



Senate

General Assembly

File No. 229

January Session, 2019

Senate Bill No. 875

Senate, March 28, 2019

The Committee on Energy and Technology reported through SEN. NEEDLEMAN of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT EXPANDING CONNECTICUT'S OFFSHORE WIND ENERGY PORTFOLIO.

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

1 Section 1. (NEW) (*Effective July 1, 2019*) (a) The Commissioner of
2 Energy and Environmental Protection, in consultation with the
3 procurement manager identified in subsection (l) of section 16-2 of the
4 general statutes and the Office of Consumer Counsel, may, in
5 coordination with other states in the control area of the regional
6 independent system operator, as defined in section 16-1 of the general
7 statutes, or on behalf of Connecticut alone, solicit proposals, in one
8 solicitation or multiple solicitations, from providers of energy derived
9 from offshore wind facilities that are Class I renewable energy sources,
10 as defined in section 16-1 of the general statutes. Any such solicitation
11 or solicitations shall be for quantities of energy and within the timing
12 and schedule determined by the commissioner, and shall be informed
13 by the Integrated Resources Plan pursuant to subsection (j) of section
14 16a-3a of the general statutes, as amended by this act. In developing

15 any solicitations pursuant to this section, the commissioner shall
16 include requirements for contract commitments in selected bids that
17 (1) require payment of not less than the prevailing wage, as described
18 in section 31-53 of the general statutes, for laborers, workmen and
19 mechanics performing construction activities within the United States
20 with respect to the project, and (2) require selected bidders to engage
21 in a good faith negotiation of a project labor agreement. Any
22 solicitation issued pursuant to this section shall specify the minimum
23 terms that such project labor agreements shall address.

24 (b) In making any selection of such proposals, the commissioner
25 shall consider factors, including, but not limited to, (1) whether the
26 proposal is in the best interest of ratepayers, including, but not limited
27 to, the delivered price of such sources, (2) whether the proposal
28 promotes electric distribution system reliability, including during
29 winter peak demand, (3) any positive impacts on the state's economic
30 development, (4) whether the proposal is consistent with the
31 requirements to reduce greenhouse gas emissions in accordance with
32 section 22a-200a of the general statutes, and (5) whether the proposal is
33 consistent with the policy goals outlined in the Comprehensive Energy
34 Strategy adopted pursuant to section 16a-3d of the general statutes and
35 the Integrated Resources Plan adopted pursuant to section 16a-3a of
36 the general statutes, as amended by this act. In considering whether a
37 proposal has any positive impacts on the state's economic
38 development, the commissioner shall consult with the Commissioner
39 of Economic and Community Development. The commissioner may
40 select proposals from such resources to meet up to fifteen per cent of
41 the load distributed by the state's electric distribution companies.

42 (c) The commissioner may direct the electric distribution companies
43 to enter into power purchase agreements for energy, capacity and
44 environmental attributes, or any combination thereof, for periods of
45 not more than twenty years on behalf of all customers of the state's
46 electric distribution companies. Certificates issued by the New
47 England Power Pool Generation Information System for any Class I
48 renewable energy sources procured by an electric distribution

49 company pursuant to this section may be: (1) Sold into the New
50 England Power Pool Generation Information System renewable energy
51 credit market to be used by any electric supplier or electric distribution
52 company to meet the requirements of section 16-245a of the general
53 statutes, as amended by this act, provided the revenues from such sale
54 are credited to electric distribution company customers as described in
55 this section; or (2) retained by the electric distribution company to
56 meet the requirements of section 16-245a of the general statutes, as
57 amended by this act. In considering whether to sell or retain such
58 certificates, the company shall select the option that is in the best
59 interest of such company's ratepayers.

60 (d) Any agreement entered into pursuant to this section shall be
61 subject to review and approval by the Public Utilities Regulatory
62 Authority, which review shall be completed not later than one
63 hundred twenty days after the date on which such agreement is filed
64 with the authority. The authority shall approve agreements that it
65 determines (1) provide for the delivery of adequate and reliable
66 products and services, for which there is a clear public need, at a just
67 and reasonable price, (2) are prudent and cost effective, and (3) are
68 between an electric distribution company and a respondent to the
69 solicitation that has the technical, financial and managerial capabilities
70 to perform pursuant to such agreement. The net costs of any such
71 agreement, including costs incurred by the electric distribution
72 companies under the agreement and reasonable costs incurred by the
73 electric distribution companies in connection with the agreement, shall
74 be recovered through a fully reconciling component of electric rates for
75 all customers of electric distribution companies. Any net revenues
76 from the sale of products purchased in accordance with long-term
77 contracts entered into pursuant to this section shall be credited to
78 customers through the same fully reconciling rate component for all
79 customers of the contracting electric distribution company.

