable energy generation, customer-side distributed
142 generation resources, customer-side emergency dispatchable
143 generation resources, load shifting technologies and conservation and
144 load management investments to assist in the development and
145 operation of the Connecticut electric efficiency partner program. The
146 costs for obtaining third party services pursuant to this subsection
147 shall be recoverable through the systems benefits charge.

148 (g) The department shall develop a long-term low-interest loan
149 program to assist certified Connecticut electric efficiency partners in
150 financing the customer portion of the capital costs of approved
151 enhanced demand-side management technologies. The department
152 may establish such financing mechanism by the use of one or more of

153 the following strategies: (1) Modifying the existing long-term
154 customer-side distributed generation financing mechanism established
155 pursuant to section 16-243j, (2) negotiating and entering into an
156 agreement with the Connecticut Development Authority to establish a
157 credit facility or to utilize grants, loans or loan guarantees for the
158 purposes of this section upon such terms and conditions as the
159 authority may prescribe including provisions regarding the rights and
160 remedies available to the authority in case of default, or (3) selecting by
161 competitive bid one or more entities that can provide such long-term
162 financing. Upon the request of an electric distribution company, the
163 department shall authorize the cost of projects using approved
164 enhanced demand-side management technologies, including capital
165 costs, for recovery in accordance with subsection (h) of this section.

166 (h) The department shall provide for the payment of electric
167 ratepayers' portion of the costs of deploying enhanced demand-side
168 management technologies by implementing a contractual financing
169 agreement with the Connecticut Development Authority or a private
170 financing entity selected through an appropriate open competitive
171 selection process or by allowing recovery of such costs incurred by an
172 electric distribution company over time with a return of unamortized
173 balances through the systems benefits charge over an amortized period
174 to be established by the department based upon the expected useful
175 life of the projects. No contractual financing agreements entered into
176 with the Connecticut Development Authority shall exceed ten million
177 dollars. Any electric ratepayer costs resulting from such financing
178 agreement shall be recovered from all electric ratepayers through the
179 systems benefits charge.

180 (i) On or before February 15, 2009, and annually thereafter, the
181 department shall report to the joint standing committee of the General
182 Assembly having cognizance of matters relating to energy regarding
183 the effectiveness of the Connecticut electric efficiency partner program
184 established pursuant to this section. Said report shall include, but not
185 be limited to, an accounting of all benefits and costs to ratepayers, a
186 description of the approved technologies, the payback ratio of all

187 investments, the number of programs deployed and a list of proposed
188 projects compared to approved projects and reasons for not being
189 approved.

190 (j) On or before April 1, 2011, the Department of Public Utility
191 Control shall initiate a proceeding to review the effectiveness of the
192 program and perform a ratepayer cost-benefit analysis. Based upon the
193 department's findings in the proceeding, the department may modify
194 or discontinue the partnership program established pursuant to this
195 section.

196 Sec. 2. Subdivision (4) of subsection (a) of section 16-244e of the
197 general statutes is repealed and the following is substituted in lieu
198 thereof (*Effective July 1, 2010*):

199 (4) The unbundling plan and order shall provide for the allocation
200 of the rights and responsibilities pursuant to sections 16-245e to 16-
201 245k, inclusive, between the electric distribution company and any
202 generation entities or affiliates and shall provide for the allocation of
203 revenue under a special contract among those components of a
204 customer's bill specified in subparagraph (A) of subdivision [(1)] (2) of
205 subsection (a) of section 16-245d. Such plan shall include a proposed
206 modification or elimination to the adjustment pursuant to section 16-
207 19b. Such plan shall not allow the transfer of assets or liabilities
208 allocable or belonging to transmission or distribution functions or
209 facilities to the generation entity or affiliate of an electric company, nor
210 allow the transfer of assets or liabilities, other than financial assets or
211 liabilities to be funded by the competitive transition assessment
212 pursuant to section 16-245g or the systems benefits charge pursuant to
213 section 16-245l, allocable or belonging to generation functions or
214 facilities to the electric distribution company, as defined in section 16-
215 1, unless federal law or regulation requires such a transfer with regard
216 to nuclear generation assets. All entitlements and obligations from any
217 purchased power contract or independent power producer contract
218 entered into before July 1, 1998, by the predecessor electric company
219 which are not bought out shall succeed to the electric distribution

220 company. Such plan shall include a discussion of the impacts of the
221 proposed plan on the company's employees and plans for mitigating
222 such impact.

