

Energy and Technology Committee JOINT FAVORABLE REPORT

Bill No.: SB-7 (LCO 6062)

AN ACT STRENGTHENING PROTECTIONS FOR CONNECTICUT'S

Title: CONSUMERS OF ENERGY.

Vote Date: 3/14/2023

Vote Action: Joint Favorable Substitute

PH Date: 2/14/2023

File No.:

***Disclaimer:** The following JOINT FAVORABLE Report is prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose.*

SPONSORS OF BILL:

[Sen. Martin M. Looney, 11th Dist.](#)

[Sen. Bob Duff, 25th Dist.](#)

[Sen. Saud Anwar, 3rd Dist.](#)

[Sen. Jorge Cabrera, 17th Dist.](#)

[Sen. Christine Cohen, 12th Dist.](#)

[Sen. Mae Flexer, 29th Dist.](#)

[Sen. John W. Fonfara, 1st Dist.](#)

[Sen. Herron Gaston, 23rd Dist.](#)

[Sen. Jan Hochadel, 13th Dist.](#)

[Sen. Julie Kushner, 24th Dist.](#)

[Sen. Matthew L. Lesser, 9th Dist.](#)

[Sen. Rick Lopes, 6th Dist.](#)

[Sen. Ceci Maher, 26th Dist.](#)

[Sen. James J. Maroney, 14th Dist.](#)

[Sen. Martha Marx, 20th Dist.](#)

[Sen. Douglas McCrory, 2nd Dist.](#)

[Sen. Patricia Billie Miller, 27th Dist.](#)

[Sen. Marilyn V. Moore, 22nd Dist.](#)

[Sen. MD Rahman, 4th Dist.](#)

[Sen. Derek Slap, 5th Dist.](#)

[Sen. Gary A. Winfield, 10th Dist.](#)

[Rep. Hubert D. Delany, 144th Dist.](#)

[Rep. Anthony L. Nolan, 39th Dist.](#)

[Rep. Geraldo C. Reyes, 75th Dist.](#)

[Rep. Jaime S. Foster, 57th Dist.](#)

REASONS FOR THE BILL:

To respond to recent additional costs and increased utility rates in a changing energy market, this bill intends to alleviate the financial burden placed on Connecticut's ratepayers by introducing a wide range of ideas to address the state's utilities regulatory framework. The 2021 Take Back Our Grid Act outlines to decouple the distribution revenues of the state's gas and electric distribution companies from the volume of natural gas and electricity sales. Instead, the state would implement performance-based compensation for the state's utility companies by revising subsection (b) of Conn. Gen. Stat. § 16-19t. The proposed bill would also amend the general statutes to codify the costs that the state's gas and electric distribution companies may or may not recover from ratepayers. Such measures are critical for addressing rising energy prices, fostering a transparent energy market, and supporting the state's clean energy transition. The bill thus intends to enhance the state's utilities regulatory framework and enable the Public Utilities Regulatory Authority (PURA) to work in the best interest of Connecticut's ratepayers and long-term energy demands.

***Please note:** The Committee requested that anyone providing testimony on S.B. 7 also testify on S.B. 966 (RAISED) AN ACT CONCERNING THE PROCUREMENT OF STANDARD SERVICE ELECTRICITY AND THE REGULATION OF PUBLIC UTILITIES, as it was the Committee's intent to have the content of S.B. 966 become the content for S.B. No. 7, AN ACT STRENGTHENING PROTECTIONS FOR CONNECTICUT'S CONSUMERS OF ENERGY.

RESPONSE FROM ADMINISTRATION/AGENCY:

Commissioner Katie S. Dykes, CT Dept. of Energy & Environmental Protection (DEEP) – Supports many aspects of S.B. 7 concerning its inclusion of a wide range of ideas that aim to address the state's energy prices and create a more equitable and transparent energy market. Although S.B. 7 is still under development, DEEP agrees with the bill's principles since it intends to take significant steps to address energy affordability, reliability, and accountability in Connecticut. In addition, DEEP supports ensuring that utility companies' and utility executives' compensation is based on performance and macroeconomic conditions. DEEP thus believes that such legislation will provide for greater transparency on the cause of service outages and the incidence of accidents as well as and clarity regarding which business expenses should be allocated to utility shareholders versus ratepayers.

As it pertains to S.B. 966, DEEP supports Sec. 1 to decouple the state's gas and electric companies' revenues from their sales under the guidance of PURA. Revenue decoupling is mandatory under the current general statutes. DEEP recommends that utilities be compensated based on their performance rather than their sales. This recommendation is also recognized by the Take Back Our Grid Act. The bill's performance-based compensation provisions would address the present disincentive for utility providers to drive toward energy efficiency and behind-the-meter measures. DEEP, therefore, suggests that the bill's language is tailored to address revenue decoupling specifically. DEEP also supports Sec. 4 of the bill, which modifies Title 16 as it pertains to settlements, noting that settlements offer the potential for multiple parties to generate creative solutions, including solutions outside the scope of PURA. DEEP recommends that PURA retain some discretions over such settlements, pursuant to the Uniform Administrative Procedures Act.

