Senate

General Assembly

File No. 338

January Session, 2023

Substitute Senate Bill No. 7

Senate, March 30, 2023

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 substitute bill ought to pass.

AN ACT STRENGTHENING PROTECTIONS FOR CONNECTICUT'S CONSUMERS OF ENERGY.

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

Section 1. Subsection (b) of section 16-19tt of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(b) In any rate case initiated on or after **[**July 8, 2013**]** October 1, 2023, or in a pending rate case for which a final decision has not been issued prior to **[**July 8, 2013**]** October 1, 2023, the Public Utilities Regulatory Authority **[**shall**]** may order the state's gas and electric distribution companies to decouple distribution revenues from the volume of natural gas and electricity sales. **[**For electric distribution companies, the decoupling mechanism shall be the adjustment of actual distribution revenues to allowed distribution revenues. For gas distribution companies, the decoupling mechanism shall be a mechanism that does not remove the incentive to support the expansion of natural gas use

pursuant to the 2013 Comprehensive Energy Strategy, such as a mechanism that decouples distribution revenue based on a use-per-customer basis. In making its determination on this matter, the authority shall consider the impact of decoupling on the gas or electric distribution company's return on equity and make any necessary adjustments thereto.**]** The authority shall have the discretion to determine the decoupling mechanism and methodology used in decoupling orders made pursuant to this subsection, subject to the principles set forth in subsection (m) of section 16-2.

Sec. 2. Subsection (b) of section 16-243p of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(b) No **[**electric distribution**]** public service company shall recover through rates its costs associated with its attendance **[**or**]** in, participation in, preparation for or appeal of any **[**rate-making hearing**]** contested proceeding conducted before the authority. Such costs shall include, but need not be limited to, attorneys' fees, fees to engage expert witnesses or consultants and related costs identified by the authority.

Sec. 3. (NEW) (*Effective from passage*) (a) No public service company shall recover through rates any cost associated with membership, dues, sponsorships or contributions to a business or industry trade association, group or related entity incorporated under Section 501 of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as amended from time to time.

(b) No public service company shall recover through rates any cost associated with lobbying or legislative action, as such terms are defined in section 1-91 of the general statutes.

(c) No public service company shall recover through rates any cost associated with advertising, marketing or any other related costs identified by the authority, unless such marketing, advertising or related costs are specifically approved or ordered by the authority.

Sec. 4. Section 16-19jj of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

The Public Utilities Regulatory Authority shall, whenever it deems appropriate, **[**encourage**]** permit the use of proposed settlements produced by alternative dispute resolution mechanisms to resolve contested cases and proceedings. In order to approve a settlement of a proceeding to amend rates under section 16-19, as amended by this act, the authority shall determine that the resulting rates and other terms of the settlement conform to the principles set forth in section 16-19, as amended by this act. The term of any provision in a settlement of a proceeding to amend rates under section 16-19, as amended by this act, shall not extend more than three years from such settlement's approval by the authority. The parties proposing the settlement shall provide the proposed settlement to all parties and intervenors not less than three business days before filing the proposed settlement with the authority. The proposed settlement filed with the authority shall be accompanied by testimony from not less than one witness representing each party to the settlement. Any proceeding to amend rates under section 16-19, as amended by this act, that is resolved by a settlement shall not constitute a general rate hearing for purposes of the periodic review required under section 16-19a, as amended by this act.

Sec. 5. Subsection (c) of section 16-19b of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(c) If the authority, after notice and hearing, determines that the adoption of an energy adjustment clause would protect the interests of ratepayers of an electric distribution company, ensure economy and efficiency in energy production and purchase by the electric distribution company and achieve the objectives set forth in subsection (a) of section 16-19, as amended by this act, and in section 16-19e better than would the continued operation of a fuel adjustment clause and a generation utilization adjustment clause, the authority shall approve an energy adjustment clause to be superimposed upon the existing rate schedule

of the electric distribution company. The authority shall design any such energy adjustment clause to reflect cost-efficient energy resource procurement and to recover the costs of energy that are proper for rate-making purposes and for which the authority has not authorized recovery through base rates. These costs, reflecting prudent and efficient management and operations, may include, but are not limited to, the costs of oil, gas, coal, nuclear fuel, wood or other fuels, and energy transactions with other utilities, nonutility generators or power pools **[**,**]** and all or part of the cost of conservation and load management. **[**, and the gross earnings tax imposed by section 12-264 on the revenues from the energy sources subject to the energy adjustment clause**]** The authority may establish an efficiency factor in the energy adjustment clause of each electric distribution company, that may provide for less than one hundred per cent recovery of the gross earnings tax imposed pursuant to section 12-264 on the revenues from such purchased energy. The authority shall design the energy adjustment clause to provide for recovery of energy costs prudently incurred by an electric distribution company in accordance with section 16-19e. Notwithstanding the provisions of section 16-19, as amended by this act, the authority shall change an energy adjustment clause in accordance with the provisions of subsections (e) and (h) of this section. An energy adjustment clause approved pursuant to this section shall apply to all electric distribution companies similarly affected by the costs which form the basis for the adjustment clause.

Sec. 6. Section 16-19yy of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) Notwithstanding any provision of the general statutes, in exercising its discretion regarding whether to allow the recovery through rates of any portion of the compensation package for executives or officers or of any portion of any incentive compensation for employees of any electric distribution company, gas company or water company, as defined in section 16-1, the Public Utilities Regulatory Authority shall consider whether to require that any such compensation that is recoverable through rates be dependent upon the achievement of

performance targets. **[**established pursuant to section 16-244aa.**]**

(b) The total amount of compensation for any executives or officers of the parent company of any electric distribution company, gas company or water company, as defined in section 16-1, shall not exceed the base compensation of such executives or officers by five per cent or more.

(c) Whenever an increase of more than ten per cent occurs between billing periods of (1) the standard service rate established pursuant to section 16-244c, (2) the energy adjustment clause or purchased gas adjustment clause established pursuant to section 16-19b, as amended by this act, or (3) a water company rate adjustment mechanism established pursuant to section 16-262w, any public service company with rates incorporating the increase shall provide a monthly bill credit to its customers equal to the total compensation of its executives and officers that is recovered through rates in such monthly bill. Such company or companies shall provide the bill credit for a period of not less than six months.

Sec. 7. (NEW) (*Effective from passage*) On and after January 1, 2024, new electric plant additions shall not be eligible for cost recovery through an on-bill reconciling mechanism first authorized in 2018.

Sec. 8. Subsection (b) of section 16-19gg of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(b) **[**In any rate amendment proposed on and after May 19, 1992, by a public service company, as defined by section 16-1, the Public Utilities Regulatory Authority shall analyze the effect on ratepayers of a public service company's provision of reduced or free utility service to its employees.**]** During each proceeding on a rate amendment under section 16-19, as amended by this act, proposed by an electric distribution company, gas company or water company, the Public Utilities Regulatory Authority shall consider the following factors in determining a reasonable rate of return: (1) Macroeconomic conditions

at the time the rate amendment is pending before the authority; (2) the company's compliance with state law, regulations and decisions and the policies of the authority; (3) the burden of energy costs on residential ratepayers, measured as a percentage of household income, under the current and proposed rate; (4) trends in the company's accrual of bad debt; and (5) any other issue deemed relevant by the authority.

