
OLR Bill Analysis

sSB 415

AN ACT CONCERNING THE OPERATIONS OF THE DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION, THE ESTABLISHMENT OF A COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY PROGRAM, WATER CONSERVATION AND THE OPERATIONS OF THE CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY.

SUMMARY:

This bill makes a wide range of changes to the laws governing the Clean Energy Finance and Investment Authority (CEFIA), the Department of Energy and Environmental Protection (DEEP), and the Public Utilities Regulatory Authority (PURA, part of DEEP). It transfers a number of DEEP's powers and responsibilities to PURA.

The bill requires electric and gas companies to develop a combined conservation plan, as is current practice, rather than requiring each company to develop a plan. It requires the companies to develop the plan every two years, rather than annually.

By law, electric companies must provide standard service to small - and medium-size customers who do not choose a competitive supplier. The bill transfers approval of a plan to procure power for this service and associated reporting requirement from DEEP to PURA. It requires PURA to share the bids it gets under the plan with the DEEP commissioner.

The bill renames CEFIA the Connecticut Clean Energy Authority (CCEA) and allows it to issue revenue bonds with terms of up to 30 years. It allows the bonds to be backed by (1) Clean Energy Fund revenues, including the renewable energy charge on electric bills and (2) the full faith and credit of any public or private body. The state pledges not to alter this charge until the clean energy bonds are paid off. It allows the authority to issue bonds that are federally taxable. The

clean energy bonds are not state obligations and do not count against the state debt limit. The bill exempts the bonds and authority projects from most state taxes.

The bill authorizes the establishment of a special capital reserve fund (SCRF) backing with authority bonds. The creation of a SCRF requires approval of the Office of Policy and Management (OPM) secretary and state treasurer. The maximum amount in bonds backed by SCRF is \$100 million. If funding in the reserve falls below the mandated level, the shortfall is “deemed appropriated” from the General Fund, i.e., taxpayers are contingently liable for the shortfall.

The bill entitles the CCEA to part of the allocation of the state's private activity bond cap, which is currently earmarked for municipalities, the Connecticut Higher Education Supplemental Loan Authority, and the Connecticut Student Loan Foundation (27.5% of the capped amount that goes to municipalities, the authority, and the foundation under current law).

The bill makes the authority a quasi-public authority and eliminates a provision that places it, for administrative purposes only, in Connecticut Innovations, Inc. It exempts the authority's directors and staff from personal liability for their actions, so long as they are not wanton, reckless, willful, or malicious.

It allows PURA to retain consultants for proceedings before relevant federal agencies, with the cost borne by affected utilities.

The law allows municipalities to establish property assessed clean energy (PACE) programs to provide loans for energy efficiency and renewable energy improvements. The loans are backed by an assessment on the benefitted property, and the property is subject to a lien for the assessment. Under current law, the lien is treated like a tax lien but does not take priority over existing mortgages. Federal action has effectively stopped implementation of such programs for residential properties.

The bill establishes a separate commercial PACE program

(including multifamily buildings of at least five units) and limits the current program to one to four-unit residential buildings. With regard to commercial properties, the bill (1) requires that projected savings exceed improvement costs and (2) limits loans on these properties to 20% of their fair market value.

Unlike the current program, the bill allows for variable interest PACE loans for commercial properties, subject to disclosure of their risks. The lien for the assessment takes priority over current mortgages for commercial or industrial property, but the bill requires notice to existing mortgage holders at least 30 days before filing the lien.

The bill also makes minor, conforming, and technical changes.

EFFECTIVE DATE: Upon passage, except where indicated

§ 1 — DEEP COMMISSIONER

The bill specifies that references to the DEEP commissioner in the public utility statutes also include his designee.

§ 2 — PURA HEARING OFFICERS

The bill allows PURA directors (the three officials who head the agency) to assign hearing officers to consider any matter coming before the authority, rather than requesting the DEEP commissioner to appoint them. It requires a majority of all three directors, rather than just those on a panel, and makes a minor related change.

§ 4 — REGULATIONS

The bill allows PURA, rather than DEEP, to adopt regulations regarding competitive electric suppliers and standards for cogeneration systems, and renewable fuel resources. Under the bill, if adopted, these PURA standards must be in accordance with DEEP policies. Under current law, DEEP must consult with the OPM secretary in adopting the standards; the bill does not require PURA to do so.

