



General Assembly

February Session, 2010

Raised Bill No. 324

LCO No. 870

* SB00324CE 031910 *

Referred to Committee on Commerce

Introduced by:
(CE)

AN ACT CONCERNING ENERGY AND THE STATE'S ECONOMY.

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 Section 16-243v of the general statutes is repealed and the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 from passage*):

3 (a) For purposes of this section:

4 (1) "Connecticut electric efficiency partner program" means the
5 coordinated effort among the Department of Public Utility Control, the
6 Connecticut Center for Advanced Technology, the Renewable Energy
7 Investment Fund, electric distribution companies, the Institute for
8 Sustainable Energy, persons and entities providing enhanced demand-
9 side management technologies, and electric consumers to conserve
10 electricity, use electricity more efficiently and reduce demand in
11 Connecticut through the purchase and deployment of energy efficient
12 technologies and to promote the development and use of Class I
13 renewable energy sources, as defined in section 16-1;

14 (2) ["enhanced demand-side management technologies"] "Enhanced
15 demand-side management technologies" means demand-side

16 management solutions, customer-side emergency dispatchable
17 generation resources, customer-side renewable energy generation, load
18 shifting technologies, [and] conservation and load management
19 technologies that reduce electric distribution company customers'
20 electric demand or natural gas or oil consumption, technologies that
21 manage, optimize or improve the efficiency of electricity usage or the
22 ability to procure energy more effectively relative to a customer's
23 specific load characteristics or improve the efficiency or performance
24 of the electric system, combined heat and power systems, solar thermal
25 and geothermal systems, Class I renewable sources connected on the
26 customer side of the meter, and high efficiency natural gas and oil
27 boilers and furnaces; [and]

28 (3) "Connecticut electric efficiency partner" means an electric
29 distribution company customer who acquires an enhanced demand-
30 side management technology or a person, [other than] including an
31 electric distribution company, that provides enhanced demand-side
32 management technologies to electric distribution company customers;
33 and

34 (4) "Energy Innovation Council" means the council established
35 pursuant to subsection (h) of this section.

36 (b) [The] Until June 1, 2010, the Energy Conservation Management
37 Board, in consultation with the Renewable Energy Investments
38 Advisory Committee, shall evaluate and approve enhanced demand-
39 side management technologies that can be deployed by Connecticut
40 electric efficiency partners to reduce electric distribution company
41 customers' electric demand. Such evaluation shall include an
42 examination of the potential to reduce customers' demand, federally
43 mandated congestion charges and other electric costs. On or before
44 October 15, 2007, the Energy Conservation Management Board shall
45 file such evaluation with the Department of Public Utility Control for
46 the department to review and approve or to review, modify and
47 approve on or before October 15, 2007.

48 (c) Not later than October 15, 2007, the Energy Conservation
49 Management Board shall file with the department, for the department
50 to review and approve or to review, modify and approve, an analysis
51 of the state's electric demand, peak electric demand and growth
52 forecasts for electric demand and peak electric demand. Such analysis
53 shall identify the principal drivers of electric demand and peak electric
54 demand, associated electric charges tied to electric demand and peak
55 electric demand growth, including, but not limited to, federally
56 mandated congestion charges and other electric costs, and any other
57 information the department deems appropriate. The analysis shall
58 include, but not be limited to, an evaluation of the costs and benefits of
59 the enhanced demand-side management technologies approved
60 pursuant to subsection (b) of this section and establishing suggested
61 funding levels for said individual technologies.

62 (d) Commencing April 1, 2008, and continuing until the effective
63 date of this section, any person may apply to the department for
64 certification and funding as a Connecticut electric efficiency partner.
65 Such application shall include the technologies that the applicant shall
66 purchase or provide and that have been approved pursuant to
67 subsection (b) of this section. In evaluating the application, the
68 department shall (1) consider the applicant's potential to reduce
69 customers' electric demand, including peak electric demand, and
70 associated electric charges tied to electric demand and peak electric
71 demand growth, (2) determine the portion of the total cost of each
72 project that shall be paid for by the customer participating in this
73 program and the portion of the total cost of each project that shall be
74 paid for by all electric ratepayers and collected pursuant to subsection
75 (h) of this section. In making such determination, the department shall
76 ensure that all ratepayer investments maintain a minimum two-to-one
77 payback ratio, and (3) specify that participating Connecticut electric
78 efficiency partners shall maintain the technology for a period sufficient
79 to achieve such investment payback ratio. The annual ratepayer
80 contribution for projects approved pursuant to this section shall not
81 exceed sixty million dollars. Not less than seventy-five per cent of such