Claire Coleman, Consumer Counsel, CT Office of Consumer Counsel (OCC) – Supports the bill on account of its aims to benefit consumers by strengthening utility oversight in Connecticut. Regarding S.B. 966, the OCC supports reforming the state’s regulatory framework for investor-owned utility companies based on the prior recommendations outlined in 2021’s “Take Back Our Grid Act.” The OCC supports the bill’s provision for PURA to conduct a study of Connecticut’s current energy procurement plan and energy practices to help the state adapt to changing energy markets as well as make progress on its clean energy transition, as outlined in Sec. 20. The OCC also supports Sec. 2, Sec. 3, and Sec. 9 of the bill, which codify certain utility expenses as costs that cannot be recovered from ratepayers. The OCC supports the reforms outlined in Sec. 10 and 11. These sections would allow PURA to initiate a rate hearing at its discretion and create a more uniform regulatory framework by placing water companies under the state’s current audit standards.

The OCC also asks for clarification on Sec. 1 of the bill. The OCC shares PURA’s view that “it is not appropriate for utilities to recover lost revenues associated with underperformance” (Claire Coleman, OCC Testimony, February 14, 2023). The OCC notes further that revenue decoupling “works both ways”: restricting the scope of revenue decoupling will increase administrative and docket complexity for PURA, undermining the overall efficacy of decoupling mechanisms. The OCC also suggests that more guardrails be considered in Sec. 1 to ensure that future PURA administrations exercise their discretion in a manner consistent with the objectives of the General Assembly. In Sec. 4, OCC supports a number of the proposed procedural protections; however, the OCC recommends that the limits placed on settlements should be reconsidered to maximize their usage and benefits in the interest of both the state and stakeholders. The OCC strongly supports Sec. 18, allowing the operations of non-profit agencies engaged in energy assistance programs to be appropriated through the annual assessment of utility companies. Still, the OCC notes that further costs should be considered before adding additional energy assistance program costs to electric bills. Finally, the OCC is generally supportive of Sec. 19, to allow stakeholder groups to be compensated for substantial contributions to PURA proceedings, under the Authority’s discretion. However, OCC does recommend several guardrails to the policy as written.

NATURE AND SOURCE OF SUPPORT:

Nancy Bowden, Bloomfield, CT – Supports both S.B. 7 and S.B. 966 bill due to its enhancement of the state’s utility framework and its intent to utilize PURA to implement stricter constraints on the costs borne by ratepayers. Moreover, the bill would give the Authority the discretion to provide the public with access to proceedings that relate to their health, safety, and financial security as well as balance the interests between the state’s ratepayers and investor-owned utility companies.

Sam Cardwell, Conservation Law Foundation – Supports S.B. 7 and S.B. 966 because they would benefit Connecticut’s ratepayers by limiting the ability of a utility company to recover certain costs from its ratepayers. The bills would, instead, implement performance-based compensation for the state’s utility companies. In addition, the bill intends to uphold accountability for the state’s utility companies by enhancing the state’s utility regulatory framework and increasing funding for the PURA. Finally, SBs 7 and 966 would also increase specific stakeholders’ ability to participate in PURA dockets by authorizing compensation for these participants.

As it pertains to S.B. 966, the Conservation Law Foundation specifically supports Sec. 3 and Sec. 19. The bill's Sec. 3 would ensure that utility company shareholders pay for utility lobbying, trade associations, and advertising rather than recovering these costs from ratepayers. The group particularly supports Sec. 3(c), which would limit a utility company's ability to recover advertising costs at the discretion of PURA. The Conservation Law Foundation supports Sec. 19 because it may increase the capacity of stakeholders, individuals, and groups with limited resources to participate in PURA dockets.

Elaine Carroll, Chief Executive Officer, New Haven Symphony Orchestra & Anne Coates, Executive Director, Creative Arts Workshop, Inc. – Supports S.B. 7 and S.B. 966 because it would take steps to alleviate the burden of rising energy costs on non-profit organizations and their donors, further noting that United Illuminating and Southern Connecticut Gas are part of the New Haven community as well as its non-profits. The bill intends to implement provisions promoting a more reliable and affordable public utility system.