Sec. 9. Section 16-19 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) No public service company may charge rates in excess of those previously approved by the Public Utilities Control Authority or the Public Utilities Regulatory Authority, except that any rate approved by the Public Utilities Commission, the Public Utilities Control Authority or the Public Utilities Regulatory Authority shall be permitted until amended by the Public Utilities Regulatory Authority, that rates not approved by the Public Utilities Regulatory Authority may be charged pursuant to subsection (b) of this section, and that the hearing requirements with respect to adjustment clauses are as set forth in section 16-19b, as amended by this act. For water companies, existing rates shall include the amount of any adjustments approved pursuant to section 16-262w since the company's most recent general rate case, provided any adjustment amount shall be separately identified in any customer bill. Each public service company shall file any proposed amendment of its existing rates with the authority in such form and in accordance with such reasonable regulations as the authority may prescribe. Each electric distribution, gas or telephone company filing a proposed amendment shall also file with the authority an estimate of the effects of the amendment, for various levels of consumption, on the household budgets of high and moderate income customers and customers having household incomes not more than one hundred fifty per cent of the federal poverty level. Each electric distribution company shall also file such an estimate for space heating customers. Each water company, except a water company that provides water to its customers less than six consecutive months in a calendar year, filing a proposed amendment, shall also file with the authority a plan for promoting water

conservation by customers in such form and in accordance with a memorandum of understanding entered into by the authority pursuant to section 4-67e. Each public service company shall notify each customer who would be affected by the proposed amendment, by mail, at least one week prior to the first public hearing thereon, but not earlier than six weeks prior to such first public hearing, that an amendment has been or will be requested. Such notice shall also indicate (1) the date, time and location of any scheduled public hearing, (2) a statement that customers may provide written comments regarding the proposed amendment to the Public Utilities Regulatory Authority or appear in person at any scheduled public hearing, (3) the Public Utilities Regulatory Authority telephone number for obtaining information concerning the schedule for public hearings on the proposed amendment, and (4) whether the proposed amendment would, in the company's best estimate, increase any rate or charge by **[**twenty**]** five per cent or more, and, if so, describe in general terms any such rate or charge and the amount of the proposed increase. **[**, provided no such company shall be required to provide more than one form of the notice to each class of its customers**]** The costs of providing such notice shall not be recoverable in rates. If a company fails to provide adequate notice, the authority shall consider the effective filing date of such company's proposed amendment to be the date that the company provides adequate notice to customers, as determined by the authority. Until the effective filing date, no days shall count toward the time limit in this subsection. In the case of a proposed amendment to the rates of any public service company, the authority shall hold one or more public hearings thereon, except as permitted with respect to interim rate amendments by subsections (d) and (g) of this section, and shall make such investigation of such proposed amendment of rates as is necessary to determine whether such rates conform to the principles and guidelines set forth in section 16-19e, or are unreasonably discriminatory or more or less than just, reasonable and adequate, or that the service furnished by such company is inadequate to or in excess of public necessity and convenience, provided the authority may (A) evaluate the reasonableness and adequacy of the performance or service of the public service company using any applicable metrics or standards

adopted by the authority pursuant to section 16-244aa, and (B) determine the reasonableness of the allowed rate of return of the public service company based on such performance evaluation. The authority, if in its opinion such action appears necessary or suitable in the public interest may, and, upon written petition or complaint of the state, under direction of the Governor, shall, make the aforesaid investigation of any such proposed amendment which does not involve an alteration in rates. If the authority finds any proposed amendment of rates to not conform to the principles and guidelines set forth in section 16-19e, or to be unreasonably discriminatory or more or less than just, reasonable and adequate to enable such company to provide properly for the public convenience, necessity and welfare, or the service to be inadequate or excessive, it shall determine and prescribe, as appropriate, an adequate service to be furnished or just and reasonable maximum rates and charges to be made by such company. In the case of a proposed amendment filed by an electric distribution, gas or telephone company, the authority shall also adjust the estimate filed under this subsection of the effects of the amendment on the household budgets of the company's customers, in accordance with the rates and charges approved by the authority. The authority shall issue a final decision on **[**each electric distribution or gas company**]** any public service company rate filing within three hundred fifty days from the **[**proposed**]** effective filing date **[**thereof. The authority shall issue a final decision on all public service company rate filings, except electric distribution or gas company rate filings, within two hundred days from the proposed effective date thereof**]** of the proposed amendment.

(b) If the authority has not made its finding respecting an amendment of any **[**electric distribution or gas**]** public service company rate within three hundred fifty days from the proposed effective date of such amendment thereof, **[**or if the authority has not made its finding respecting an amendment of any public service company rate, except an electric distribution or a gas company rate, within two hundred days from the proposed effective date of such amendment thereof,**]** such amendment may become effective pending the authority's finding with respect to such amendment upon the filing by the company with the

authority of assurance satisfactory to the authority, which may include a bond with surety, of the company's ability and willingness to refund to its customers with interest such amounts as the company may collect from them in excess of the rates fixed by the authority in its finding or fixed at the conclusion of any appeal taken as a result of a finding by the authority.

(c) Upon conclusion of its investigation of the reasonableness of any proposed increase of rates, the authority shall order the company to refund to its customers with interest any amounts the company may have collected from them during the period that any amendment permitted by subsection (b) of this section was in force, which amounts the authority may find to have been in excess of the rates fixed by the authority in its finding or fixed at the conclusion of any appeal taken as a result of a finding by the authority. Any such refund ordered by the authority shall be paid by the company, under direction of the authority, to its customers in such amounts as are determined by the authority.

(d) Nothing in this section shall be construed to prevent the authority from approving an interim rate increase, if the authority finds that such an interim rate increase is necessary to prevent substantial and material deterioration of the financial condition of a public service company, to prevent substantial deterioration of the adequacy and reliability of service to its customers or to conform to the applicable principles and guidelines set forth in section 16-19e, provided the authority shall first hold a special public hearing on the need for such interim rate increase and the company, at least one week prior to such hearing, notifies each customer who would be affected by the interim rate increase that such an increase is being requested. The company shall include the notice in a mailing of customer bills, unless such a mailing would not provide timely notice, in which case the authority shall authorize an alternative manner of providing such notice. Any such interim rate increase shall only be permitted if the public service company submits an assurance satisfactory to the authority, which may include a bond with surety, of the company's ability and willingness to refund to its customers with interest such amounts as the company may collect from such interim

rates in excess of the rates approved by the authority in accordance with subsection (a) of this section. The authority shall order a refund in an amount equal to the excess, if any, of the amount collected pursuant to the interim rates over the amount which would have been collected pursuant to the rates finally approved by the authority in accordance with subsection (a) of this section or fixed at the conclusion of any appeal taken as a result of any finding by the authority. Such refund ordered by the authority shall be paid by the company to its customers in such amounts and by such procedure as ordered by the authority.

(e) If the authority finds that the imposition of any increase in rates would create a hardship for a municipality, because such increase is not reflected in its then current budget, or cannot be included in the budget of its fiscal year which begins less than five months after the effective date of such increase, the authority may defer the applicability of such increase with respect to services furnished to such municipality until the fiscal year of such municipality beginning not less than five months following the effective date of such increase; provided the revenues lost to the public service company through such deferral shall be paid to the public service company by the municipality in its first fiscal year following the period of such deferral.