82 annual ratepayer investment shall be used for the technologies
83 themselves. No person shall receive electric ratepayer funding
84 pursuant to this subsection if such person has received or is receiving
85 funding from the Energy Conservation and Load Management Funds
86 for the projects included in said person's application. No person shall
87 receive electric ratepayer funding without receiving a certificate of
88 public convenience and necessity as a Connecticut electric efficiency
89 partner by the department. The department may grant an applicant a
90 certificate of public convenience if it possesses and demonstrates
91 adequate financial resources, managerial ability and technical
92 competency. The department may conduct additional requests for
93 proposals from time to time as it deems appropriate. The department
94 shall specify the manner in which a Connecticut electric efficiency
95 partner shall address measures of effectiveness and shall include
96 performance milestones.

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

116 exceed sixty million dollars. Not less than seventy-five per cent of such
117 annual ratepayer investment shall be used for the technologies
118 themselves. No Connecticut electric efficiency partner shall receive
119 funding pursuant to this subsection if such partner has received or is
120 receiving funding from the Energy Conservation and Load
121 Management Funds for such technology. The department may conduct
122 additional requests for proposals from time to time as it deems
123 appropriate. The department shall specify the manner in which a
124 Connecticut electric efficiency partner shall address measures of
125 effectiveness and shall include performance milestones.] On and after
126 the effective date of this section, any person may apply to the
127 department for a certificate of public convenience and necessity as a
128 Connecticut electric efficiency partner. Such application shall include
129 the technologies that the applicant shall provide pursuant to
130 subsection (i) of this section. The department shall act on any
131 application not later than thirty days after receipt, and may grant an
132 applicant a certificate of public convenience if the applicant possesses
133 and demonstrates adequate financial resources, managerial ability and
134 technical competency. The department may, with the consent of the
135 applicant, extend the time for decision on the application by an
136 additional thirty days if necessary to obtain additional information
137 regarding the applicant or the technologies. The department may
138 conduct additional requests for proposals from time to time. No
139 Connecticut electric efficiency partner shall receive electric ratepayer
140 funding without receiving a certificate of public convenience and
141 necessity as a Connecticut electric efficiency partner by the department
142 pursuant to subsection (d) of this section.

143 (f) [The] Until the effective date of this section, the department may
144 retain the services of a third party entity with expertise in areas such as
145 demand-side management solutions, customer-side renewable energy
146 generation, customer-side distributed generation resources, customer-
147 side emergency dispatchable generation resources, load shifting
148 technologies and conservation and load management investments to
149 assist in the development and operation of the Connecticut electric

150 efficiency partner program. The costs for obtaining third party services
151 pursuant to this subsection shall be recoverable through the systems
152 benefits charge.

153 (g) [The] Until the effective date of this section, the department shall
154 develop a long-term low-interest loan program to assist certified
155 Connecticut electric efficiency partners in financing the customer
156 portion of the capital costs of approved enhanced demand-side
157 management technologies. The department may establish such
158 financing mechanism by the use of one or more of the following
159 strategies: (1) Modifying the existing long-term customer-side
160 distributed generation financing mechanism established pursuant to
161 section 16-243j, (2) negotiating and entering into an agreement with the
162 Connecticut Development Authority to establish a credit facility or to
163 utilize grants, loans or loan guarantees for the purposes of this section
164 upon such terms and conditions as the authority may prescribe
165 including provisions regarding the rights and remedies available to the
166 authority in case of default, or (3) selecting by competitive bid one or
167 more entities that can provide such long-term financing.

168 (h) Not later than July 1, 2010, the department shall establish an
169 Energy Innovation Council, which shall have the following members:
170 (1) The executive director of the Connecticut Center for Advanced
171 Technology; (2) the director of the Renewable Energy Investment
172 Fund; (3) the chairman of the Institute for Sustainable Energy; and (4) a
173 commissioner of the Public Utilities Control Authority or staff
174 designee of the department. The council's objective shall be to expedite
175 the commercialization and impact of enhanced energy management
176 technologies. The council shall provide oversight to the Connecticut
177 electric efficiency partner program established pursuant to the
178 provisions of this section. The council shall confer at least monthly and
179 provide written record of its meetings and actions. Each electric
180 distribution company shall appoint a representative to serve in an
181 advisory capacity to the council and facilitate council communication
182 with the company.