§ 5 — PURA EMPLOYEES

The bill gives designees of the PURA directors, rather than PURA

employees, the right to enter utility facilities.

§ 6 — PURA MANAGEMENT AUDITS

The bill eliminates the restriction that PURA management audits of utility companies be done within available appropriations (PURA is funded by assessments on the industries it regulates). The bill allows PURA to electronically submit the audit to the Energy and Technology Committee. (The bill applies this provision on electronic submission to other reports PURA must provide to the committee.)

§ 7 — RATE DESIGN INVESTIGATION

The bill requires that the PURA investigation on rate design be guided by DEEP's statutory goals and the goals of the comprehensive energy plan and the integrated resources plan (IRP), rather than statutory energy policy. It is unclear whether this provision has any effect, since the law required the Department of Public Utility Control (PURA's predecessor) to issue its final orders on the investigation in 1977. By law, PURA must investigate developments in pricing principles and rate structures, as it deems appropriate, at least every other year.

§ 8 — PARTICIPATION IN RATE CASES BY STATE AGENCIES

The bill broadens the circumstances when DEEP, the Department of Economic and Community Development, and the Siting Council can be made parties to electric and gas rate cases by eliminating a requirement that the case be tied to a need to finance expanded facilities and capital equipment.

§§ 10, 11, 82 — ELECTRIC AND GAS CONSERVATION PLANS

The bill requires electric and gas companies to develop a combined conservation plan, as is current practice, rather than requiring each company to develop a separate plan. It requires that the combined plan contain the same information currently contained in the electric companies' conservation plans. It generally requires the combined plan to be subject to the same analysis currently required for the electric plan, but it (1) extends to proposed gas conservation programs, the evaluation, measurement, and verification measures that currently

only apply to electric programs and (2) requires the cost-effectiveness test of programs in the plan consider all energy savings. Under the bill, the plans must be submitted to the Energy Conservation Management Board (ECMB) and DEEP for approval by October 1, 2012 and every two years thereafter. Current law implicitly requires that the electric company plans be filed annually; and requires that gas company plans be filed biennially.

By law, ECMB must report annually to the Energy and Technology Committee on the Energy Efficiency Fund. The bill eliminates the requirement that the report describe activities done in collaboration with the Clean Energy Fund.

Under current law, ECMB must report every five years to the Energy and Technology Committee on the program and activities of the Energy Efficiency Fund. The bill instead specifies that this report must cover the programs and activities contained in the combined electric and gas conservation plan.

§ 12 — ELECTRIC RELIABILITY REPORT

The bill requires PURA, rather than DEEP, to determine what counts as a major storm or scheduled outage for purposes of calculating statistics for the annual report to the Energy and Technology Committee on electric reliability.

§ 13 — COMPETITIVE SUPPLIERS REPORT

The bill transfers responsibility to report to the Energy and Technology Committee on competitive electric suppliers from DEEP to PURA and allows PURA to submit this report electronically.

§ 14 — CONNECTICUT ENERGY ADVISORY BOARD

The bill limits the Connecticut Energy Advisory Board (CEAB) report to the legislature on DEEP programs to those DEEP administers under utility and energy policy laws (Titles 16 and 16a, as distinct from environmental programs DEEP administers under title 22a). The bill requires DEEP to consult with CEAB on the comprehensive plan mandated by PA 11-80, as well as the IRP required under current law.

§ 15 — ELECTRIC COMPANY STANDARD SERVICE/IRP

The bill requires PURA to oversee implementation of the standard service procurement plan. By law, the electric companies must procure power to serve small- and medium-size customers who do not choose a competitive supplier.

By law, PURA must oversee the implementation of the IRP. If the IRP calls for new generation, PURA must issue a request for proposals. The bill requires PURA to share the bids it gets under this provision with the DEEP commissioner.

§ 17 — EMINENT DOMAIN AND ENERGY FACILITIES

The bill eliminates the need to get CEAB approval for a municipality to take an energy facility by eminent domain, but retains the need for DEEP and Siting Council approval. It makes a minor related change.

