House of Representatives

General Assembly

File No. 454

January Session, 2017

House Bill No. 7036

House of Representatives, April 6, 2017

The Committee on Energy and Technology reported through REP. REED of the 102nd Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT PROMOTING THE USE OF FUEL CELLS FOR ELECTRIC DISTRIBUTION SYSTEM BENEFITS AND RELIABILITY.

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

Section 1. (NEW) (*Effective July 1, 2017*) An electric distribution company may submit to the Public Utilities Regulatory Authority for approval one or more plans to acquire new fuel cell electricity generation that began operation on or after July 1, 2017. Any such plan shall utilize a competitive process for the purpose of providing distribution system benefits, including, but not limited to, avoiding or deferring distribution capacity upgrades, and enhancing distribution system reliability, including, but not limited to, voltage or frequency improvements. Any such plan shall give preference to proposals that make efficient use of existing sites and supply infrastructure. In the event that the authority approves such plan, an electric distribution company may submit to the authority (1) one or more proposals to build, own and operate new fuel cell generation, (2) proposed power purchase agreements negotiated with persons to build, own and operate new fuel cell generation, or (3) proposals to provide financial incentives for the installation of combined heat and power systems powered by fuel cells, provided any such incentives shall be consistent with the Comprehensive Energy Strategy pursuant to section 16a-3d of the general statutes. The facilities acquired, built pursuant to said power purchase agreements and that receive said financial incentives under this section shall not exceed a total nameplate capacity rating of ten megawatts in the aggregate. Any proposal submitted by an electric distribution company to build, own and operate a fuel cell shall include the electric distribution company's full projected costs and shall demonstrate to the authority that such facility is not supported in any form of cross subsidization by affiliated entities. The authority shall evaluate any proposal submitted pursuant to this section in a manner that is consistent with the principles of sections 16-19 and 16-19e of the general statutes and may approve one or more proposals if it finds that such proposal (A) was developed in a manner that is consistent with the acquisition plan approved by the authority, (B) serves the long-term interests of ratepayers, and (C) cost-effectively avoids or defers distribution system costs. The costs incurred by an electric distribution company under this section shall be recovered from all customers of the contracting electric distribution company through a fully reconciling component of electric rates for all customers of electric distribution companies, until the electric distribution company's next rate case, at which time such costs and investments shall be recoverable through base distribution rates. Nothing in this section shall preclude the resale or other disposition of any energy products, capacity and associated environmental attributes purchased by the electric distribution company, provided the electric distribution company shall net the cost of payments made to projects under any long-term contracts entered into pursuant to subdivision (2) of this section against the proceeds of the sale of any energy products, capacity and environmental attributes and the difference shall be credited or charged to distribution customers through a reconciling component of electric rates, as determined by the authority, that is nonbypassable when switching electric suppliers. The electric distribution company may use any energy products, capacity and environmental attributes produced by such facility to meet the needs of customers served pursuant to section 16-244c of the general statutes. Notwithstanding the provisions of subdivision (1) of subsection (h) of section 16-244c of the general statutes, certificates issued by the New England Power Pool Generation Information System for any Class I renewable energy source acquired pursuant to this section may be retained by the electric distribution company to meet the requirements of section 16-245a of the general statutes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*July 1, 2017*	New section

ET *Joint Favorable*

OFA Fiscal Note

State Impact: See Below

Municipal Impact: See Below

Explanation

The bill allows electric distribution companies (EDCs, i.e. Eversource and United Illuminating), under certain conditions, to build, own or operate new fuel cell generation.

The bill also requires the Public Utilities Regulatory Authority's (PURA) approval for an EDC's plans to acquire new fuel cell generation and any proposals subsequently received under an approved plan. PURA may approve proposals if they meet certain criteria. It is anticipated that PURA will only approve plans that are in the best interest of the ratepayer, which may result in savings to the state and municipalities.

Also, the bill requires the net costs EDCs incur under the plan and proposals to be recovered from their ratepayers. This would result in a cost to the state and municipalities as ratepayers. However, there would be no cost to ratepayers, including the state and municipalities, until PURA revises the utility rates to incorporate the bill's costs.