183 (i) On and after the effective date of this section, the Energy
184 Innovation Council shall evaluate and approve not more than ninety
185 days after submittal, new applications from Connecticut electric
186 efficiency partners for projects and grants for enhanced demand-side
187 management technologies as part of the Connecticut electric efficiency
188 partner program, provided any such application is consistent with this
189 section and demonstrates for the proposed project that there is either
190 (1) an electric system benefit-to-cost ratio of at least one and one-half to
191 one for the project; or (2) an electric system benefit-to-cost ratio of at
192 least one to one and the project integrates Class I renewable energy
193 sources or produces natural gas or oil savings. All Connecticut electric
194 efficiency partner applications for projects seeking a grant shall
195 indicate that the participating customer will pay for at least fifty per
196 cent of the installed costs, provided such customer share may be offset
197 with applicable tax credits, energy value or other savings. The council
198 shall award grants on an individual application basis. The council shall
199 also specify that participating Connecticut electric efficiency partners
200 shall maintain the technology for a period sufficient to achieve the
201 expected benefits. To assist a Connecticut electric efficiency partner in
202 developing its application for submittal to the council and before
203 submitting such application, an applicant may request written
204 verification from the council that its proposed project is sufficiently
205 and reasonably defined. Not later than thirty days after such request, if
206 the council so determines, a written validation shall be released. After
207 such verification and with the affected customer or customers' written
208 permission, the Connecticut electric efficiency partner may request
209 billing and usage data on behalf of such customer or customers from
210 an electric distribution company, which shall provide the requested
211 information within thirty days from receipt of the request.

212 (j) Connecticut electric efficiency partner projects approved
213 pursuant to subsection (i) of this section may receive a one-time grant,
214 not to exceed fifty per cent of the total installed cost of the project. The
215 council shall determine the size of grants on an individual application
216 basis and shall adjust the size of the grant based on (1) economics of

217 the specific project; (2) whether the project preserves or creates jobs in
218 Connecticut; (3) environmental benefits realized as a result of the
219 project; (4) the project's ancillary electric market or system benefits;
220 and (5) the degree of technology integration and innovation. Such
221 grants shall be funded directly through the Connecticut electric
222 efficiency partner program. On and after the effective date of this
223 section, the annual ratepayer contribution for projects approved
224 pursuant to this section shall not exceed sixty million dollars, provided
225 any one technology cannot use more than one-third of the annual
226 funding of grants for the electric efficiency partner program. An
227 electric distribution company shall recover its costs and investment in
228 its Connecticut electric efficiency partner project, as described in its
229 application, through the systems benefits charge, provided, if actual or
230 projected costs of all projects exceed sixty million dollars in one year,
231 the electric distribution company may defer such excess, with a return,
232 for future recovery, and further provided the council shall adjust
233 future grants and projects to assure that any such excess beyond sixty
234 million dollars of annual costs are minimized. Notwithstanding any
235 provision of the general statutes, an electric distribution company may
236 develop, purchase, own and operate renewable energy source
237 generation pursuant to this section.

238 (k) For each project or program supported by ratepayer
239 contribution, the council shall require the applicable Connecticut
240 electric efficiency partner to submit data sufficient to enable the
241 department and an electric distribution company to determine annual
242 revenue requirements on a forecasted and actual basis and to enable
243 the council to monitor the efficacy and cost-effectiveness of such
244 project or program at least annually, commencing in the year after the
245 project or program has become operational. In conducting such
246 monitoring, the council may work in conjunction with the Energy
247 Conservation Management Board or may use a third-party consultant,
248 provided the costs of monitoring shall be included as recoverable costs
249 pursuant to subsection (l) of this section. The council shall review the
250 results of the monitoring and shall issue a report, in accordance with

251 the provisions of section 11-4a, to the joint standing committees of the
252 General Assembly having cognizance of matters relating to energy and
253 commerce. If the council determines that a project or program has not
254 provided or will not provide the benefits that formed the basis for the
255 grant or other ratepayer contribution, the council may suspend further
256 grants for the project or program, provided any grants or costs
257 awarded shall continue to be recovered by the electric distribution
258 company.