§ 18 — DEEP COMPREHENSIVE PLAN

The law requires DEEP to develop a comprehensive energy plan based on the IRP, conservation plans, and other information. The bill makes minor changes in notice requirements regarding the comprehensive plan. It appears to eliminate the commissioner's ability to reject (as distinct from modify) the comprehensive plan and instead requires him to "finalize" the plan.

It allows for recovery of all of the cost of developing the comprehensive plan from the PURA assessment. Under current law, the electric companies' cost for developing the resources assessment component is funded from the systems benefits charge on electric bills.

The bill eliminates a requirement that PURA's decisions be (1) guided by the law's goals for DEEP and the goals of the comprehensive energy plan and the IRP and (2) based on the evidence in the record of each proceeding.

§ 19 — INTEGRATED RESOURCES PLAN

The bill modifies the process for developing and approving the IRP.

Under current law, DEEP, in consultation with the electric companies and CEAB, must (1) assess future electric needs and how best to meet them, among other things and (2) develop an IRP to procure resources, including energy efficiency as well as power, to meet these needs. Current law refers to a procurement plan as well as the IRP; in practice they are part of the same document.

The bill eliminates the requirement that the procurement manager in PURA (1) develop the procurement plan in consultation with electric companies, CEAB, and the entity that administers the regional wholesale electric market and (2) hold hearings on the plan.

The bill increases the comment period on the proposed IRP from 45 to 60 days. It makes minor changes in how DEEP publicizes the proposed plan and requires the notice of the hearing on the IRP to state how and when comments can be submitted to the DEEP commissioner. It eliminates requirements that (1) DEEP's energy bureau, after holding a hearing, make recommendations on modifying the plan and (2) DEEP approve or reject the IRP. Instead, it requires the DEEP commissioner to "finalize" the plan after holding at least one public hearing on it. It allows the commissioner to modify the plan, without following the plan adoption process, for clerical changes.

The bill delays the next report to the Energy and Technology and Environment committees on the IRP from March 1, 2012, to two years after adoption of the comprehensive plan. It expands the report to cover the comprehensive plan. It allows DEEP to file the report electronically.

Under current law, the costs of developing the IRP and the procurement plan are recovered by the PURA assessment on the companies it regulates. The bill (1) specifies that these are the reasonable costs of developing these plans and (2) extends this provision to cover the reasonable costs of developing the plan to procure power for standard service (see next section).

§§ 20, 22 & 23 — PROCURING POWER FOR STANDARD SERVICE

By law, (1) the electric companies must provide standard service for their small- and medium-size customers who are not served by competitive suppliers and (2) the procurement manager must develop a plan to procure this power. The bill clarifies that the procurement manager is in PURA, rather than DEEP (current law has conflicting provisions on this). It requires the procurement manager to consult with DEEP in developing the plan.

The bill requires PURA, rather than DEEP, to review and approve the plan but specifically allows the DEEP commissioner, to participate in the proceeding in which bids are reviewed. By law, the Office of Consumer Counsel (OCC) and the attorney general can participate in this proceeding. The bill requires PURA, rather than DEEP, to report (in consultation with DEEP) to the Energy and Technology Committee annually on the procurement plan and its implementation, and allows PURA to submit the report electronically.

§ 24 — BUY-DOWNS OF STANDARD SERVICE CONTRACTS

The bill requires PURA, rather than DEEP, to (1) conduct a proceeding, at the request of an electric company, to consider the buy down of the company's current standard service contract to reduce ratepayer bills; (2) conduct a cost benefit analysis of the buy-down; and (3) approve it if it is in ratepayers' best interest.

§ 25 — CONNECTICUT CLEAN ENERGY AUTHORITY

The bill renames CEFIA, CCEA. As of the bill's effective date, CCEA is the successor to CEFIA for the purposes of administering the Clean Energy Fund. The bill specifies that the new authority is a political subdivision of the state instead of within Connecticut Innovations.

The bill requires that the authority's board members elect the president of the authority (its CEO).

The bill allows CCEA to secure any bonds it issues with special capital reserve funds (SCRFs), discussed below.

§ 32 — ELECTRIC SUPPLIERS' TIME OF USE RATES

The bill delays, from July 1, 2011 until July 1, 2012, the requirement

that competitive electric suppliers offer time of use rates as a condition of their continued licensure. These rates charge different prices during peak and off-peak hours to help customers interested in lowering their overall bills.

