



PA 19-71—sHB 7156

Energy and Technology Committee

AN ACT CONCERNING THE PROCUREMENT OF ENERGY DERIVED FROM OFFSHORE WIND

SUMMARY: This act establishes a process for the Department of Energy and Environmental Protection (DEEP) commissioner, in consultation with certain other state officials, to (1) solicit proposals from developers of offshore wind power facilities and (2) direct the electric distribution companies (EDCs) (i.e., Eversource and United Illuminating) to enter into long-term contracts under proposals from responding bidders that meet certain criteria.

More specifically, the act (1) requires the commissioner, by June 21, 2019, to initiate a solicitation for offshore wind projects that have a total nameplate (i.e., generating) capacity rating of up to 2,000 megawatts (MW) in the aggregate and (2) allows the commissioner to issue additional solicitations after 2019 on a schedule that must provide for soliciting resources with a nameplate capacity rating of 2,000 MW in the aggregate by the end of 2030. In addition, each bidder responding to a solicitation issued in 2019 must submit at least one proposal for eligible resources with a nameplate capacity rating of 400 MW.

In developing the solicitations, the commissioner must require that any selected proposals 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 (PLA) for the project (see BACKGROUND).

The act requires bidders responding to solicitations to include an environmental and fisheries mitigation plan for their facilities' construction and operation that explicitly describes the best management practices the bidder will use to avoid, minimize, and mitigate certain environmental impacts. It requires the commissioner to establish a commission on environmental standards to provide input on these practices.

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 act allows her to direct the EDCs to enter into power purchase agreements (PPAs) of up to 20 years for energy, capacity, associated transmission, or environmental attributes (e.g., renewable energy certificates) under the proposal. The commissioner may select proposals that have a total nameplate capacity rating of 2,000 MW or less.

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

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from selling products purchased under the PPAs must be credited to ratepayers through the same electric rate component.

For solicitations issued after 2019, the act requires that the next Integrated Resources Plan (IRP) determine (1) their timing and schedule and (2) how much energy the DEEP commissioner may seek. By law, DEEP, in consultation with the EDCs, must prepare an IRP that contains, among other things, a comprehensive plan for procuring energy resources.

Lastly, the act makes technical and conforming changes (§ 4).
EFFECTIVE DATE: Upon passage

DEEP SOLICITATION OF PROPOSALS

The act allows the DEEP commissioner, in consultation with the state's electric procurement manager, the Office of Consumer Counsel, and the attorney general, to issue one or more solicitations for proposals from providers of energy derived from offshore wind facilities that are Class I renewable energy sources and their associated transmission. But it requires her, no later than June 21, 2019, to initiate a solicitation for projects that have a total nameplate capacity rating of up to 2,000 MW in the aggregate. (PA 19-117, § 79, eliminates the statutory procurement manager position and instead requires PURA's chairperson to assign authority staff to fulfill the procurement manager's duties where required in the energy statutes.)

The act requires each bidder responding to a solicitation issued in 2019 to submit at least one proposal for eligible resources with a nameplate capacity rating of 400 MW. It expressly prohibits the commissioner from considering or selecting any proposals from a bidder that does not do so.

Solicitations issued under the act on or after January 1, 2020, (1) must be for quantities of energy and within the timing and schedule determined by the commissioner and (2) may be informed by the IRP prepared by January 1, 2020, (see below). The solicitation schedule, however, must provide for soliciting resources with a nameplate capacity rating of 2,000 MW in the aggregate by December 31, 2030.

The commissioner may issue the solicitations on behalf of Connecticut alone or in coordination with other states in (1) its regional electric grid's control area (i.e., the other New England states) or (2) a neighboring control area (i.e., New York).

Prevailing Wage & PLAs

The act requires the commissioner, in developing the solicitations, to include requirements that the selected bids contain contract commitments requiring (1) payment of at least the prevailing wage to laborers, workmen, and mechanics performing construction activities for the project within the United States and (2) selected bidders to engage in good faith negotiations over a PLA. The solicitations must specify the minimum terms that the PLA must address.

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Environmental and Fisheries Mitigation Plan

The act requires bidders responding to a solicitation to include an environmental and fisheries mitigation plan for building and operating their offshore wind facilities. The plan must at least include an explicit description of the best management practices, informed by the latest science, that the bidder will use to avoid, minimize, and mitigate impacts to wildlife, natural resources, ecosystems, and traditional or existing water-dependent uses, including commercial fishing.

The act requires the commissioner, for each solicitation, to establish a commission on environmental standards to provide input on these best management practices during the facilities' construction and operation.

Skilled Labor Plan

The act allows a responding bidder to include its plans for using skilled labor, including for any of the proposal's construction and manufacturing components. These may include any outreach, hiring, and referral systems, or any combination of them, affiliated with an apprenticeship training program registered with the Connecticut State Apprenticeship Council.

PROPOSAL SELECTION

The act requires the commissioner, when selecting a responding proposal, to consider whether it:

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;
4. is consistent with the state's (a) statutory requirements to reduce greenhouse gas emissions, (b) policy goals outlined in the Comprehensive Energy Strategy and IRP, and (c) goals and policies set in the Coastal Management Act and Long Island Sound Blue Plan; and
5. uses practices to avoid, minimize, and mitigate impacts to wildlife, natural resources, ecosystems, and water-dependent uses.

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

CONTRACTS WITH EDCS

For the selected proposals, the act authorizes the DEEP commissioner to direct the EDCs to enter into PPAs for energy, capacity, associated transmission, 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

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the state.

Under the act, Class I RECs issued by the New England Power Pool Generation Information System and procured by the EDCs under such 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 the RECs these resources create when they generate power.

PURA REVIEW & EDC COST RECOVERY

The act subjects any resulting PPA to PURA's review and approval, but PURA's deadline to do so depends on when DEEP issued the solicitation. For PPAs stemming from a solicitation issued in 2019, PURA must complete its review within 90 days after the agreement is filed with the authority. For those issued on or after January 1, 2020, PURA must complete its review within 120 days after the agreement is filed.

The act requires PURA to approve a PPA if it:

1. provides for the delivery of adequate and reliable products and services, for which there is 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 act requires that the EDCs recover a PPA's net costs, 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 act's procurement process must be credited to customers through the same electric rate component.

DEEP Consultants

The act also allows the DEEP commissioner to hire consultants with expertise in quantitative modeling of electric and gas markets to help implement the procurement process, including evaluating submitted proposals. It requires that all reasonable costs associated with the solicitation and proposal reviews be recovered through the same fully reconciling rate component for all EDC customers.

IRP

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The act explicitly requires DEEP to prepare the next IRP by January 2020. It also requires DEEP, in the next IRP approved after January 1, 2019, to determine:

1. how much energy the commissioner may seek in the act's solicitations initiated after 2019, as long as it is not from resources that have a total nameplate capacity rating of more than 2,000 MW in the aggregate, less any energy purchased under the act before the end of 2019, and
2. the timing and schedule of any of the act's solicitations initiated after 2019, as long as the schedule provides for soliciting resources with a nameplate capacity rating of 2,000 MW in the aggregate by December 31, 2030, less any energy purchased under the act before the end of 2019.

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 state economic development, opportunities to coordinate procurement with other states, forecasted trends in technology costs, and impacts on state ratepayers.

(PA 19-35 also specifies a January 2020 deadline for the IRP and requires it to include recommendations for creating a portfolio standard for thermal energy.)

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. 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.

PLAs

In general, a PLA is a pre-hire agreement covering the terms and conditions for the 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 project's duration, but guarantees the project will use union labor only).