259 [(h)] (l) The department [shall] and the council may provide for the
260 payment of [electric ratepayers'] a participating electric customer's
261 portion of the costs of deploying enhanced demand-side management
262 technologies by implementing a contractual financing agreement with
263 the Connecticut Development Authority or a private financing entity
264 selected through an appropriate open competitive selection process,
265 through loans available from the Renewable Energy Investment Fund
266 or through a financing agreement with an electric distribution
267 company. The department and council shall provide for the payment
268 of electric ratepayers' portion of the costs of deploying enhanced
269 demand-side management technologies by allowing an electric
270 distribution company to recover any remaining costs of participation
271 through the systems benefits charge. The electric distribution
272 companies may earn a return on investment in any enhanced demand-
273 side technologies equal to that allowed for a generation project
274 proposed in whole or in part by an electric distribution company
275 approved by the department pursuant to section 16-243u. Such costs
276 and return may be recovered over time by establishing a regulatory
277 asset, with electric distribution company recovery through the systems
278 benefits charge over an amortization period to be established by the
279 department based upon the expected useful life of the projects and
280 programs. Section 16-43 shall not apply to any loan or financing
281 arrangement made by an electric distribution company pursuant to
282 this section. No contractual financing agreements entered into with the
283 Connecticut Development Authority shall exceed ten million dollars.
284 Any electric ratepayer costs resulting from such financing agreement

285 shall be recovered from all electric ratepayers through the systems
286 benefits charge.

287 [(i)] (m) On or before [February 15, 2009, and annually thereafter,
288 the department] July 1, 2011, the council shall report to the joint
289 standing [committee] committees of the General Assembly having
290 cognizance of matters relating to energy and commerce regarding the
291 effectiveness of the Connecticut electric efficiency partner program
292 established pursuant to this section. Said report shall include, but not
293 be limited to, an accounting of all benefits and costs to ratepayers, a
294 description of the approved technologies, the payback ratio of all
295 investments, the number of programs deployed and a list of proposed
296 projects compared to approved projects and reasons for not being
297 approved.

298 [(j)] (n) On or [before] after April 1, [2011] 2013, the Department of
299 Public Utility Control shall initiate a proceeding to review the
300 effectiveness of the program and perform a ratepayer cost-benefit
301 analysis. Based upon the department's findings in the proceeding, [the
302 department may modify or discontinue] the council may recommend
303 to the joint standing committees of the General Assembly having
304 cognizance of matters relating to energy and commerce that the
305 partnership program established pursuant to this section be modified
306 or discontinued.

307 (o) On or before August 1, 2010, the electric distribution companies
308 and the council shall determine the scope of an energy intensity study
309 of customers for which energy is a material part of their cost structure
310 and shall complete such study by September 30, 2010. The electric
311 distribution companies shall contact customers identified in such
312 study that appear to have energy characteristics that may benefit from
313 participation in the electric efficiency partner program and seek their
314 permission to be identified to entities that may offer solutions to such
315 customers through a solicitation process administered by the council.
316 The council shall include information on this process in its annual
317 reports to the General Assembly.

318 (p) (1) Electric distribution companies may own and operate Class I
319 renewable generation facilities within the state. An electric distribution
320 company shall work with in-state equipment manufacturers and craft
321 workers in developing and constructing such facilities, provided (A)
322 such facilities are connected to its distribution system; (B) the
323 equipment for such facilities are manufactured or assembled by
324 companies within the state to the extent practicable; (C) the facilities
325 are installed and maintained by workers employed within the state;
326 and (D) the council approves the technologies used in the project. The
327 cumulative ownership of Class I renewable energy sources by electric
328 distribution companies pursuant to this subsection shall not exceed
329 thirty megawatts of capacity by December 31, 2011, sixty-five
330 megawatts by December 31, 2012, and one hundred megawatts by
331 December 31, 2013. The council shall review the program by February
332 15, 2013, and recommend to the joint standing committees of the
333 General Assembly having cognizance of matters relating to energy and
334 commerce whether to extend and expand this program beyond 2013.