(f) **[**Any**]** No public service company, as defined in section 16-1, may **[**filing**]** file an application with the Public Utilities Regulatory Authority to reopen a rate proceeding under this section. **[**, which application proposes to increase the company's revenues or any rate or charge of the company by five per cent or more, shall, not later than one week prior to the hearing under the reopened proceeding, notify each customer who would be affected thereby that such an application is being filed. Such notice shall indicate the rate increases proposed in the application. The company shall include the notice in a mailing of customer bills, unless such a mailing would not provide timely notice to customers of the reopening of the proceeding, in which case the authority shall authorize an alternative manner of providing such notice.**]**

(g) The authority shall hold either a special public hearing or combine

an investigation with an ongoing four-year review conducted in accordance with section 16-19a, as amended by this act, or with a general rate hearing conducted in accordance with subsection (a) of this section on the need for an interim rate decrease (1) when a public service company has, for the rolling twelve-month period ending with the two most recent consecutive financial quarters, earned a return on equity which exceeds the return authorized by the authority by at least **[**one**]** one-half of one percentage point, (2) if it finds that any change in municipal, state or federal tax law creates a significant increase in a company's rate of return, or (3) if it **[**finds**]** provides appropriate notice that a public service company may be collecting rates or may have an authorized rate of return which is or are more than just, reasonable and adequate, as determined by the authority, provided the authority shall require appropriate notice of hearing to the company and its customers who would be affected by an interim rate decrease in such form as the authority deems reasonable. The company shall be required to demonstrate to the satisfaction of the authority that earning such a return on equity, having an authorized rate of return or collecting rates which are more than just, reasonable and adequate is directly beneficial to its customers. At the completion of the proceeding, the authority may order an interim rate decrease if it finds that such return on equity or rates exceeds a reasonable rate of return or is more than just, reasonable and adequate as determined by the authority. Any such interim rate decrease shall be subject to a customer surcharge if the interim rates collected by the company are less than the rates finally approved by the authority or fixed at the conclusion of any appeal taken as a result of any finding by the authority. Such surcharge shall be assessed against customers in such amounts and by such procedure as ordered by the authority.

(h) The provisions of this section shall not apply to the regulation of a telecommunications service which is a competitive service, as defined in section 16-247a, or to a telecommunications service to which an approved plan for an alternative form of regulation applies, pursuant to section 16-247k.

(i) No public service company may file an application to amend its rates pursuant to this section or section 16-19e if, at the time of the company's filing, another public service company with the same parent company has an application to amend its rates pending before the authority. The authority may waive this provision upon a showing of good cause or at the authority's discretion.

Sec. 10. Subsection (a) of section 16-19a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) (1) The Public Utilities Regulatory Authority shall, at intervals of not more than four years from the last previous general rate hearing of each gas **[**and**]** company, electric distribution company or water company having more than seventy-five thousand customers, conduct a complete review and investigation of the financial and operating records of each such company and hold a public hearing to determine whether the rates of each such company are unreasonably discriminatory or more or less than just, reasonable and adequate, or that the service furnished by such company is inadequate to or in excess of public necessity and convenience or that the rates do not conform to the principles and guidelines set forth in section 16-19e. In making such determination, the authority shall consider the gross and net earnings of such company since its last previous general rate hearing, its retained earnings, its actual and proposed capital expenditures, its advertising expenses, the dividends paid to its stockholders, the rate of return paid on its preferred stock, bonds, debentures and other obligations, its credit rating, and such other financial and operating information as the authority may deem pertinent.

(2) The authority may conduct a general rate hearing in accordance with subsection (a) of section 16-19, as amended by this act, in lieu of the periodic review and investigation proceedings required under subdivision (1) of this subsection. The authority may convene such general rate hearing at an interval of less than four years at the discretion of the authority.

Sec. 11. Subdivision (4) of subsection (b) of section 16-8 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(4) A complete audit of each portion of each gas company, **[**or**]** electric distribution company or water company having more than seventy-five thousand customers shall begin no less frequently than every six years, so that a complete audit of such a company's operations shall be performed every six years. Such an audit of each such company having more than seventy-five thousand customers shall be updated as required by the authority.

Sec. 12. Subdivision (6) of subsection (b) of section 16-8 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(6) **[**All reasonable and proper**]** No costs and expenses **[**, as determined by the authority,**]** of complying with any order of the authority pursuant to this subsection shall be recognized by the authority **[**for all purposes**]** as proper business expenses of the affected company or person.

Sec. 13. Section 16-19bb of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

The Public Utilities Regulatory Authority shall require that any funds held by an electric distribution company in excess of the company's authorized return on equity, which funds are intended by the authority to offset future rate increases in lieu of a present rate decrease, shall be applied to such rate increases or shall be refunded to the company's customers, **[**within one year of receipt**]** in a manner determined by the authority, not later than the conclusion of the company's next proceeding conducted pursuant to section 16-19a, as amended by this act.

Sec. 14. Section 16-35 of the general statutes is amended by adding subsection (d) as follows (*Effective from passage*):

(NEW) (d) In an appeal, the Public Utilities Regulatory Authority may only stay enforcement of a civil penalty if the person appealing the order, authorization or decision that imposed the penalty provides an escrow deposit, bond or other surety equal to the total amount of the penalty. To obtain a stay of enforcement of any other order, authorization or decision of the authority, the person appealing such order, authorization or decision bears the burden of demonstrating that: (1) There is a strong likelihood that the appeal will succeed; (2) the person appealing will suffer substantial and irreparable harm absent a stay; and (3) the stay will not be harmful to the public interest.

Sec. 15. Section 16-16 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) Each public service company, person involved in the transportation of gas, as such terms are defined in section 16-280a, and electric supplier subject to regulation by the Public Utilities Regulatory Authority shall, in the event of any accident attended with personal injury or involving public safety, which was or may have been connected with or due to the operation of its property, or caused by contact with the wires of any public service company or electric supplier, notify the authority thereof, by contacting the chairperson of the authority or the chairperson's designee by telephone or otherwise, as soon as may be reasonably possible after the occurrence of such accident, but not later than twelve hours after the occurrence, unless such accident is a minor accident. **[**, as defined by regulations of the authority.**]** Each such person, company or electric supplier shall report such minor accidents to the authority in writing, in summary form, once each month. If notice of such accident, other than a minor accident, is given otherwise than in writing, it shall be confirmed in writing within five days after the occurrence of such accident. **[**Any person, company or electric supplier failing to comply with the provisions of this section shall be fined not more than five hundred dollars for each offense.**]**

(b) The monthly report required pursuant to subsection (a) of this section shall incorporate the information described in section 16-19ee, as

amended by this act.

(c) Any person, company or electric supplier failing to comply with the provisions of this section shall be fined not more than one thousand dollars for each offense. A violation of this section shall constitute a continued violation, pursuant to section 16-41, for the period from the date the person, company or electric supplier is required to notify the authority of the accident until the date the authority receives such notification in writing.

(d) Any restitution ordered by the authority pursuant to section 16-41 for customer equipment or customer property damaged in a major or minor accident shall equal the replacement value of such equipment or property. The fines imposed in accordance with subsection (c) of this section shall not reduce or limit the amount of any restitution.

(e) Any costs incurred by an electric distribution company pursuant to this section shall not be recoverable through rates.

Sec. 16. Section 16-19ee of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

Each electric distribution company shall, in its **[**periodic**]** monthly report to the Public Utilities Regulatory Authority **[**,**]** required pursuant to section 16-16, as amended by this act, provide information concerning the primary cause of all planned and unplanned electrical outages **[**,**]** affecting fifty or more customers in the preceding month that is the subject of such report and shall indicate which outages resulted from a power surge.