The Out Years

The fiscal impact to the state and municipalities as a ratepayer in the outyears is dependent on the cost of certain fuel cell projects and the cost of electricity.

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OLR Bill Analysis
HB 7036

AN ACT PROMOTING THE USE OF FUEL CELLS FOR ELECTRIC DISTRIBUTION SYSTEM BENEFITS AND RELIABILITY.

SUMMARY

This bill allows electric distribution companies (EDCs, i.e., Eversource and United Illuminating), under certain conditions, to (1) build, own, and operate new fuel cell generation; (2) enter into power purchase agreements (PPAs) negotiated with people to build, own, and operate new fuel cell generation; and (3) provide financial incentives to install fuel cell-powered combined heat and power systems. The total nameplate (generating) capacity rating of these fuel cell projects cannot exceed 10 megawatts in the aggregate.

The bill requires the Public Utilities Regulatory Authority's (PURA) approval for an EDC's plans to acquire new fuel cell generation and any proposals subsequently received under an approved plan. PURA may approve the proposals if they meet certain criteria, such as serving ratepayers' long-term interests and cost effectively avoiding or deferring distribution system costs.

The bill also requires the net costs EDCs incur under the plan and proposals to be recovered from their ratepayers.

EFFECTIVE DATE: July 1, 2017

EDC FUEL CELL PLANS

The bill allows EDCs to submit to PURA one or more plans to acquire new fuel cell electricity generation that begins operating on or after July 1, 2017. The plans must use a competitive process to provide distribution system benefits, including (1) avoiding or deferring distribution capacity upgrades and (2) enhancing distribution system reliability, including voltage or frequency improvements. Plans must also give preference to proposals that efficiently use existing sites and supply infrastructure. (The bill does not specify a timeline or procedure for PURA to review and approve the plans.)

FUEL CELL PROPOSALS

Once PURA approves a plan, the bill allows an EDC to submit to PURA (1) one or more proposals to build, own, and operate new fuel cell generation; (2) proposed PPAs negotiated with people to build, own, and operate new fuel cell generation; or (3) proposals to provide financial incentives to install fuel cell-powered combined heat and power systems consistent with the state's Comprehensive Energy Strategy.

An EDC proposal to build, own, and operate a fuel cell must include the EDC's full projected costs and demonstrate that the facility is not supported in any form of cross subsidization by affiliated entities.

PURA must evaluate the proposals in a way that is consistent with its statutory principles for regulating utilities and setting rates. It may approve a proposal if it finds that it (1) was developed in a way that was consistent with the PURA-approved acquisition plan, (2) serves ratepayers' long-term interests, and (3) cost-effectively avoids or defers distribution system costs.

COST RECOVERY

The bill requires an EDC to recover the costs it incurs under the approved plan and proposals from all of its customers. It must do this through a fully reconciling rate component for all EDC customers, until its next rate case, after which the costs and investments must be recovered through the EDC's base distribution rates.

The bill allows an EDC to resell or dispose of any energy products, capacity, and associated environmental attributes (i.e., renewable energy credits) it purchases (presumably under an approved proposal). But, if it does so, it must net the proceeds from the sale or disposal against the cost of payments made to projects under any long-term contracts entered into under the bill's PPA provision. (It is unclear if the requirement to net proceeds would also apply to the costs of building and operating a fuel cell or providing fuel cell incentives.) The difference must be credited or charged to the EDC's customers through a reconciling rate component PURA determines. This rate component must be non-bypassable when switching electric suppliers.

The bill allows an EDC to use any energy products, capacity, and environmental attributes produced by a facility (presumably under an approved proposal) to meet the needs of its standard service customers. An EDC may also keep any renewable energy certificates issued by the New England Power Pool Generation Information System for any Class I renewable energy source acquired under the bill to meet its Renewable Portfolio Standard (RPS) requirements. (The RPS requires EDCs and electric suppliers to obtain a portion of their power from certain renewable energy sources.)

BACKGROUND

Related Bills

SB 106, reported favorably by the Energy and Technology Committee, allows EDCs to (1) enter into PPAs negotiated with people to build, own, and operate new fuel cell generation and (2) provide financial incentives for installing fuel cell-powered combined heat and power systems.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable
Yea 24 Nay 0 (03/21/2017)