§ 33 — COMBINED HEAT AND POWER PROGRAM

Under current law, CEFIA must establish a three-year pilot program to provide financial incentives for installing combined heat and power systems with a generating capacity of less than 2 megawatts. The bill expands the maximum size of such systems under the program to 5 megawatts.

§ 34 — RENEWABLE PORTFOLIO STANDARD COMPLIANCE

By law, CEFIA must establish a program to promote residential photovoltaic systems. Under current law, renewable energy produced by such systems that (1) receive tariff payments or (2) are included in utility rates count towards the electric company's renewable portfolio standard (RPS) requirements. The bill excludes energy from facilities that receive tariff payments from this provision.

§§ 35 & 36 — LONG TERM CONTRACTS WITH ZERO-EMISSION GENERATORS

The bill specifies how electric companies can recover their costs in complying with a law that requires them to develop plans to solicit and procure contracts for renewable energy credits (REC) produced by zero-emission technologies.

The bill entitles electric companies to recover their reasonable costs in preparing the solicitation plan through a reconciling component of rates as determined by PURA.

It entitles the companies to recover their reasonable costs and fees for (1) preparing the solicitation plan and (2) soliciting and filing the contracts with PURA. They must recover these costs and fees through a reconciling component of rates as determined by PURA, until the company's next rate case in the case of the contract-related costs and fees.

The bill requires PURA to approve modifications to a procurement plan the same way it approves the original plan

By law, electric companies are not required to enter into a contract in 2012 that provides a payment of more than \$350 per REC. Under current law, an electric company need not enter into a contract in subsequent years that provides for a payment in any year of the contract that exceeds the cap for the prior year by less than 3%. The bill instead allows companies to reject contracts that exceed the prior year's cap, less 3%, thereby reducing the cap over time.

§§ 37 & 38 — LONG TERM CONTRACTS WITH LOW-EMISSION GENERATORS

Current law requires the electric companies to solicit long-term contracts to buy RECs produced by class I renewable generation sources that meet specified air emission levels. The bill opens this program to all class I renewable generators by eliminating caps on the maximum allowable nitrogen oxides, carbon monoxide, and volatile organic compound emissions. By law, class I renewable resources include solar and wind power and the power produced by fuel cells and certain biomass facilities, among other sources.

The bill entitles electric companies to recover their reasonable costs in preparing the solicitation plan and soliciting and filing contracts under the low-emission REC program through a reconciling component of rates as determined by PURA until the company's next rate case.

§ 40 — DEEP REPORT ON UTILITY RATE DISCOUNTS

By law, DEEP must conduct a proceeding by June 30, 2012 to develop discounted rates for low-income electric and gas company customers. The bill delays the deadline for DEEP to report on rate discounts from February 1, 2012 to October 1, 2012. It allows DEEP to submit the report electronically.

§§ 41 & 42 — COMPETITIVE ELECTRIC SUPPLIERS

The bill transfers, from DEEP to PURA:

1. responsibility for establishing a form by which a customer can opt out of having his or her contact information and rate class made available to competitive suppliers,
2. the authority to specify the time in which an electric company must provide customer information to a supplier,
3. the right to receive records of signed service contracts,
4. the authority to adopt implementing regulations,
5. the authority to impose civil penalties for violations of these laws, and
6. the requirement to adopt regulations on standard billing format for suppliers.

§ 43 — REPLACEMENT FURNACE FINANCING PROGRAM

The bill makes ductless heat pumps eligible for a DEEP program that allows residential customers to finance, through on-bill financing or other mechanism, the installation of energy efficient replacement heating equipment to replace (1) older and less efficient burners, boilers, and furnaces and (2) electric heating systems.

§ 44 — COMBINED HEAT AND POWER FINANCIAL INCENTIVE PROGRAM

The bill increases, from one to five megawatts, the maximum size of combined heat and power (cogeneration) systems eligible for financial incentives under a DEEP program.

§ 45 — ENERGY EFFICIENCY IN STATE BUILDINGS

The bill allows the DEEP commissioner in consultation with the OPM secretary, rather than the secretary, to require efficiency measures for state buildings. By law, the reports must be submitted annually by January 5.