223 Sec. 3. (NEW) (*Effective July 1, 2010*) Notwithstanding any other
224 provision of the general statutes, an electric distribution company may
225 provide notice of the identity of any nursing home or other long-term
226 care facility to which the electric distribution company has sent a shut-
227 off notice as a result of the facility's payment delinquency to the
228 Department of Public Utility Control, the Department of Social
229 Services and the Department of Public Health. Such notice shall
230 include the name and address of the facility, the amount due to the
231 electric distribution company, the dates and amounts of the last five
232 payments by the facility and a copy of the shut-off notice.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2010</i>	16-243v
Sec. 2	<i>July 1, 2010</i>	16-244e(a)(4)
Sec. 3	<i>July 1, 2010</i>	New section

Statement of Legislative Commissioners:

In sections 1 (d) and 1 (e), "energy efficiency partner" was changed to "electric efficiency partner" for internal consistency.

ET *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill makes changes to the electric efficiency partner program, which results in no fiscal impact.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**sHB 5365*****AN ACT CONCERNING ELECTRIC DISTRIBUTION COMPANIES.*****SUMMARY:**

This bill expands the scope of the Connecticut electric efficiency partner program, which funds various energy efficiency and renewable energy technology projects that are located on a customer's premises. The bill does so by expanding the entities that can participate in the program and relaxing two of the funding criteria.

Under current law, part of the cost of a project is borne by the customer and part by electric company ratepayers. Under current law, the program can be supported by up to \$60 million in electric ratepayer funds per year. The bill appears to require the Department of Public Utility Control (DPUC) to approve entities for the program in order to spend the \$60 million, so long as their proposed projects have at least a one-to-one payback ratio.

The bill requires participants in the program to submit data to DPUC to allow it to determine that their projects work and are cost-effective. It also provides an additional mechanism for recovering the costs of the program from ratepayers.

The bill allows an electric company to notify DPUC and the departments of Social Services and Public Health of the identity of any nursing home or other long-term care facility to which the company has sent a shut-off notice as a result of the facility's payment delinquency. The notice must include the facility's name and address, the amount due the company, the dates and amounts of the last five payments by the facility, and a copy of the shut-off notice.

EFFECTIVE DATE: July 1, 2010

PARTNER PROGRAM***Eligible Participants***

By law, the Energy Conservation Management Board (ECMB) must evaluate and approve technologies that can be deployed by “Connecticut electric efficiency partners,” including electric company customers and energy management companies, to reduce electric demand. The bill expands the definition of partners and thus who can participate in the program to include (1) electric companies when they provide efficiency or renewable energy technologies to their customers and (2) customers or other people working together to develop, implement, or monitor approved technologies, proposals, and programs.

Funding Criteria

Under current law, when DPUC evaluates a funding proposal, it must consider the proposal’s potential for reducing electric demand and charges associated with this demand. The bill additionally requires DPUC to consider the proposal’s potential for reducing energy consumption and related charges.

By law, the program can be supported by up to \$60 million in electric ratepayer funds per year. Under current law, when DPUC approves an entity to participate in the program, it must ensure that all ratepayer investments maintain a minimum two-to-one payback ratio. The bill allows DPUC to reduce the minimum payback ratio to as low as one-to-one when it finds that this reduction is needed to achieve the annual ratepayer contribution level. Thus, the bill appears to require DPUC to approve entities for the program in order to spend the \$60 million, so long as their proposals have at least a one-to-one payback ratio.

Monitoring a Project’s Cost-Effectiveness

By law, DPUC must specify how an entity will address measures of effectiveness when it approves its participation in the program and when it approves funding requests. Under the bill, DPUC must require each program participant whose approved project is supported by

ratepayer funds to submit data to allow DPUC to monitor the project's efficacy and cost-effectiveness at least annually, starting the year after it becomes operational. In monitoring the project, DPUC may work with ECMB or use a third-party consultant. The costs of monitoring must be recoverable through the systems benefits charge on electric bills. DPUC must review the results of the monitoring in an uncontested proceeding and include the decision in the proceeding as part of an annual report it makes to the Energy and Technology Committee under current law.

Cost Recovery from Ratepayers

Current law requires DPUC to (1) develop a loan program to help partners finance the participating customer's share of a DPUC-approved project and (2) provide for the payment of the ratepayers' share of these projects by implementing a financing agreement with the Connecticut Development Authority or a private financing entity. The costs of the financing arrangement are borne by all ratepayers through the systems benefits charge (SBC) on electric bills.

The bill requires DPUC, at the request of an electric company, to authorize the company to recover the unamortized costs it has incurred, including its capital costs, over time through the SBC. DPUC must base this period on the project's useful life. It appears that this provision applies when the company itself provides the efficiency or renewable energy technology to its customers, as authorized by the bill. It is unclear under this scenario whether the participating customer pays for the technology.

BACKGROUND

Related Bill

sSB 463, favorably reported by the Energy and Technology Committee, allows participants in the electric efficiency partner program to participate in a revolving loan program it creates.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute
Yea 21 Nay 0