

OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200

Hartford, CT 06106 ◊ (860) 240-0200

<http://www.cga.ct.gov/ofa>

sSB-9

AN ACT CONCERNING CONNECTICUT'S ENERGY FUTURE.

As Amended by Senate "B" (LCO 5496)

House Calendar No.: 557

Senate Calendar No.: 283

OFA Fiscal Note

State Impact: See Below

Municipal Impact: See Below

Explanation

Sections 1-4 incrementally increase the renewable portfolio standard (RPS) requirements, starting on January 1, 2020. This is anticipated to increase electricity costs for the state and municipalities as ratepayers, beginning in FY 20, depending on the market-based cost of renewable energy credits (RECs).

Sections 1-4 also increase the Class I RPS requirements starting on January 1, 2021 through January 1, 2030. Currently, electric suppliers who provide power for the EDCs pay an alternative compliance payment (ACP) if they fail to meet the RPS requirements. Starting on January 1, 2021, the bill decreases the ACP for those EDCs failing to comply with the Class I RPS, from 5.5 cents per kWh to 4 cents per kWh. Since this cap is reduced, costs for electricity may be altered in the outyears, including the state and municipalities as ratepayers, depending on the current market-based cost of RECs.

Section 5 extends current Class I programs for residential customers which has no fiscal impact on the state and municipalities as ratepayers.

Section 6 allows the Public Utilities Regulatory Authority (PURA) to lower the REC price cap by 64% during the 8th year of certain contracts. To the extent PURA lowers this price, it could minimally lower electric prices the state and municipalities pay as ratepayers, to the extent the state and municipalities purchase RECs as part of their energy portfolio.

Section 7 requires PURA, by September 1, 2018 to open a proceeding to establish a procurement plan and tariffs for each electric distribution company (EDC). By July 1, 2019, and annually thereafter, each EDC must solicit and file for PURA's approval one or more 20-year tariffs consistent with the procurement plan. As PURA must give preference to projects that provide electric distribution system benefits, this provision may result in costs to PURA and the Office of Consumer Counsel (OCC) of up to \$50,000 each to the Public Utilities Control (PUC) fund in FY 19 or FY 20 for consultants to the extent the agencies do not currently have the expertise to fulfill these requirements.

Additionally, **Section 7** requires that the aggregate procurement and tariff purchases of energy and RECs by EDCs under certain proposals under a pricing cap. The bill requires an EDC's net costs from the tariffs be charged to their customers, which may result in increased costs for electricity, including the state and municipalities as ratepayers, under the non-bypassable fully reconciling component of the electric rates. The bill requires any net revenues from the sale of products purchased under the tariffs to be credited to customers through the EDC's same rate component, which also includes the state and municipalities as ratepayers, which may mitigate rate increases.

Section 8 allows the state to reduce energy consumption from 2020 through 2025. To the extent actual energy consumption decreases, there may be savings to various state agencies beginning in FY 20.

Section 9 redirects funds generated by the Conservation and Load Management (CL&M) Fund to be used directly by the electric utility companies without being directly deposited into the Connecticut Energy Efficiency Fund (CEEF), which the bill eliminates. PA 17-2, the

FY 18-19 biennial budget, sweeps \$63.5 million in each of FY 18 and FY 19.

Section 10 results in no fiscal impact to the Connecticut Green Bank as it validates existing contracts.

Sections 11 - 26, 28, 29, 31, and 32 make minor, technical and conforming changes that have no fiscal impact.

Section 27 expands the list of renewable energy technologies considered Class I renewable energy sources to include certain systems that produce power from thermal energy and hydropower facilities.

This results in a grand list reduction to municipalities that host clean energy facilities classified under the bill as Class I. The grand list reduction would vary based on the assessed value of the property that qualifies for such exemption. A grand list reduction results in a loss of property tax revenue, given a constant mill rate. Additionally, it is anticipated that expanding the pool of resources that are eligible as Class I resources would result in a minimal savings to the state and municipalities as ratepayers.

Section 30: (1) exempts municipal electric companies from making certain rate determinations (performing a study) if they have already done so, and (2) defines the timeframe for municipal electric companies to make certain rate determinations. There is no fiscal impact associated with these provisions, as it is anticipated that most municipal electric companies have completed the determination.

Senate "B" replaces the underlying bill with the provisions and impacts described above.

The Out Years

The annualized ongoing fiscal impact described above would continue into the future subject to inflation, and the prices of energy.

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.