Sec. 17. Subsection (b) of section 16-49 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2023*):

(b) On or before July 15, 1999, and on or before May first, annually thereafter, each company shall report its intrastate gross revenues of the preceding calendar year to the Public Utilities Regulatory Authority, which amount shall be subject to audit by the authority. For each fiscal

year, each company shall pay the authority the company's share of all expenses of the department's Bureau of Energy and Technology, the Office of Consumer Counsel, the Office of Policy and Management's expenses related to the duties under sections 16-330b and 16-330c and the operations of the Public Utilities Regulatory Authority for such fiscal year. The authority shall not recognize such assessments as normal operating costs of each company and the assessments shall not be recoverable through rates. On or before September first, annually, the authority shall give to each company a statement which shall include: (1) The amount appropriated to the department's Bureau of Energy and Technology, the Office of Consumer Counsel, the Office of Policy and Management's expenses related to the duties under sections 16-330b and 16-330c, **[**and**]** the operations of the Public Utilities Regulatory Authority and the operations of any nonprofit agency engaged in energy assistance programs for the fiscal year beginning July first of the same year; (2) the total gross revenues of all companies; and (3) the proposed assessment against the company for the fiscal year beginning on July first of the same year, adjusted to reflect the estimated payment required under subdivision (1) of subsection (c) of this section. Such proposed assessment shall be calculated by multiplying the company's percentage share of the total gross revenues as specified in subdivision (2) of this subsection by the total revenue appropriated to the department's Bureau of Energy and Technology, the Office of Consumer Counsel, the Office of Policy and Management's expenses related to the duties under sections 16-330b and 16-330c, **[**and**]** the operations of the Public **[**Utility**]** Utilities Regulatory Authority and the operations of any nonprofit agency engaged in energy assistance programs, as specified in subdivision (1) of this subsection.

Sec. 18. Subsection (d) of section 16-49 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2023*):

(d) Immediately following the close of each fiscal year, the authority shall recalculate the proposed assessment of each company, based on the expenses, as determined by the Comptroller, of the department's

Bureau of Energy and Technology, the Office of Consumer Counsel, the Office of Policy and Management's expenses related to the duties under sections 16-330b and 16-330c, [and] the operations of the Public Utilities Regulatory Authority and the operations of any nonprofit agency engaged in energy assistance programs for such fiscal year. On or before September first, annually, the authority shall give to each company a statement showing the difference between its recalculated assessment and the amount previously paid by the company.

Sec. 19. (NEW) (*Effective from passage*) (a) As used in this section:

(1) "Compensation" means payment by any public service company that is a party to a proceeding before the Public Utilities Regulatory Authority for all or part, as determined by the authority, of a stakeholder group's reasonable attorneys' fees, reasonable expert witness fees and other reasonable costs for preparation and participation in such proceeding before the authority. Such compensation shall be limited to not more than two hundred thousand dollars for each stakeholder group, and not more than six hundred thousand dollars for all stakeholder groups in each proceeding.

(2) "Stakeholder group" means (A) a group of persons designated an intervenor pursuant to section 4-177a of the general statutes or designated a participant pursuant to section 16-1-135 of the regulations of Connecticut state agencies that applies jointly for an award of compensation under this section and represents the interests of more than one (i) residential utility customer residing in an environmental justice community, as defined in section 22a-20a of the general statutes, or (ii) small business customer; or (B) a nonprofit organization in the state authorized to represent the interests of (i) residential utility customers residing in an environmental justice community, as defined in section 22a-20a of the general statutes, or (ii) small business customers. "Stakeholder group" does not include any nonprofit or other organization whose principal interests are the welfare of a public service company or its investors or employees, or the welfare of one or more businesses or industries which receive utility service primarily for use

in connection with the manufacture, sale or distribution of goods or services for profit.

(3) "Other reasonable costs" means reasonable out-of-pocket expenses incurred by the stakeholder group that are directly related to the group's preparation for or participation in the proceeding before the authority that resulted in a substantial contribution.

(4) "Proceeding" means a contested case, investigation, rulemaking or other formal proceeding before the authority, or alternative dispute resolution ordered by the authority.

(5) "Significant financial hardship" means that a stakeholder group is unable to afford to pay the costs of effectively participating in the proceeding, including attorneys' fees, expert witness fees and other reasonable costs, without undue hardship.

(6) "Small business customer" means a commercial or industrial electric customer with less than a two hundred kilowatt peak load.

(7) "Substantial contribution" means participation by a stakeholder group in a proceeding that, in the judgment of the chairman of the authority, may substantially assist the authority in making its decision or part of its decision because the authority may adopt one or more factual contentions, legal contentions or policy or procedural recommendations that the stakeholder group presents.

(b) A stakeholder group who seeks designation as an intervenor pursuant to section 4-177a of the general statutes or a participant pursuant to section 16-1-135 of the regulations of Connecticut state agencies may apply for an award of compensation under this section in a proceeding. At the same time or before filing its application, the stakeholder group shall serve on every party, intervenor or participant to the proceeding notice of intent to apply for an award of compensation. The authority shall determine appropriate procedures for accepting and responding to such applications, and may require that applicants attend educational trainings sponsored or recommended by

the authority as a condition of receiving an award of compensation. Any such trainings shall be designed to support public participation and public understanding of authority decisions and rulings, and general education and awareness regarding public service company regulation and operations, and shall include resources for the public that explain the role and function of the authority and the Office of Consumer Counsel. In its performance of duties pursuant to this subsection, the authority may retain consultants to provide training in areas in which staff expertise does not currently exist or when necessary to supplement existing staff expertise, and may incur other reasonable costs, provided the total costs incurred by the authority under this subsection do not exceed one million dollars per year.

(c) An application shall include:

(1) A statement of the nature and extent and the factual and legal basis of the stakeholder's planned participation, to the extent it is possible to describe such participation with reasonable specificity at the time the application is filed.

(2) A detailed description of anticipated attorneys' and expert witness fees and other costs of preparation for and participation in the proceeding.

(3) If participation will impose a significant financial hardship and the stakeholder group seeks advance payment of an award of compensation in order to initiate, continue or complete participation in the proceeding, the stakeholder group shall include evidence of significant financial hardship in its application.

(4) Any other requirements, as determined by the authority.

(d) (1) Not later than thirty days after receiving a stakeholder group's application, the authority shall decide if the stakeholder group's participation constitutes a substantial contribution. If the authority finds that such participation is a substantial contribution, the authority shall describe this substantial contribution and determine the amount of

compensation pursuant to subdivision (2) of this subsection.

(2) Notwithstanding subsection (e) of this section, if the authority finds that the stakeholder group has significant financial hardship, the authority may direct the public service company or companies subject to the proceeding to pay all or part of the expected compensation, as determined by the authority, to the stakeholder group before the end of the proceeding. If the stakeholder group discontinues its participation in the proceeding without the consent of the authority, the authority may recover all or part of any payments made to such stakeholder and refund such payments to the public service company or companies that made the payments.

(3) The calculation of compensation pursuant to subdivision (2) of this subsection shall take into consideration the compensation paid to attorneys, expert witnesses and other persons of comparable training and experience who offer similar services as the services relevant to the stakeholder group's application and compensation.

(4) Each stakeholder group shall return any unused compensation to the authority, which the authority shall refund to the public service company or companies that provided the compensation.

(5) The authority shall require that every stakeholder group maintain an itemized record of all expenditures incurred as a result of the proceeding. The authority may use the record to verify the stakeholder group's claim of financial hardship and to determine if any unused funds remain at the completion of a proceeding.

(6) If the authority determines that two or more stakeholder groups have substantially similar interests, the authority may require such stakeholder groups to apply jointly in order to receive compensation.

(e) Any compensation shall be paid at the conclusion of the proceeding by the public service company, in a manner determined by the authority. Compensation shall be paid by all relevant public service companies in proportion to such companies' relative annual load,

number of customers or revenue, as determined by the authority.

(f) The authority shall not award compensation to any stakeholder group that delays or obstructs, or attempts to delay or obstruct, the orderly and timely fulfillment of the authority's duties under this title.