§ 46 — VIRTUAL NET METERING

By law, owners of buildings with class I renewable resources get billing credits when their facilities generate more power than the

owner uses. Municipalities can transfer these credits among buildings they own under a program known as virtual net metering. The bill extends this program to state agency buildings.

The law caps the maximum amount of subsidy that electric ratepayers who do not participate in this program can provide to participating customers. The bill requires PURA, rather than DEEP to (1) administer this subsidy cap and (2) submit a report annually on the program's cost to the Energy and Technology Committee.

§ 48 — RENEWABLE ENERGY GENERATION FACILITIES

The law allows electric companies and other generators, with DEEP approval, to develop a total of up to 30 megawatts of generating capacity from class I facilities that emit no pollutants. The electric companies and generators must submit their requests to DEEP by July 1, 2013. The bill makes all class I resources eligible for this provision, thereby making fuel cell and certain biomass facilities eligible for the program.

§ 49 — ENERGY AUDITS FOR OIL-HEATED HOMES

Under current law, the home energy services audit program subsidizes customers who heat with oil or other nonutility fuels. Although the program is funded by charges on gas and electric bills, the law requires that the audit charge must be the same, regardless of how the property owner heats his or her home. Current law limits the subsidy that customers who heat with gas or electricity provide to those who heat with oil or other nonutility fuels to \$500,000 per year.

The bill eliminates the (1) requirement that the audit charge be the same regardless of how a person heats his or her home and instead requires that the charge reflect the contributions made to the Energy Efficiency Fund by each type of customer, subject to a \$75 cap (the current charge) and (2) cap on the subsidy provided to customers who use non-utility heating systems.

§ 50 — RATE-BASING ENERGY EFFICIENCY INVESTMENTS

The bill requires DEEP, rather than PURA, to analyze the costs and

benefits of allowing electric companies to earn a rate of return on their long-term efficiency investments. It (1) allows any affected stakeholder to submit relevant information and (2) requires DEEP to consult with PURA and OCC on rate impacts on ratepayers. The bill (1) requires DEEP, rather than PURA, to report to the Energy and Technology Committee on the analysis, (2) delays the reporting deadline from February 1, 2012 to October 1, 2012, and (3) allows DEEP to submit the report electronically.

§ 52 — GREEN BUILDINGS TAX CREDIT PROGRAM

The bill transfers the administration of the tax credit program for green buildings from OPM to DEEP.

§ 53 — DEEP REGULATIONS

The bill allows the DEEP commissioner or his designee to adopt regulations whenever the laws governing utilities and energy policy authorize the department to do so.

§§ 54 & 55 — PROPERTY ASSESSED CLEAN ENERGY PROGRAMS

Current law allows municipalities to establish PACE programs under which they loan money to local residents and businesses for energy efficiency and renewable energy improvements. The loans are backed by a lien on the improved property that is treated like a property tax lien, other than not having priority over existing mortgages.

The bill establishes a separate PACE program for qualifying commercial property (including multifamily buildings with five or more units). It limits the current program to one- to four-unit residential buildings.

The bill's provisions are generally similar to current law. But, the bill:

1. specifically allows the commercial program to include provisions to facilitate statewide energy improvements;

2. explicitly requires that bonds for the commercial program be issued in conformance with law governing municipal bonds;
3. allows, rather than requires, that the bonds be secured by assessments on the participating properties;
4. allows a municipality that establishes a commercial program to use a third-party administrator to obtain financing for the program;
5. requires that the energy audit or renewable energy feasibility analysis assess the energy cost savings of the proposed project over its useful life;
6. limits the assessment to 20% of the property's fair market value;
7. gives the lien priority over existing mortgages, but in the case of commercial or industrial property, requires that the property owner give existing mortgagee holders at least 30 days' written notice of his or her intent to participate in the program before the lien is recorded;
8. only allows the municipality to enter into a financing agreement with the property's owner; and
9. authorizes variable interest loans.