80 Sec. 2. Section 16a-3a of the general statutes is amended by adding
81 subsection (j) as follows (*Effective from passage*):

82 (NEW) (j) For the Integrated Resources Plan next approved after
83 January 1, 2019, the department shall determine (1) the quantity of
84 energy the Commissioner of Energy and Environmental Protection
85 may seek in any solicitation or solicitations of proposals made
86 pursuant to section 1 of this act, provided the quantity of energy
87 sought in any such solicitations in the aggregate shall not exceed
88 fifteen per cent of the load distributed by the state's electric
89 distribution companies; and (2) the timing and schedule of any
90 solicitation or solicitations of proposals made pursuant to section 1 of
91 this act. Such determinations shall be based on factors including, but
92 not limited to, electricity system needs identified by the Integrated
93 Resources Plan, including, but not limited to, capacity, winter
94 reliability, progress in meeting the goals in the Global Warming
95 Solutions Act pursuant to section 22a-200a, the priorities of the
96 Comprehensive Energy Strategy adopted pursuant to section 16a-3d,
97 positive impacts on the state's economic development, opportunities to
98 coordinate procurement with other states, forecasted trends in
99 technology costs and impacts on the state's ratepayers.

100 Sec. 3. Subsection (a) of section 16-245a of the general statutes is
101 repealed and the following is substituted in lieu thereof (*Effective July*
102 *1, 2019*):

103 (a) Subject to any modifications required by the Public Utilities
104 Regulatory Authority for retiring renewable energy certificates on
105 behalf of all electric ratepayers pursuant to subsection (h) of this
106 section and sections 16a-3f, 16a-3g, 16a-3h, 16a-3i, 16a-3j, [and] 16a-3m
107 and section 1 of this act, an electric supplier and an electric distribution
108 company providing standard service or supplier of last resort service,
109 pursuant to section 16-244c, shall demonstrate:

110 (1) On and after January 1, 2006, that not less than two per cent of
111 the total output or services of any such supplier or distribution
112 company shall be generated from Class I renewable energy sources
113 and an additional three per cent of the total output or services shall be
114 from Class I or Class II renewable energy sources;

115 (2) On and after January 1, 2007, not less than three and one-half per
116 cent of the total output or services of any such supplier or distribution
117 company shall be generated from Class I renewable energy sources
118 and an additional three per cent of the total output or services shall be
119 from Class I or Class II renewable energy sources;

120 (3) On and after January 1, 2008, not less than five per cent of the
121 total output or services of any such supplier or distribution company
122 shall be generated from Class I renewable energy sources and an
123 additional three per cent of the total output or services shall be from
124 Class I or Class II renewable energy sources;

125 (4) On and after January 1, 2009, not less than six per cent of the
126 total output or services of any such supplier or distribution company
127 shall be generated from Class I renewable energy sources and an
128 additional three per cent of the total output or services shall be from
129 Class I or Class II renewable energy sources;

130 (5) On and after January 1, 2010, not less than seven per cent of the
131 total output or services of any such supplier or distribution company
132 shall be generated from Class I renewable energy sources and an
133 additional three per cent of the total output or services shall be from
134 Class I or Class II renewable energy sources;

135 (6) On and after January 1, 2011, not less than eight per cent of the
136 total output or services of any such supplier or distribution company
137 shall be generated from Class I renewable energy sources and an
138 additional three per cent of the total output or services shall be from
139 Class I or Class II renewable energy sources;

140 (7) On and after January 1, 2012, not less than nine per cent of the
141 total output or services of any such supplier or distribution company
142 shall be generated from Class I renewable energy sources and an
143 additional three per cent of the total output or services shall be from
144 Class I or Class II renewable energy sources;