Sec. 20. (NEW) (*Effective from passage*) The Public Utilities Regulatory Authority shall study the procurement processes, policies, procedures and timelines associated with the procurement of standard service and supplier of last resort service and shall submit a report on its findings and recommendations to the joint standing committee of the General Assembly having cognizance of matters relating to energy, in accordance with the provisions of section 11-4a of the general statutes.

Sec. 21. Subsection (a) of section 16-32*l* of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(a) For the purposes of this section: **[**, "emergency" has the same meaning as provided in subdivision (1) of subsection (a) of section 16-32e and "electric distribution company"**]**

(1) "Emergency" means any hurricane, tornado, storm, flood, high water, wind-driven water, tidal wave, earthquake, landslide, mudslide, snowstorm, drought or fire explosion that results in sixty-nine per cent or less of the electric distribution company's customers experiencing an outage at the period of peak electrical demand;

(2) "Electric distribution company" has the same meaning as provided in section 16-1; and

(3) "After the occurrence of an emergency" means the conclusion of the emergency, as determined by the authority in its sole discretion, through a review of the following: (A) The time when the electric distribution company could first deploy resources safely in its service territory; (B) the first of any official declarations concerning the end of the emergency; or (C) the expiration of the first of any National Weather Service warning applicable to the service territory.

Sec. 22. Subsection (d) of section 16-32*l* of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(d) Not later than fourteen calendar days after the occurrence of an emergency, an electric distribution company may petition the authority for a waiver of the requirements of this section, provided the authority shall not grant a waiver for any emergency that results in less than ten per cent of the electric distribution company's customers experiencing an outage at the period of peak electrical demand. Any petition for a waiver made under this subsection shall include the severity of the emergency, **[**employee**]** line and restoration crew safety issues and conditions on the ground, and shall be conducted as a contested case proceeding. The burden of proving that such waiver is reasonable and warranted shall be on the electric distribution company. In determining whether to grant such waiver, the authority shall consider whether the electric distribution company received approval and reasonable funding allowances, as determined by the authority, to meet infrastructure resiliency efforts to improve such company's performance.

Sec. 23. Subsection (a) of section 16-32m of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(a) For the purposes of this section: **[**, "emergency" has the same meaning as provided in subdivision (1) of subsection (a) of section 16-32e and "electric distribution company"**]**

(1) "Emergency" means any hurricane, tornado, storm, flood, high water, wind-driven water, tidal wave, earthquake, landslide, mudslide, snowstorm, drought or fire explosion that results in sixty-nine per cent or less of the electric distribution company's customers experiencing an outage at the period of peak electrical demand;

(2) "Electric distribution company" has the same meaning as provided in section 16-1; and

(3) "After the occurrence of an emergency" means the conclusion of the emergency, as determined by the authority in its sole discretion, through a review of the following: (A) The time when the electric distribution company could first deploy resources safely in its service territory; (B) the first of any official declarations concerning the end of the emergency; or (C) the expiration of the first of any National Weather Service warning applicable to the service territory.

Sec. 24. Subsection (d) of section 16-32m of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2023*):

(d) Not later than fourteen calendar days after the occurrence of an emergency, an electric distribution company may petition the authority for a waiver of the requirements of this section, provided the authority shall not grant a waiver for any emergency that results in less than ten per cent of the electric distribution company's customers experiencing an outage at the period of peak electrical demand. Any petition for a waiver made under this subsection shall include the severity of the emergency, **[**employee**]** line and restoration crew safety issues and conditions on the ground, and shall be conducted as a contested case proceeding. The burden of proving that such waiver is reasonable and warranted shall be on the electric distribution company. In determining whether to grant such waiver, the authority shall consider whether the electric distribution company received approval and reasonable funding allowances, as determined by the authority, to meet infrastructure resiliency efforts to improve such company's performance.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*October 1, 2023*	16-19tt(b)
Sec. 2	*from passage*	16-243p(b)
Sec. 3	*from passage*	New section
Sec. 4	*from passage*	16-19jj
Sec. 5	*from passage*	16-19b(c)

Sec. 6	*from passage*	16-19yy
Sec. 7	*from passage*	New section
Sec. 8	*from passage*	16-19gg(b)
Sec. 9	*from passage*	16-19
Sec. 10	*from passage*	16-19a(a)
Sec. 11	*from passage*	16-8(b)(4)
Sec. 12	*from passage*	16-8(b)(6)
Sec. 13	*from passage*	16-19bb
Sec. 14	*from passage*	16-35(d)
Sec. 15	*from passage*	16-16
Sec. 16	*from passage*	16-19ee
Sec. 17	*July 1, 2023*	16-49(b)
Sec. 18	*July 1, 2023*	16-49(d)
Sec. 19	*from passage*	New section
Sec. 20	*from passage*	New section
Sec. 21	*October 1, 2023*	16-32l(a)
Sec. 22	*October 1, 2023*	16-32l(d)
Sec. 23	*October 1, 2023*	16-32m(a)
Sec. 24	*October 1, 2023*	16-32m(d)

ET *Joint Favorable Subst.*

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:

Agency Affected	Fund-Effect	FY 24 $	FY 25 $
Public Utilities Regulatory Authority (PURA)	CC&PUCF - Cost	Approximately 8 million	Approximately 8 million

Note: CC&PUCF=Consumer Counsel and Public Utility Control Fund

Municipal Impact: None

Explanation

This bill would create approximately $8 million in additional costs annually due to three factors: 1) The requirement of Utility companies to provide additional funding to cover the expenses of energy assistance non-profits such as Operation Fuel within the Public Utility Control Fund, 2) Increasing the frequency of rate reviews by the Public Utilities Regulatory Agency (PURA), 3) enabling financial aid for stakeholder intervention.

Rate Payer Impact

The impact of the bill on rate payers is indeterminate. The bill has provisions that lower costs and potential offsets to rate payers including removing the ability for companies to claim lobbying fees, organization fees, and under certain conditions executive compensation from ordinary expenses. The additional expenses would be returned to rate payers across the board as credits. The bill would also sunset investment in infrastructure as a recoverable cost beginning in 2024. This has been a considerable expense for companies like Eversource spending an estimated 303 million per year on average in Connecticut between 2020-

2022[1].

The bill gives PURA to more discretion in how utilities decouple distribution revenue from sales volume. Decoupling impacts rate payers differently based on the type of decoupling utilized and the fluctuations of sales with costs adjusting in kind[2]. The impact of decoupling is indeterminate and would vary depending on the kind of decoupling utilized by PURA as well as the volume of sales at the point of implementation.

The additional costs created by including Operation Fuel in the assessment to Utilities but could potentially be offset by the reduction of recoverable costs. The bill additionally provides a longer window for rate case decisions and may in the short term reduce the pace of rate increases.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation, rate decisions by PURA, and energy market fluctuations.

[1] Estimated based on assumption proportion of revenue generated from Connecticut is similar proportion to infrastructure investment in the state.
[2] Kleinman Center for Energy Policy, Rate Decoupling Study, 2016

OLR Bill Analysis

sSB 7

AN ACT STRENGTHENING PROTECTIONS FOR CONNECTICUT'S CONSUMERS OF ENERGY.

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§ 19 — STAKEHOLDER GROUP COMPENSATION

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Requires PURA to study the process for procuring power generation for standard service and supplier of last resort service

§§ 21-24 — EDC CREDITS FOR OUTAGES AND COMPENSATION FOR LOST FOOD AND MEDICINE

Clarifies how PURA must determine when to require EDCs to give certain account credits and compensation to customers after an outage

SUMMARY

This bill make various changes in the energy statutes that, among other things: (1) prohibit utility companies from recovering certain costs through their rates, (2) limit the use of settlement agreements in utility company rate cases, (3) requires certain broad economic factors to be considered when the rate of return for certain utility companies is being determined, (4) requires utility companies to fund the operations of nonprofit agencies engaged in energy assistance programs, and (5) creates a process for a stakeholder group in a Public Utilities Regulatory Authority (PURA) proceeding to have certain expenses paid by the company that is subject to the proceeding.