Under the bill, the notice that must be given to prospective participants in the commercial program is somewhat different than that required under current law. Under current law, the municipality must give prospective participants a notice that encourages them to seek legal advice to understand the potential consequences of participating in the program. Under the bill, municipalities that establish commercial programs must disclose to the property owner:

1. the costs and risks associated with participating in the program, including risks related to the failure of the property owner to pay the benefit assessment; and

2. the effective interest rate of the benefit assessment, including fees charged by the municipality to administer the program, and the risks associated with variable interest rate financing.

The bill requires the municipality to notify the owner that he or she may rescind any financing agreement under the program within three business days after entering the agreement.

EFFECTIVE DATE: July 1, 2012, except for the change to the existing PACE program, which is effective upon passage.

§ 56 — PURCHASED GAS ADJUSTMENT CLAUSE

The bill modifies hearing requirements for the purchased gas adjustment clause. Under current law, PURA must hold a hearing on the clause at least once every six months or when it considers a hearing necessary. The bill instead requires PURA to hold a hearing at least annually or at the request of the Office of Consumer Counsel, which represents ratepayers in PURA proceedings. The bill continues to require PURA to hold a hearing when it considers it necessary.

EFFECTIVE DATE: July 1, 2012

§ 57 — PURA CONSULTANTS FOR FEDERAL PROCEEDINGS

The bill allows PURA to retain consultants to assist or supplement its staff for proceedings before various federal agencies. The agencies are: the Federal Energy Regulatory Commission, U.S. Department of Energy, U.S. Nuclear Regulatory Commission, U.S. Securities and Exchange Commission, Federal Trade Commission, U.S. Department of Justice, and Federal Communications Commission.

Under the bill, the utility or other regulated entity affected by the decisions of the proceeding must bear the reasonable and proper expenses of the consultants. The expenses must be paid when and in a way PURA directs. The expenses (1) must be apportioned in proportion to the revenue of each affected entity for the most recent period as reported to PURA under current law and (2) may not exceed \$250,000 per proceeding, including any appeals, in any calendar year, unless PURA finds good cause for exceeding the limit. PURA must

recognize these expenses as proper business expenses for inclusion in rates it regulates.

EFFECTIVE DATE: July 1, 2012

§ 58 — PURA POWER PROCUREMENT PROCEEDINGS

The bill specifies that all requests for proposals or any other procurement process administered by PURA to acquire electricity products or services for the benefit of ratepayers must be uncontested. An example of such a process is the one PURA uses to procure power for standard service.

EFFECTIVE DATE: July 1, 2012

§ 60 — ACTING ON UTILITY WHISTLEBLOWER COMPLAINTS

The bill increases, from 30 to 90 business days, the time PURA has to make its preliminary findings after receiving a whistle-blowing complaint from an employee or contractor in the energy industry.

EFFECTIVE DATE: July 1, 2012

§§ 64 & 65 — CLEAN ENERGY AUTHORITY BONDS

The bill allows the CCEA (currently CEFIA) to issue revenue bonds with terms of up 30 years. The authority must use the bond proceeds for its purposes under current law, which include the promotion of renewable energy and the financing of energy efficiency projects.

The bill allows:

1. the authority to issue bonds backed by Clean Energy Fund revenues, including the existing renewable energy charge on electric bills;
2. the bonds to be backed by the full faith and credit of any public or private body; and
3. the authority to issue bonds that are federally taxable.

Under the bill, the state pledges not to alter the renewable energy

charge until (1) the bonds are paid off or (2) it makes adequate provisions to protect the bondholders.

Under the bill, the clean energy bonds are not state obligations and only the authority is liable for them. They do not count towards the state's bond cap.

The bill allows the authority to determine how it will issue and repay the bonds and specifies the kinds of terms and conditions it may include in its agreements with the bondholders. The bill makes the bonds securities in which governments and private entities may invest. The authority may sell the bonds (1) at a public sale on sealed proposals at a price and time it chooses or (2) by negotiating with investors.

The bill authorizes or requires several actions to assure bondholders that the authority will repay them. It specifies that the state will not limit or alter the authority's rights until the authority repays its outstanding bonds. The bill also allows the authority to secure that pledge by entering into agreements with a trustee representing the bondholders' interests (i.e., a trust of indenture agreement). The bill requires the authority to secure principal and interest payments by pledging its revenue, which is also immediately subject to lien without any action on the bondholders' part.

