

# OFFICE OF FISCAL ANALYSIS

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## EMERGENCY CERTIFICATION

HB-7006

AN ACT CONCERNING EMERGENCY RESPONSE BY ELECTRIC DISTRIBUTION COMPANIES, THE REGULATION OF OTHER PUBLIC UTILITIES AND NEXUS PROVISIONS FOR CERTAIN DISASTER-RELATED OR EMERGENCY-RELATED WORK PERFORMED IN THE STATE.

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### ***OFA Fiscal Note***

#### ***State Impact:***

Agency Affected	Fund-Effect	FY 21 \$	FY 22 \$
Revenue Serv., Dept.	GF - Various - Precludes Revenue Gain	Potential	Potential
Resources of the General Fund	GF - Potential Revenue Loss	See Below	See Below

Note: GF=General Fund

#### ***Municipal Impact:***

Municipalities	Effect	FY 21 \$	FY 22 \$
Various Municipalities	Potential Revenue Gain	See Below	See Below
Various Municipalities	Precludes Revenue Gain	Potential	Potential

#### ***Explanation***

The bill requires electric distribution companies (EDCs) to compensate ratepayers under certain circumstances, requires the Public Utility Regulatory Authority (PURA) to adopt a framework for performance-based metrics for EDCs, and establishes state and local tax nexus rules for out-of-state businesses and qualified employees

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9/30/20

who come to Connecticut to perform certain emergency-related work for disaster response, among other provisions.

Section 13 results in a potential revenue loss to the General Fund, as it permits PURA to redirect civil penalties paid by EDCs and other public service companies to nonprofits as restitution. There is a revenue loss equal to any proceeds redirected. Based on data provided by PURA, the median fine collected over the last five years is \$50,000.

Section 15 expands an existing microgrid grant program to include and prioritize resiliency projects for vulnerable communities and allows use of previously authorized bonds for technical assistance in implementing such projects but does not change bond authorization levels. To the extent that expanding allowable use of an outstanding authorization accelerates the rate of bond expenditures, debt service repayment will be similarly accelerated. As of September 8, 2020, \$5 million of previously authorized General Obligation bonds remain unallocated by the State Bond Commission.

To the extent that this section expands the number of municipalities eligible to receive grant funding under this program, there is a potential revenue gain to such municipalities that would have entirely self-funded microgrid and resiliency projects.

Section 16 establishes state and local tax nexus rules for out-of-state businesses and qualified employees who come to Connecticut to perform certain emergency-related work during a disaster response period and precludes a state and municipal revenue gain to the extent any such work occurs in the future.

The provision of the bill which specifies that affected out-of-state businesses and employees do not have to register with the state or any political subdivision does not result in any fiscal impact to the Secretary of the State's office.

The bill also requires the Department of Energy and Environmental Protection (DEEP) and PURA to study various topics, including

adopting performance and financial related metrics, the state's reliance on the wholesale energy market, and EDC emergency staffing levels. It is anticipated that both agencies can fulfill these requirements within available resources.

### Ratepayer Impact Statement

The bill increases potential penalties for EDCs tied to performance metrics and requires them to compensate and credit ratepayers under certain circumstances, while not allowing these costs to be recovered through the ratemaking process. The requirements in the bill may also increase EDC costs from increased staffing standards for emergency personnel and regional staffing centers, which are typically recoverable. Any net impact from the bill on ratepayers would be determined by a PURA proceeding through a formal, evidentiary process.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

*The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does 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.*