§ 1 — RATE DECOUPLING

Gives PURA greater discretion in how it orders EDCs and gas companies to decouple their distribution revenue from their sales volume

The bill gives PURA greater discretion in ordering rate decoupling in any electric distribution company (EDC, i.e., Eversource or United Illuminating) or gas company rate case that either has a final decision pending on October 1, 2023, or is started on or after that date. Current law requires PURA to order the companies to decouple their distribution revenues from their sales volumes and specifies how it must do so. For EDCs, it requires PURA to use a decoupling mechanism (e.g., a separate rate component on bills) that adjusts actual distribution revenues to allowed distribution revenues. And for gas companies, it requires a mechanism that does not remove the incentive to support natural gas expansion under the 2013 Comprehensive Energy Strategy.

The bill instead allows PURA to order the decoupling and gives it the discretion to determine the decoupling mechanism and method used in decoupling orders, as guided by the state's Comprehensive Energy Strategy, Integrated Resources Plan, Conservation and Load Management Plan, and the Department of Energy and Environmental Protection's (DEEP) policies.

EFFECTIVE DATE: October 1, 2023

§§ 2 & 3 — PROHIBITED COST RECOVERY IN RATES

Prohibits PURA-regulated utility companies from recovering through their rates their costs for contested PURA proceedings, membership dues for business or trade associations, lobbying, and advertising

Contested PURA Proceedings (§ 2)

Current law prohibits EDCs from recovering their costs for attending or participating in PURA's rate-making hearings. The bill broadens this prohibition to cover any PURA-regulated utility company, any contested proceeding before PURA, and the costs of preparing for or appealing them. Under the bill, these costs include attorneys' fees, expert witness and consultant fees, and related costs PURA identifies.

EFFECTIVE DATE: Upon passage

Membership Dues, Lobbying Costs, and Ads (§ 3)

The bill prohibits any PURA-regulated utility company from recovering through their rates costs associated with the following:

1. membership, dues, sponsorships, or contributions to a business or industry trade association, group, or tax-exempt related entity;

2. lobbying or legislative action, as defined in the state's code of ethics for lobbyists; and

3. advertising, marketing, or other PURA-identified related costs, unless PURA specifically approves or orders them (existing law, unchanged by the bill, generally prohibits EDCs and gas companies from rate recovery for the cost of their political, institutional, or promotional advertising (CGS § 16-19d).

EFFECTIVE DATE: Upon passage

§ 4 — SETTLEMENTS

Sets conditions for PURA to approve a settlement in a rate amendment proceeding, limits the term of any provision in the settlement to three years, and generally prohibits a settlement from satisfying the law's requirement for EDCs and gas companies to have a rate case at least once every four years

Current law requires PURA to encourage using proposed settlements to resolve contested cases and proceedings whenever it is appropriate. The bill requires PURA to allow, instead of encourage, these settlements and sets certain conditions that must be met before PURA approves a settlement in a proceeding to amend rates. These conditions require:

1. PURA to determine that the resulting rate and settlement terms conform to certain statutory ratemaking principles,

2. the parties proposing the settlement to give the proposed settlement to all parties and intervenors at least three days before filing it with PURA, and

3. the filed proposed settlement to be accompanied by testimony from at least one witness representing each party to the settlement.

The bill also limits the term of any provision in the settlement to three years after PURA approves the settlement. Under the bill, any rate amendment proceeding that is resolved by a settlement does not constitute a general rate hearing for the periodic review required by law for EDCs and gas companies with at least 75,000 customers (i.e., it does not exempt these companies from the need to have a rate case at least once every four years).

EFFECTIVE DATE: Upon passage

§ 5 — ENERGY ADJUSTMENT CLAUSE

Allows PURA to establish an efficiency factor in the energy adjustment clause that may limit the extent to which EDCs recover the cost of the gross earnings tax from ratepayers

The law allows PURA to approve an energy adjustment clause through which the EDCs can recover certain costs that were not authorized in their base rates (e.g., costs of energy transactions with non-utility generators, conservation and load management costs). The bill removes from these recoverable costs the gross earnings tax on revenues from energy sources subject to the energy adjustment clause. It instead allows PURA to establish an efficiency factor in the clause for each EDC that may provide for less than full recovery of the gross earnings tax on the revenues from the purchased energy.

EFFECTIVE DATE: Upon passage

§ 6 — EXECUTIVE COMPENSATION

Limits total compensation for executives and officers in the parent company of an EDC, gas company, or PURA-regulated water company; requires the companies to give a six-month bill credit equal to the amount of executive compensation recovered in rates if the standard service rate or adjustment clause increases by at least 10%

The bill prohibits the total compensation for any executives or officers of the parent company of an EDC, gas company, or PURA-regulated water company from exceeding the executive's or officer's base compensation by more than five percent. (It is unclear whether the state or PURA has authority to do this, particularly if the parent company is located outside of Connecticut.)

It also requires these companies to give a monthly billing credit to

their customers whenever the standard service rate, energy adjustment clause, purchased gas adjustment clause, or water company rate adjustment mechanism increases by more than 10% between billing periods. For at least six months, the company incorporating the rate increase must give a monthly credit equal to the total compensation of its executives and officers that is recovered through rates in the monthly bill. (It is unclear whether the companies could recover the costs of these credits through their rates.)

EFFECTIVE DATE: Upon passage

§ 7 — ELECTRIC SYSTEM IMPROVEMENTS CHARGE SUNSET

Sunsets the use of Eversource's Electric System Improvements Charge in 2024

Starting January 1, 2024, the bill makes the costs of new electric plant (i.e., infrastructure) additions ineligible for recovery through the on-bill reconciling mechanism first authorized in 2018 (i.e., Eversource's Electric System Improvements Charge authorized in its 2018 rate case settlement).

EFFECTIVE DATE: Upon passage

§ 8 — FACTORS IN REASONABLE RATE OF RETURN

Requires PURA to consider certain broad economic factors when determining an EDC's, gas company's, or PURA-regulated water company's reasonable rate of return

The bill requires PURA, in each EDC, gas company, or PURA-regulated water company rate amendment proceeding, to consider the following factors when determining a reasonable rate of return (generally, a factor in calculating the profit the company may make on providing services):

1. macroeconomic conditions when the proceeding is before PURA;

2. the company's compliance with state law and regulations, and PURA's decision and policies;

3. the energy cost burden on residential ratepayers, measured as a percentage of household income, under the current and proposed rates;

4. trends in the company's accrual of bad debt; and

5. any other issue PURA finds relevant.

Existing law, unchanged by the bill, generally requires PURA to set rates that are sufficient, but no more than that, to allow the companies to cover their operating and capital costs, and to attract needed capital and maintain their financial integrity, while giving appropriate protection to the relevant public interests (CGS § 16-19e).

The bill also removes a provision that requires PURA to analyze how a company providing reduced or free service to its employees affects its ratepayers.

EFFECTIVE DATE: Upon passage

§ 9 — PROPOSED RATE AMENDMENTS

Changes the information that must be included in customer notices about proposed rate amendments; standardizes the deadline for PURA to decide on a proposed rate amendment; prohibits companies from applying to reopen a rate proceeding under the rate amendment law; lowers the threshold for PURA to hold a hearing on the need for an interim rate decrease; and generally prohibits a company from applying to amend its rates if another company with the same parent has a rate amendment pending before PURA

Notices

The law requires PURA-regulated utility companies to mail a notification about a proposed rate amendment to each customer who would be affected by it. Under current law, this notice must state whether the proposal, in the company's best estimate, would increase any rate or charge by at least 25%. The bill lowers the applicable amount of this increase to five percent and makes the cost of providing the notices non-recoverable through rates. It also removes a provision that currently limits the notices to one form for each customer class.