Martin Looney, State Senator - 11th District, President Pro Tempore & Senate Democrats, Connecticut General Assembly – Support S.B. 7 and S.B. 966 because they offer a wide range of provisions that address many of Connecticut's utility regulation issues in a manner that is aimed at protecting the interests of ratepayers. The bill intends to improve energy affordability across Connecticut in response to recent rate increases in a changing energy market throughout the U.S. and the world. By decoupling revenues and implementing performance-based regulations, the bill would also align with Connecticut's "Take Back Our Grid Act" since it would enable PURA to operate with more oversight over the state's public utilities with consumer protection in view. Multiple sections in the bills make essential changes to protect Connecticut's consumers by curtailing the costs that utilities can recover from ratepayers, including costs associated with lobbying or legislative action, sponsorships, membership dues, charitable contributions, or advertising and marketing costs.

John Erlingheuser, Senior Advocacy Director, American Association of Retired Persons - CT (AARP CT) – Supports S. B. 7 and S.B. 966. As it pertains to S.B. 966, AARP CT is supportive of the new language proposed for Sec. 1 so that revenue decoupling "may" proceed under PURA's discretion rather than "shall" (l. 7, S.B. 7 & S.B. 966, in reference to the revision of subsection (b) of Conn. Gen. Stat. § 16-19tt). AARP also supports Sec. 2 of the bill because it intends to protect ratepayers by clarifying the limits on utility company's ability to recover fees and costs associated with attorneys, witnesses, and consultants in standard business practices, such as regulatory proceedings and appeals. AARP CT also supports Sec. 3, Sec. 5, and Sec. 7 because of the proposed explicit cost recovery limitations for utility companies. Furthermore, AARP CT is supportive of changing the language from encouraging settlements to permitting them in Sec. 4. AARP CT also supports Sec. 8, Sec. 10, Sec. 11, Sec. 13, Sec. 16, Sec. 19, Sec. 20, Sec. 25, and Sec. 26 that each includes language to enhance the oversight of PURA to regulate the state's utilities companies and activities.

Gannon Long, Policy & Public Affairs Director, Operation Fuel – Generally supports S.B. 7 and S.B. 966 due to their intended effort to improve utility regulation in Connecticut. S.B. 7 aims to bring more transparency to PURA's decision-making process concerning ratepayers and improving energy affordability during economic stress.

As it pertains to S.B. 966, Operation Fuel is supportive of empowering PURA to determine how to proceed with revenue decoupling, as outlined in Sec. 1, Sec. 5, Sec. 6 and Sec. 8. Operation Fuel is also supportive of the limits on cost recovery highlighted in Sec. 2 and Sec. 3. Operation Fuel is generally supportive of the use of settlements, at the discretion of PURA. Lastly, Operation Fuel generally supports other sections in the bill that would enhance the scope of PURA to regulate the state's utility companies.

Peter Millman, Vice President, People's Action for Clean Energy (PACE) – Supports both S.B. 7 and S.B. 966 because they intend to protect Connecticut's consumers, increase transparency, and utilize the insights of PURA. People's Action for Clean Energy recommends that the state also explore Community Power/Community Choice Aggregation.

David Pomerantz, Executive Director, Energy and Policy Institute – Supports S.B. 7 and S.B. 966 account of their intended changes to Connecticut's current regulatory framework and the scope of PURA in the interest of the state's ratepayers and long-term energy demands. The regulatory changes proposed by these bills aim to improve the reliability and affordability of energy for Connecticut's consumers, in addition to further provisions aimed at consumer protection.

As it pertains to S.B. 966, the Energy Policy Institute addresses explicitly the proposed reforms brought up in Sec. 2(b) and Sec. 3. Both Sec. 2 and Sec. 3 would place limits on a utility company's ability to recover certain costs and fees at the expense of their ratepayers, particularly expenses related to routine business conduct. Moreover, S.B. 966 and S.B. 7 could increase transparency by requiring public service companies to submit annual reports to PURA with an itemized list of the costs outlined in Sec. 2(b) and Sec. 3. Further, the bill prohibits utilities from charging customers for many of their political activities, making Connecticut a national leader in utility accountability.

Bonnie Roswig, Director of the Disability Rights Project, Center for Children's Advocacy – Supports S.B. 7 and S.B. 966 on account of the effects of rising energy costs on non-profit organizations, especially those that participate in childcare, healthcare, and housing. By enhancing Connecticut's utility regulatory framework, the bill takes steps toward energy assistance and consumer protections that directly relate to residential heating and daily electricity use. Furthermore, this bill aims to address the disparities between energy stakeholders and other public participants in drafting energy policy.

Charles Rothenberger, Climate & Energy Attorney, Save the Sound – Supports S.B. 7 and S.B. 966 because they align with Connecticut's "Take Back Our Grid Act." The bills would increase the Public Utilities Regulatory Authority regulatory provisions to expand consumer protections through measures related to utility cost recovery, executive compensation, customer credits, emergency reporting, transparency, and public participation.