335 (2) An electric distribution company shall recover its costs for
336 facilities it owns and operates pursuant to this subsection based on a
337 reconciling formula that provides for full recovery of any incurred
338 costs, including a return on investment established as described in
339 subsection (l) of this section, based on cost-of-service principles
340 established pursuant to section 16-19e, provided the department shall
341 approve such formula after a hearing held in a proceeding or
342 proceedings separate from other distribution rate proceedings. Such
343 facilities shall be eligible for any state or federal incentives, grants or
344 credits, including, but not limited to, those available under programs
345 administered by the Renewable Energy Investments Board. Any
346 revenue requirements resulting from this program incurred before
347 January 1, 2013, shall be recovered through the grants established in
348 subsection (j) of this section.

349 (3) The Energy Innovation Council, in conjunction with the
350 participating electric distribution companies and certified Connecticut
351 electric efficiency partners, shall issue a report, in accordance with the

352 provisions of section 11-4a, to the joint standing committees of the
353 General Assembly having cognizance of matters relating to energy and
354 technology, environment and commerce not later than January
355 fifteenth of 2011, 2012 and 2013. Each report shall describe for the
356 preceding year (A) the status of the Connecticut electric efficiency
357 partner program, including the levels and types of participation; (B)
358 the amount of authorized investment and its cost; (C) the actual and
359 expected future benefits created by the program, including
360 contributions to Connecticut jobs and commerce; (D) the improvement
361 to the commercialization of Class I renewable energy sources and their
362 integration with the state's power systems and energy markets; and (E)
363 opportunities to improve the effectiveness of the program. The 2013
364 report shall also include a summary of such information for 2011, 2012
365 and 2013, and recommendations for further use of the program. The
366 council shall retain an independent consulting firm from a list of firms
367 developed by the department, in consultation with the Office of
368 Consumer Counsel, to audit the council's records and the program
369 operations and project results, and the report from such firm shall be
370 included in the council's annual report to the General Assembly.

371 (4) Not later than September 1, 2010, the council and electric
372 distribution companies, working together, shall identify no less than
373 two studies to determine optimal locations and characteristics for
374 installing Class I renewable energy sources under the program
375 established pursuant to this section. Not later than September 1, 2010,
376 the council shall provide electric distribution companies with an
377 assessment of key issues pertinent to the commercialization of fuel
378 cells and their integration with the state's electric systems and energy
379 markets, including lessons learned from previously proposed or
380 completed projects. The electric distribution companies shall work in
381 conjunction with staff from the council or its members' staffs to issue,
382 not later than December 31, 2010, the findings of the two studies. The
383 findings shall provide guidance to the investments made under the
384 purview of the program established pursuant to this section.

385 Sec. 2. Subsection (a) of section 16-50k of the general statutes is

386 repealed and the following is substituted in lieu thereof (*Effective July*
387 *1, 2010*):

388 (a) Except as provided in subsection (b) of section 16-50z, no person
389 shall exercise any right of eminent domain in contemplation of,
390 commence the preparation of the site for, commence the construction
391 or supplying of a facility, or commence any modification of a facility,
392 that may, as determined by the council, have a substantial adverse
393 environmental effect in the state without having first obtained a
394 certificate of environmental compatibility and public need, hereinafter
395 referred to as a "certificate", issued with respect to such facility or
396 modification by the council. Certificates shall not be required for (1)
397 fuel cells built within the state with a generating capacity of two
398 hundred fifty kilowatts or less, or (2) fuel cells built out of state with a
399 generating capacity of ten kilowatts or less. Any facility with respect to
400 which a certificate is required shall thereafter be built, maintained and
401 operated in conformity with such certificate and any terms, limitations
402 or conditions contained therein. Notwithstanding the provisions of this
403 chapter or title 16a, the council shall, in the exercise of its jurisdiction
404 over the siting of generating facilities, approve by declaratory ruling
405 (A) the construction of a facility solely for the purpose of generating
406 electricity, other than an electric generating facility that uses nuclear
407 materials or coal as fuel, at a site where an electric generating facility
408 operated prior to July 1, 2004, (B) the construction or location of any
409 fuel cell, unless the council finds a substantial adverse environmental
410 effect, or of any customer-side distributed resources project or facility
411 or grid-side distributed resources project or facility with a capacity of
412 not more than sixty-five megawatts, as long as such project meets air
413 and water quality standards of the Department of Environmental
414 Protection, [and] (C) the siting of temporary generation solicited by the
415 Department of Public Utility Control pursuant to section 16-19ss, and
416 (D) projects undertaken pursuant to section 16-243v, as amended by
417 this act.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	16-243v
Sec. 2	<i>July 1, 2010</i>	16-50k(a)

CE *Joint Favorable*