Under the bill, if a company fails to provide adequate notice, then PURA must consider the effective filing date of the company's proposed rate amendment to be the date that it provides adequate notice to customers, as PURA determines. Until that effective filing date, no days count toward PURA's deadline to decide on the proposal (see below).

PURA Deadline to Decide on Proposed Rate Changes

The bill standardizes the deadline for PURA to decide on a proposed rate amendment as 350 days after the effective filing date for any type of PURA-regulated utility company. Under current law, PURA must decide within 350 days after an EDC or gas company files a proposal, and within 200 days after any other type of company files one. As under current law, if PURA does not decide by the deadline, the proposed rate change may become effective under certain conditions.

Reopening Rate Proceedings

Under current law, a PURA-regulated utility company applying to reopen a rate proceeding under the rate amendment law must notify customers if the proposal would increase the company's revenue or any rate or charges by at least five percent. The bill removes this provision and instead prohibits the companies from applying to reopen a rate proceeding under the rate amendment law.

Interim Rate Decrease Hearings

The law generally requires PURA to hold a hearing on the need for an interim rate decrease under certain conditions. Under current law, one condition that triggers this requirement is when a PURA-regulated company's return on equity exceeds its PURA-authorized return by at least one percentage point over a rolling 12-month period. The bill lowers this threshold to one-half of one percentage point.

Current law also triggers this hearing requirement if PURA finds that a company may be collecting rates that are more than just, reasonable, and adequate. The bill requires the hearing if PURA provides appropriate notice (instead of finding) that the rates or authorized rate of return are more than just, reasonable, and adequate. As under current law, the company must show that its return on equity, rate of return, or rates are directly beneficial to its customers.

Prohibition on Simultaneous Rate Amendments

The bill generally prohibits a PURA-regulated utility company from applying to amend its rates under the rate amendment law or in a

general rate case if another company with the same parent company has a rate amendment application pending before PURA. Under the bill, however, PURA may waive this provision upon a showing of good cause or at its own discretion.

EFFECTIVE DATE: Upon passage

§ 10 — FOUR-YEAR GENERAL RATE CASES

Brings certain water companies under the requirement for a general rate case at least once every four years and allows PURA to open these rate cases more frequently

For each EDC and gas company that has at least 75,000 customers, current law generally requires PURA to investigate and hold a hearing (i.e., "rate case") to review whether the company's rates and service meet certain criteria within four years after the company's previous general rate case. The bill (1) expands this requirement to also cover PURA-regulated water companies that have at least 75,000 customers and (2) specifies that PURA has discretion to initiate these rate cases at less than four-year intervals.

EFFECTIVE DATE: Upon passage

§§ 11-12 — MANAGEMENT AUDITS

Requires certain PURA-regulated water companies to have a complete management audit at least once every six years; makes certain costs related to the audits non-recoverable in rates

Current law requires EDCs and gas companies that have at least 75,000 customers to have a complete management audit of their operations performed every six years. The bill expands this requirement to include PURA-regulated water companies that have at least 75,000 customers.

It also prohibits PURA from recognizing as a proper business expense the audited companies' costs and expenses for complying with an audit-related PURA order. Current law requires PURA to recognize these costs as proper business expense, allowing them to be recovered through the company's rates.

EFFECTIVE DATE: Upon passage

§ 13 — RETURN OF EDC OVEREARNINGS

Gives PURA greater discretion to determine how certain EDC overearnings are returned to customers

Under current law, PURA must require that any EDC funds that exceed the company's authorized return on equity be refunded to customers within one year after receipt, if they are meant to offset future rate increases instead of a present rate decrease. The bill removes the one-year deadline and instead requires the refund to be at a time that PURA determines, but no later than the end of the company's next rate case.

EFFECTIVE DATE: Upon passage

§ 14 — PURA STAYS OF ENFORCEMENT

Requires entities appealing a PURA civil penalty to provide the penalty amount in escrow or another surety before PURA stays enforcement; requires parties to meet certain standards to get other stays of enforcement from PURA

Under the bill, an entity seeking a stay of enforcement while it is appealing a PURA order, authorization, or decision that imposed a civil penalty must provide an escrow deposit, bond, or other surety that equals the penalty before PURA stays the enforcement.

To obtain a stay of enforcement of any other PURA order, authorization, or decision, the bill requires the appealing entity to bear the burden of showing that (1) there is a strong likelihood that the appeal will succeed, (2) the appealing party will suffer substantial and irreparable harm without a stay, and (3) the stay will not harm the public interest.

EFFECTIVE DATE: Upon passage

§ 15 — ACCIDENT REPORTING

Sets a hard deadline for reporting certain accidents to PURA; expands the information that must be included in certain monthly reports on minor accidents; and increases the maximum fines for failing to comply with the accident reporting requirements

Current law requires PURA-regulated utilities and electric suppliers, and entities involved in the transportation of gas, to notify PURA about certain accidents that involve personal injuries or public safety as soon

as reasonably possible, unless the accident is minor. The bill further requires this notice to occur within 12 hours after the accident and specifies that the notification must occur by contacting the PURA chairperson or her designee.

For minor accidents, the law requires the same entities to submit a monthly report to PURA. The bill requires this report to (1) include information on the primary cause of all planned and unplanned electrical outages affecting at least 50 customers in the preceding month and (2) indicate which of them were due to a power surge. (It is unclear how companies other than EDCs could comply.)

Penalties

The bill increases the maximum fine for failing to comply with the above accident reporting requirements from $500 to $1,000 per offense. It specifies that a violation constitutes a continued violation (with each day deemed a separate offense) from the date the entity was supposed to notify PURA until the date that PURA receives the written notification. If PURA orders restitution for a customer's equipment or property damaged in a major or minor accident, then (1) the restitution must equal the equipment or property's replacement value and (2) the fines imposed do not limit or reduce the restitution. The bill prohibits EDCs from recovering these costs through their rates.

EFFECTIVE DATE: Upon passage

§ 16 — MONTHLY POWER OUTAGE REPORTING

Requires EDC power outage reports to be submitted monthly, rather than periodically, and specifies additional information that must be in them

Current law requires EDCs to indicate which power outages resulted from power surges in their periodic reports to PURA on power outages. The bill (1) requires these reports to be provided monthly, under the minor accident reporting requirement (see § 15 above); and (2) specifies that they must also include information on the primary cause of all planned and unplanned outages that affected at least 50 customers in the preceding month.

EFFECTIVE DATE: Upon passage

§§ 17 & 18 — NONPROFIT ENERGY ASSISTANCE PROGRAM FUNDING

Requires the companies that fund PURA's and certain other state agencies' administrative expenses to also fund the operations of any nonprofit agency engaged in energy assistance programs; prohibits the companies from recovering these costs through their rates

Under current law, the administrative costs of PURA, the Office of Consumer Counsel (OCC), DEEP's Bureau of Energy and Technology, and certain Office of Policy and Management expenses related to broadband expansion are funded through an assessment on PURA-regulated utilities, telephone companies, certified telecommunications providers, retail electric suppliers, and certified competitive video service providers with certain gross revenues.