145 (8) On and after January 1, 2013, not less than ten per cent of the

146 total output or services of any such supplier or distribution company
147 shall be generated from Class I renewable energy sources and an
148 additional three per cent of the total output or services shall be from
149 Class I or Class II renewable energy sources;

150 (9) On and after January 1, 2014, not less than eleven per cent of the
151 total output or services of any such supplier or distribution company
152 shall be generated from Class I renewable energy sources and an
153 additional three per cent of the total output or services shall be from
154 Class I or Class II renewable energy sources;

155 (10) On and after January 1, 2015, not less than twelve and one-half
156 per cent of the total output or services of any such supplier or
157 distribution company shall be generated from Class I renewable
158 energy sources and an additional three per cent of the total output or
159 services shall be from Class I or Class II renewable energy sources;

160 (11) On and after January 1, 2016, not less than fourteen per cent of
161 the total output or services of any such supplier or distribution
162 company shall be generated from Class I renewable energy sources
163 and an additional three per cent of the total output or services shall be
164 from Class I or Class II renewable energy sources;

165 (12) On and after January 1, 2017, not less than fifteen and one-half
166 per cent of the total output or services of any such supplier or
167 distribution company shall be generated from Class I renewable
168 energy sources and an additional three per cent of the total output or
169 services shall be from Class I or Class II renewable energy sources;

170 (13) On and after January 1, 2018, not less than seventeen per cent of
171 the total output or services of any such supplier or distribution
172 company shall be generated from Class I renewable energy sources
173 and an additional four per cent of the total output or services shall be
174 from Class I or Class II renewable energy sources;

175 (14) On and after January 1, 2019, not less than nineteen and one-
176 half per cent of the total output or services of any such supplier or

177 distribution company shall be generated from Class I renewable
178 energy sources and an additional four per cent of the total output or
179 services shall be from Class I or Class II renewable energy sources;

180 (15) On and after January 1, 2020, not less than twenty-one per cent
181 of the total output or services of any such supplier or distribution
182 company shall be generated from Class I renewable energy sources
183 and an additional four per cent of the total output or services shall be
184 from Class I or Class II renewable energy sources, except that for any
185 electric supplier that has entered into or renewed a retail electric
186 supply contract on or before May 24, 2018, on and after January 1,
187 2020, not less than twenty per cent of the total output or services of any
188 such electric supplier shall be generated from Class I renewable energy
189 sources;

190 (16) On and after January 1, 2021, not less than twenty-two and one-
191 half per cent of the total output or services of any such supplier or
192 distribution company shall be generated from Class I renewable
193 energy sources and an additional four per cent of the total output or
194 services shall be from Class I or Class II renewable energy sources;

195 (17) On and after January 1, 2022, not less than twenty-four per cent
196 of the total output or services of any such supplier or distribution
197 company shall be generated from Class I renewable energy sources
198 and an additional four per cent of the total output or services shall be
199 from Class I or Class II renewable energy sources;

200 (18) On and after January 1, 2023, not less than twenty-six per cent
201 of the total output or services of any such supplier or distribution
202 company shall be generated from Class I renewable energy sources
203 and an additional four per cent of the total output or services shall be
204 from Class I or Class II renewable energy sources;

205 (19) On and after January 1, 2024, not less than twenty-eight per cent
206 of the total output or services of any such supplier or distribution
207 company shall be generated from Class I renewable energy sources
208 and an additional four per cent of the total output or services shall be

209 from Class I or Class II renewable energy sources;

210 (20) On and after January 1, 2025, not less than thirty per cent of the
211 total output or services of any such supplier or distribution company
212 shall be generated from Class I renewable energy sources and an
213 additional four per cent of the total output or services shall be from
214 Class I or Class II renewable energy sources;

215 (21) On and after January 1, 2026, not less than thirty-two per cent of
216 the total output or services of any such supplier or distribution
217 company shall be generated from Class I renewable energy sources
218 and an additional four per cent of the total output or services shall be
219 from Class I or Class II renewable energy sources;

220 (22) On and after January 1, 2027, not less than thirty-four per cent
221 of the total output or services of any such supplier or distribution
222 company shall be generated from Class I renewable energy sources
223 and an additional four per cent of the total output or services shall be
224 from Class I or Class II renewable energy sources;