The bill allows the authority to issue bonds to refund its outstanding bonds and specifies conditions for doing so.

The bill exempts the principal and interest payments to the bondholders from all taxes except estate and succession taxes, but requires bondholders to include these payments when computing excise and franchise taxes.

EFFECTIVE DATE: July 1, 2012

§ 66 — SPECIAL CAPITAL RESERVE FUNDS FOR BONDS

The bill allows CCEA to establish of one or more special SCRFs in connection with its bonds. The issuance of bonds backed by a SCRF

requires approval of the OPM secretary or his deputy and the treasurer. The maximum amount in bonds backed by SCRF is \$100 million.

Money credited to and held in the SCRF must be used solely to (1) buy, or pay interest or principal on, the bonds the fund secures or (2) pay redemption premiums on them if they are redeemed before maturity. Funding in the SCRF cannot fall below a minimum capital reserve level.

Although the bonds secured by a SCRF are not backed by the state's full faith and credit, the state undertakes a contingent liability for the bonds by allowing the authority to establish these funds. The state's liability is to maintain the minimum reserve on an annual basis and restore it to the minimum if it falls below the required amount in any particular year. If funding in the SCRF falls below the mandated level as of December 1st of any year, the shortfall is "deemed appropriated" from the General Fund. The shortfall must be repaid within one year, subject to bondholder agreements.

EFFECTIVE DATE: July 1, 2012

§ 67 — PRIVATE ACTIVITY BOND CAP

The bill entitles CCEA to part of the allocation of the state's private activity bond cap, which is currently earmarked to municipalities, CT Higher Education Supplemental Loan Authority, and CT Student Loan Foundation (27.5% of the capped amount goes to municipalities and authorities under current law).

Private activity bonds are issued by quasi-public authorities and municipalities. They are backed by the credit of private borrowers or pools of borrowers, who pay the bond debt service. Federal law (1) caps the amount of such bonds that can be issued in each state each year and (2) exempts these bonds from federal tax if they are issued for specified purposes.

EFFECTIVE DATE: July 1, 2012

§ 70 — TREASURER APPROVAL OF SCRFs

The bill expands the procedures for state treasurer approval of bonds backed by SCRFs to apply to such bonds issued by CCEA.

§ 71 — CLEAN ENERGY AUTHORITY - EXEMPTION FROM PERSONAL LIABILITY

The bill exempts directors and staff of the Connecticut Clean Energy Authority from personal liability for their actions, so long as they are not wanton, reckless, willful, or malicious.

§77 — PURA WATER CONSERVATION DOCKET

The bill requires PURA to hold a docket (proceeding) on measures to promote water conservation. PURA must report to the Energy and Technology Committee by January 1, 2013 on its findings and recommended implementing language.

§§ 82 & 83 — WATER CONSERVATION RATE ADJUSTMENTS

By law, PURA may allow a water company to use a rate adjustment (e.g., a surcharge) in the period between rate cases in order to recover the depreciation, property taxes, and related return for certain company capital projects that have been completed. The bill allows the use of this mechanism for (1) energy efficient equipment, (2) investments in renewable energy supplies, and (3) capital improvements needed to comply with DEEP's stream flow regulations.

The bill increases, from 7.5% to 10% of the water company's revenues, the amount of the adjustment between rate cases. By law, the rate adjustment cannot exceed 5% of these revenues in any 12-month period.

§ 84 — REPEALERS

The bill repeals (1) the DEEP adjudication unit, (2) requirements for gas companies to file conservation plans for PURA approval (§ 10 requires a combined plan from the electric and gas companies), and (3) one of two duplicative statute sections dealing with weatherization programs.

EFFECTIVE DATE: July 1, 2012

BACKGROUND

Related Bills

SB 450, favorably reported by the Energy and Technology Committee, eliminates the cap on subsidies for energy audits of non-utility heated homes so long as funding for the audits is provided under the utilities' conservation plans.

sHB 5474, favorably reported by the Energy and Technology Committee, transfers a number of DEEP's powers and responsibilities to PURA, including a number of those transferred in this bill.

sSB 413, favorably reported by the Finance, Revenue and Bonding Committee has similar provisions on CCEA bonding and private activity bonds.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute

Yea 15 Nay 6 (03/28/2012)