The bill broadens the assessment so that the covered companies must also pay for the amount appropriated for the operations of any nonprofit agency engaged in energy assistance programs. It correspondingly requires this amount to be included in the (1) statement that PURA must annually give to companies subject to the assessment and (2) total appropriated revenue figure that is used to calculate each company's assessment and adjust for any differences between estimated quarterly payments of the assessment.

The bill also prohibits PURA from recognizing these assessments as a company's normal operating costs and prohibits the assessments from being recovered through rates. (It is unclear how this prohibition would apply to assessed companies that do not have PURA-regulated rates.)

EFFECTIVE DATE: July 1, 2023

§ 19 — STAKEHOLDER GROUP COMPENSATION

Creates a process for a stakeholder group in a PURA proceeding to have certain expenses paid by the company that is subject to the proceeding

The bill creates a process for a stakeholder group that wants to be designated as an intervenor or a participant in a PURA proceeding to apply for a compensation award. It limits this compensation to $200,000

per group and $600,000 for all groups in a proceeding.

Under the bill, "compensation" is a payment by a PURA-regulated utility company that is a party in the proceeding for all or part of the group's reasonable attorney's fees, expert witness fees, and other reasonable costs for preparing and participating in the proceeding. "Other reasonable costs" are a stakeholder group's reasonable out-of-pocket expenses directly related to its preparation for, or participation in, the proceeding that resulted in a substantial contribution (see below).

Applicable proceedings are any contested case, investigation, rulemaking or other formal proceeding before PURA, or an alternative dispute resolution ordered by PURA.

Stakeholder Groups

Under the bill, a "stakeholder group" is a (1) group of persons designated as an intervenor or participant that jointly applies for a compensation award and represents the interests of more than one (a) residential utility customer living in an environmental justice community (see *Background*) or (b) small business customer or (2) nonprofit organization in the state authorized to represent (a) residential utility customers living in an environmental justice community or (b) small business customers. A "small business customer" is a commercial or industrial electric customer with less than a 200 kilowatt peak load.

A stakeholder group does not include any nonprofit or other organization whose principal interests are the welfare of (1) a PURA-regulated utility or its investors or employees, or (2) any businesses or industries that receive utility service primarily to use in connection with manufacturing selling, or distributing goods or services for profit.

Application Process

The bill requires a stakeholder group, either before or when it files its application, to serve a notice of intent to apply for an award of compensation on every party, intervenor, and participant to the proceeding. PURA must determine appropriate procedures for

accepting and responding to the applications.

The bill allows PURA to require applicants to attend trainings sponsored or recommended by PURA as a condition for receiving an award. The trainings must be designed to support (1) public participation and understanding of PURA decisions and rulings and (2) general education and awareness about public service company regulation and operations. They must also include public resources that explain PURA's and OCC's role and function.

In preparing the application process and related trainings, the bill allows PURA to (1) retain consultants (a) to provide training in areas where staff expertise does not currently exist or (b) when needed to supplement existing staff expertise and (2) incur other reasonable costs, as long as they total less than $1 million per year.

Applications. The bill requires applications to include the following:

1. a statement of the nature and extent, and the factual and legal basis, of the stakeholder's planned participation, to the extent it is possible to describe it with reasonable specificity at the time;

2. a detailed description of anticipated attorney and expert witness fees, and other preparation and participation costs; and

3. any other information PURA requires.

If participation will impose a significant financial hardship on the group and it seeks advance payment of compensation to start, continue, or complete its participation in the proceeding, then it must also include evidence of the significant financial hardship in its application. Under the bill, "significant financial hardship" is when a stakeholder group cannot afford to pay the costs of effectively participating in the proceeding, including attorney and expert witness fees and other reasonable costs, without undue hardship.

Compensation Decisions

The bill requires PURA, within 30 days after receiving an application,

to decide if the stakeholder group's participation is a substantial contribution. A "substantial contribution" is one that, in the PURA chairperson's judgement, substantially helps PURA make its decision, or part of it, because PURA may adopt at least one factual or legal contention, or a policy or procedural recommendation presented by the group. If PURA finds that the group's participation is a substantial contribution, then it must describe it and determine if the group faces a significant financial hardship.

Under the bill, if PURA finds a significant financial hardship, then it may direct the utility companies subject to the proceeding to pay all or part of the expected compensation, as determined by PURA, to the stakeholder group before the proceeding ends. The calculation of the compensation must consider the compensation paid to attorneys, expert witnesses, and others of comparable training and experience who offer similar services as those relevant to the groups' application for compensation. If the group stops participating in the proceeding without PURA's consent, PURA may recover all or part of any payments made to the group and refund them to the companies.

Each stakeholder group must return any unused compensation to PURA, which PURA must refund to the companies that provided it. PURA must also require each stakeholder group to maintain an itemized record of all expenses incurred due to the proceeding. PURA may use this record to verify the group's financial hardship claim and whether any unused funds remain when the proceeding ends. If PURA determines that at least two stakeholder groups have substantially similar interests, it may require them to jointly apply in order to receive compensation.

The bill otherwise requires any compensation to be paid at the proceeding's end, in a manner determined by PURA. The compensation must be paid by all relevant companies in proportion to their relative annual load, customers, or revenue, as determined by PURA.

Under the bill, PURA cannot award any compensation to a stakeholder group that delays or obstructs, or attempts to do so, the

orderly and timely fulfillment of PURA's duties.

Background — Environmental Justice Community

By law, an "environmental justice community" is (a) any U.S. census block group, as determined by the most recent census, for which at least 30% of the population consists of low-income people who are not institutionalized and have an income below 200% of the federal poverty level or (b) a distressed municipality (CGS § 22a-20a).

EFFECTIVE DATE: Upon passage

§ 20 — STANDARD SERVICE PROCUREMENT STUDY

Requires PURA to study the process for procuring power generation for standard service and supplier of last resort service

The bill requires PURA to study the procurement processes, policies, procedures, and timelines associated with procuring standard service and supplier of last resort service (i.e., the power generation services for those who do not receive service from a retail electric supplier). PURA must submit a report on its findings and recommendations to the Energy and Technology Committee (the bill does not specify a deadline for this submission).

EFFECTIVE DATE: Upon passage

§§ 21-24 — EDC CREDITS FOR OUTAGES AND COMPENSATION FOR LOST FOOD AND MEDICINE

Clarifies how PURA must determine when to require EDCs to give certain account credits and compensation to customers after an outage

The law generally requires an EDC to:

1. give its residential customers a $25 account credit for each day that a distribution system service outage occurs for the customers for more than 96 consecutive hours after an emergency and

2. compensate each of its residential customers with $250, in total, for any food and medication that expires or spoils due to a service outage that lasts for more than 96 consecutive hours after an emergency.

The bill further specifies that PURA has sole discretion to determine when an emergency ends by reviewing (1) the time when the EDC could first deploy resources safely in its service territory, (2) the first of any official declarations about the end of the emergency, or (3) the expiration of any National Weather Service warning applicable to the service territory.

It also changes the types of emergencies subject to these requirements by (1) removing tsunamis, volcanic eruptions, and attacks by enemies of the United States from the types of emergencies covered by the provision; and (2) exempting emergencies that result in 70% or more of an EDC's customers experiencing an outage at the period of peak demand.

Waivers

Current law allows the EDCs, within 14 days after an emergency occurs, to petition PURA for a waiver from the requirements to provide account credits and compensation for lost food and medicine. The bill prohibits PURA from granting these waivers for an emergency that results in less than 10% of the company's customers experiencing an outage at the period of peak electrical demand.

The bill also requires the waiver petitions to include information about line and restoration crew safety issues, rather than all employee safety issues, as current law requires.

EFFECTIVE DATE: October 1, 2023

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute
Yea 16 Nay 4 (03/14/2023)