As it pertains to S.B. 966, Save the Sound expresses its support for the limits placed on cost recovery by utility companies outlined in Sec. 3, as well as the reforms to executive compensation outlined in Sec. 6. Save the Sound supports Sec. 9-16 that intend to increase the scope of PURA's utility regulatory capacity in addition to improving transparency in matters relating to utility proceedings. Save the Sound also supports Sec. 19, which establishes a mechanism for compensating intervenors who represent the interests of

residential customers in the state's environmental justice communities or the interests of the state's small business customers.

Tom Swan, Executive Director, CT Citizen Action Group (CCAG) – Supports S.B. 7 and S.B. 966 because they take steps to improve energy affordability in the state. The bills also address public participation and transparency by enhancing Connecticut's regulatory framework, enabling PURA to address disparities between energy providers, stakeholders, and consumers.

Regarding S.B. 966, CCAG supports Sec. 2 and Sec. 3, which outline the limitation on cost recoveries by utility companies. CCAG supports Sec. 4 and its provisions allowing PURA to produce more transparency regarding proposed settlements and other such proceedings. In addition, CCAG supports multiple different sections in the bill about PURA's oversight of the state's utilities, including Sec. 8, to broaden PURA's ability to consider affordability factors in setting rates as well as Sec. 10 and Sec. 11, to increase oversight on water utility companies. CCAG also notes that the bill prioritizes the state's environmental justice communities in Sec. 19. Finally, CCAG additionally supports Sec. 25 and Sec. 26, which will see that PURA receives the adequate funding to carry out the provisions in the bill.

NATURE AND SOURCE OF OPPOSITION:

Elizabeth Gara, Executive Director, CT Water Works Association (CWWA) – Opposes S.B. 7 and S.B. 966 because of their potential adverse effects on Connecticut's Water Companies. The increase in PURA's regulatory scope would impact water consumption revenues. Further, the extended time involved in PURA's decision-making process has tended to cause uncertainty regarding revenues.

CWWA opposes Sec. 25 of S.B. 966 because the bill language would extend PURA regulation to all water companies, including municipal and regional ones. Further, CWWA states that subjecting municipal and regional water companies to PURA review would add additional rate-making costs.

Kenna Hagan, General Counsel, UIL Holdings Corporation – Opposes S.B. 7 and S.B. 966 because they would impede an environment where utility companies can focus on innovation and modernization to decarbonize the electric grid and ensure reliability. The provisions under the bill create would create uncertainty and administrative delays. It may also establish punitive measures against utility companies, like themselves, for factors outside their control.

UIL Holdings Corp. expresses concern over Sec. 1 of S.B. 966 because making decoupling a discretionary tool of PURA in the electric sector would result in an appropriate return on equity (ROE) risk premium adjustment that would need to be considered in any rate plan in which PURA did not include decoupling. UIL Holdings Corp. also expresses concerns over the various cost recovery limitation for utility companies outlined in Sec. 2 and Sec. 3. UIL Holdings Corp. also expresses concerns over Sec. 4, noting that further involvement of PURA in settlements may prove burdensome for other businesses. UIL Holdings Corp. details additional concerns about sections of the bill that either limit cost recovery or expand the oversight of PURA in matters relating to the state's utility companies.

Craig Patla, President, Connecticut Water Company (CWW); Donald Morrissey, President, Aquarion Water Company; and Lori Vitagliano, Government and Public Relations Specialist, South Central Connecticut Regional Water Authority – Oppose the bills because of their potential impact of water utility companies. The provisions to increase the scope of PURA for the end goal of consumer protection may harm water utility companies by placing an additional strain on their business operations. Instead, focus should be placed on investments in water systems for the present-day challenges water facilities face.

Vincent Pace, Assistant General Counsel, Eversource – Opposes the bills, stating that the provisions of S.B. 966 would create negative consequences for Connecticut’s energy policy, consumers, and utility providers. The bill, as written, would override the requirements of the state’s "Take Back Our Grid Act" before it has been acted upon by implementing procedures for PURA to establish performance-based compensation for the state’s utility providers. Eversource notes that the bill’s provisions, at present, may even provide for “the antithesis of performance-based ratemaking” (Vincent Pace, Eversource Testimony, February 14, 2023). The bill would therefore take authority out of the hands of DEEP, the Attorney General, and OCC, imposing limitations on the ability of each to negotiate issues on behalf of customers concerning utility rates and potentially harming the efficacy of future PURA administrations.

Lastly, Eversource notes that the bill’s intentions may also conflict with the provisions of Conn. Gen. Stat. Title 16, in addition to precedent at the federal level. In sum, Eversource opposes S.B. 7 and S.B. 966 because the bills would not address other factors that affect consumer rates, such as high energy supply prices caused by New England’s regional fuel supply issues or the pursuit of federal funds for clean and renewable energy sources and infrastructure.

Reported by: Robert Downes

Date: March 14, 2023