225 (23) On and after January 1, 2028, not less than thirty-six per cent of
226 the total output or services of any such supplier or distribution
227 company shall be generated from Class I renewable energy sources
228 and an additional four per cent of the total output or services shall be
229 from Class I or Class II renewable energy sources;

230 (24) On and after January 1, 2029, not less than thirty-eight per cent
231 of the total output or services of any such supplier or distribution
232 company shall be generated from Class I renewable energy sources
233 and an additional four per cent of the total output or services shall be
234 from Class I or Class II renewable energy sources;

235 (25) On and after January 1, 2030, not less than forty per cent of the
236 total output or services of any such supplier or distribution company
237 shall be generated from Class I renewable energy sources and an
238 additional four per cent of the total output or services shall be from
239 Class I or Class II renewable energy sources.

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

Section 1	<i>July 1, 2019</i>	New section
Sec. 2	<i>from passage</i>	16a-3a
Sec. 3	<i>July 1, 2019</i>	16-245a(a)

ET *Joint Favorable*

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**

There is no fiscal impact resulting from the bill, which directs the Department of Energy and Environmental Protection to solicit proposals from offshore wind energy developers.

The Out Years**State Impact:** None**Municipal Impact:** None

OLR Bill Analysis**SB 875*****AN ACT EXPANDING CONNECTICUT'S OFFSHORE WIND ENERGY PORTFOLIO.*****SUMMARY**

This bill allows the Department of Energy and Environmental Protection (DEEP) commissioner, in consultation with certain other state officials, to solicit proposals from developers of facilities that generate electricity using offshore wind. In developing the solicitations, the commissioner must require any responding proposals to include contractual commitments to (1) pay at least the prevailing wage to construction workers on the project and (2) engage in good faith negotiations over a project labor agreement for the project (see BACKGROUND).

If the commissioner determines that a responding proposal meets certain criteria, such as being in ratepayers' best interests and having a positive impact on the state's economic development, the bill allows the commissioner to direct the electric distribution companies (EDCs; i.e., Eversource and United Illuminating) to enter into up to 20-year power purchase agreements (PPAs) to buy energy, capacity, or environmental attributes (e.g., renewable energy certificates) under the proposal. Under the bill, the commissioner may select proposals that meet, in the aggregate, up to 15% of the load distributed by the EDCs.

The bill requires any resulting PPA to be subject to review by the Public Utilities Regulatory Authority (PURA). PURA must approve the PPA if it meets certain criteria specified in the bill, such as meeting a clear public need at a just and reasonable price. The bill requires that the EDCs recover the PPA's net costs from ratepayers through a fully reconciling component of electric rates for all EDC customers. Any net revenues from selling products purchased under the PPAs must be

credited to ratepayers through the same electric rate component.

The bill requires the next Integrated Resources Plan (IRP) to determine (1) how much energy the DEEP commissioner may seek in the solicitations, up to 15% of the load distributed by the EDCs, and (2) the timing and schedule of solicitations. By law, DEEP, in consultation with the EDCs, must prepare an IRP which contains, among other things, a comprehensive plan for procuring energy resources.

Lastly, the bill makes technical and conforming changes.

EFFECTIVE DATE: July 1, 2019, except the provision regarding the next IRP is effective upon passage.

OFFSHORE WIND PROCUREMENT

DEEP Solicitation of Proposals

The bill allows the DEEP commissioner, in consultation with the state's electric procurement manager and the Office of Consumer Counsel, to issue one or more solicitations for proposals from providers of energy derived from offshore wind facilities that are Class I renewable energy sources. The solicitations must be (1) for quantities of energy and within the timing and schedule determined by the commissioner and (2) informed by the IRP, as amended by the bill (see below). The commissioner may issue the solicitations on behalf of Connecticut alone or in coordination with other states in the regional electric grid's control area (i.e., the other New England states).

The bill requires the commissioner, in developing the solicitations, to include requirements for selected bids to contain contract commitments that require (1) the payment of at least the prevailing wage, as described in the state's prevailing wage law, to any laborers, workmen, and mechanics performing construction activities for the project within the country and (2) selected bidders to engage in good faith negotiations over a project labor agreement. Any of these solicitations must specify the minimum terms that the project labor agreements must address.

