
OLR Bill Analysis

HB 6524 (as amended by House "A")*

AN ACT CONCERNING THE SOLICITATION OF NEW FUEL CELL ELECTRICITY GENERATION PROJECTS.

SUMMARY

This bill requires each electric distribution company (EDC; i.e., Eversource and United Illuminating) to (1) solicit proposals to acquire new fuel cell electricity generation projects that begin operation on or after July 1, 2021, (2) select project proposals from those solicitations, and (3) submit their selected proposals to the Public Utilities Regulatory Authority (PURA). Under the bill, PURA must evaluate the proposals and may approve them for certain purposes, such as enhancing distribution system reliability.

The bill limits the size of project facilities the EDCs may acquire to 30 megawatts of capacity in the aggregate apportioned to each EDC based on its distribution load. Under the bill, costs prudently incurred by an EDC must be recovered from all its customers through a fully reconciling component of its electric rates until the company's next rate case, when the company may recover its costs and investments for newly owned fuel cell generation through its base distribution rates, as determined by PURA.

Additionally, the bill eliminates a similar provision in current law authorizing, but not requiring, the EDCs to submit plans to PURA to acquire new fuel cell electricity generation facilities that began operation on or after July 1, 2017.

*House Amendment "A" (1) removes a provision in the underlying bill requiring EDCs to give preference to products that meet in-state manufacturing requirements and are on landfills or brownfields and instead requires preferences for projects that meet either requirement, (2) provides that the in-state manufacturing requirement applies to

projects that use equipment manufactured in the state, rather than projects manufactured in the state, and (3) broadens PURA's ability to approve projects to provide back-up power to commercial and industrial customers beyond projects that provide on-site generation.

EFFECTIVE DATE: July 1, 2021

SOLICITATION PROCESS AND PROPOSAL SUBMISSIONS

The bill requires the EDCs to use a competitive solicitation process and give preference to projects (1) that use equipment manufactured in the state or (2) sited on landfills or brownfields (see BACKGROUND) when selecting new fuel cell electricity generation projects from the proposals they receive. Presumably, before soliciting for project proposals, however, the EDCs must, by August 1, 2021, jointly file with PURA a proposed tariff (generally, rates, terms, and conditions) to use in their solicitations, subject to PURA's approval. The bill does not specify a timeline for PURA to review and approve the tariff. The bill requires each EDC to submit selected project proposals and associated tariffs to PURA by January 1, 2022.

Under the bill, submitted proposals must (1) include the EDC's full projected costs and (2) demonstrate to PURA that a project's facility is not supported in any form of cross subsidization by affiliated entities, except that gas companies may recover costs associated with benefits a proposed project confers on the natural gas system, as determined by PURA. Gas companies may recover these costs from all gas customers through the statutory purchased gas adjustment clause in proportion to their revenue as reported to PURA for the most recent fiscal year.

PROJECT EVALUATION AND APPROVAL

The bill requires PURA to evaluate submitted project proposals in a manner consistent with ratemaking principles established in state law (see BACKGROUND). It authorizes PURA to approve any projects for the following purposes:

1. to give commercial or industrial electric or gas customers on-site generation that (a) increases power quality or resilience or (b)

reduces their energy costs;

2. to provide emergency service facilities or commercial or industrial electric or gas customers with back-up power; or
3. to enhance distribution system reliability, including making electric voltage or frequency improvements, supporting microgrids, or taking other measures that support electric or gas system resiliency.

By law, “resilience” is the ability to prepare for and adapt to changing conditions and withstand and recover rapidly from deliberate attacks, accidents, or naturally occurring threats or incidents, such as those associated with climate change.

USE OF ENERGY PRODUCTS

The bill allows the EDCs to use any energy products, capacity, and environmental attributes (e.g., renewable energy certificates (RECs)) produced by a project’s facility to meet the needs of their standard service customers (i.e., customers who do not select a retail energy supplier), and as may otherwise be determined by PURA. The bill explicitly does not preclude companies from reselling or otherwise disposing of energy products, capacity, and environmental attributes they purchase under the bill if PURA orders them to do so.

The state’s renewable portfolio standard (RPS) generally requires that a portion of the power provided by the EDCs and retail electric suppliers come from renewable resources. Companies may meet their RPS requirement through purchasing RECs. By law, the EDCs must contract with their wholesale suppliers to comply with the RPS. The bill supersedes this law and allows the EDCs to retain Class I RECs issued by the New England Power Pool Generation Information System for fuel cells acquired under the bill to meet their RPS requirements, as determined by PURA.

BACKGROUND

Brownfields

By law, a brownfield is any abandoned or underused site where

redevelopment, reuse, or expansion has not occurred due to the presence or potential presence of pollution in the buildings, soil, or groundwater that requires investigation or remediation before or in conjunction with the property's redevelopment, reuse, or expansion (CGS § 32-760(2)).

Ratemaking Principles

By law, PURA must generally investigate whether proposed rates by public service companies (including the EDCs and gas companies) conform to the following ratemaking principles established in law:

1. there must be a clear public need for the service being proposed or provided;
2. the public service company must be fully competent to provide efficient and adequate service (i.e., it is technically, financially, and managerially expert and efficient);
3. PURA and all public service companies must perform their respective public responsibilities with economy, efficiency, and care for public safety and energy security, as well as promote economic development within the state with consideration for conservation, energy efficiency, development and use of renewable energy, and prudent management of the natural environment;
4. the rate level and structure must be sufficient, but no more than sufficient, to allow companies to cover their operating costs, including appropriate staffing levels, and capital costs, to attract needed capital and to maintain financial integrity, and yet provide appropriate protection to relevant public interests;
5. the level and structure of rates charged to customers must reflect prudent and efficient management of the operation; and
6. company rates, charges, conditions of service, and categories of service must not discriminate against customers using renewable energy sources or co-generation technology to meet a

portion of their energy requirements (CGS § 16-19e).

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable

Yea 25 Nay 0 (03/11/2021)