Proposal Selection

The bill requires the commissioner, when selecting any proposals that respond to the solicitations, to consider whether the proposal:

1. is in ratepayers' best interests, including the energy source's delivered price;
2. promotes electric distribution system reliability, including during winter peak demand;
3. has any positive impacts on the state's economic development; and
4. is consistent with the state's (a) statutory requirements to reduce greenhouse gas emissions and (b) policy goals outlined in the state's Comprehensive Energy Strategy and IRP.

In considering whether a proposal has any positive impacts on the state's economic development, the commissioner must consult with the Department of Economic and Community Development commissioner.

The bill allows the DEEP commissioner to select proposals that meet up to 15% of the load distributed by the state's EDCs.

Contracts with EDCs

For the selected proposals, the bill allows the DEEP commissioner to direct the EDCs to enter into PPAs to purchase energy, capacity, and environmental attributes (e.g., renewable energy certificates (RECs)), or any combination of them, for up to 20-year terms, on behalf of all EDC customers in the state.

Under the bill, Class I RECs issued by the New England Power Pool Generation Information System and procured by the EDCs under a PPA may be (1) sold into the system's REC market to be used by any electric supplier or EDC to meet the state's Renewable Portfolio Standard (RPS) requirements, as long as revenues from the sale are credited to EDC customers, or (2) kept by the EDC to meet its own RPS

requirements.

When considering whether to sell or keep the RECs, the EDC must pick the option that is in its ratepayers' best interest. In general, the RPS requires the EDCs and retail electric suppliers to procure an increasing portion of their power from certain renewable and other clean energy resources. They may meet the requirement by buying RECs created by these resources when they generate power.

PURA Review & EDC Cost Recovery

The bill requires any resulting PPA to be subject to PURA's review and approval, which must be completed within 120 days after it is filed with PURA. The authority must approve a PPA if it determines that the agreement:

1. provides for the delivery of adequate and reliable products and services, for which there are a clear public need, at a just and reasonable price;
2. is prudent and cost effective; and
3. is between an EDC and a solicitation respondent that has the technical, financial, and managerial capabilities to perform under the PPA.

The bill requires that the EDCs recover the net costs of a PPA, including costs incurred under the PPA and reasonable costs incurred in connection with it, through a fully reconciling component of electric rates for all EDC customers. Any net revenues from selling products purchased under long-term contracts entered into under the bill's procurement process must be credited to customers through the same electric rate component.

IRP

The bill requires DEEP, in the next IRP approved after January 1, 2019, to determine (1) how much energy the DEEP commissioner may seek in the bill's solicitations, as long as it is not, in the aggregate, more

than 15% of the load distributed by the EDCs, and (2) the timing and schedule of any of the bill's solicitations.

These determinations must be based on factors that include the electricity system needs identified in the IRP, including capacity, winter reliability, progress in meeting the state Global Warming Solutions Act's goals, the Comprehensive Energy Strategy's priorities, positive impacts on the state's economic development, opportunities to coordinate procurement with other states, forecasted trends in technology costs, and impacts on state ratepayers.

BACKGROUND

Prevailing Wage

The state's prevailing wage law (CGS § 31-53) requires employers on certain public works projects to pay their construction workers wages and benefits equal to those that are customary or prevailing for the same work, in the same trade or occupation, in the same town (i.e., the "prevailing wage"). The law allows the state Department of Labor (DOL) to (1) hold hearings to gather data and calculate prevailing wage rates or (2) use the prevailing wage rates for Connecticut calculated by the federal Department of Labor. In practice, DOL uses the federally calculated rates.

Project Labor Agreements

In general, a project labor agreement is a pre-hire agreement covering the terms and conditions for all people working on a specific construction project (e.g., a collective bargaining agreement that applies to a specific construction project and lasts only for the duration of the project, but guarantees the project will only use union labor).

Related Bill

sHB 7156, reported favorably by the Energy and Technology Committee, also allows the DEEP commissioner to solicit proposals from offshore wind developers, but it (1) allows her to select proposals that provide, in the aggregate, 2,000 megawatts of power; (2) requires proposals to describe certain best practices they will follow; and (3)

requires the solicitations to include certain requirements related to protecting fishing vessels and commercial fishing.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable

Yea 17 Nay 6 (03/14/2019)