

**OLR BILL ANALYSIS**

**SB 23 (LCO 510)**

***AN ACT ENHANCING EMERGENCY PREPAREDNESS AND RESPONSE***

**SUMMARY:**

This bill requires the Public Utilities Regulatory Authority (PURA, formerly the Department of Public Utility Control) to establish performance standards for energy and water companies for preparing for and restoring service in an emergency. It requires the companies to report annually to PURA on their performance. It allows PURA to (1) investigate a company's compliance with the standards, (2) issue orders to enforce the standards, and (3) impose civil penalties up to \$25 million for noncompliance. If PURA imposes civil penalties, it must use the money it collects to provide rebates to affected customers.

The bill requires the Department of Energy and Environmental Protection (DEEP) to establish a micro-grid grant and loan program to support local clean energy generating facilities for hospitals, police and fire stations, water and sewage treatment plants, and the commercial areas of a municipality (i.e., critical facilities).

The bill requires public service companies (investor-owned utilities) to carry out duties and functions assigned to them under the state civil preparedness plan. By law, the Department of Emergency Services and Public Protection commissioner can issue orders and regulations to implement the plan. He can use state personnel, facilities, and equipment, and each agency must implement activities needed for the state's welfare and safety. The bill additionally requires agencies to participate in planning, training, and exercises, as directed by the commissioner.

**EFFECTIVE DATE:** Upon passage for the performance standards, July 1, 2012 for the remaining provisions.

**PERFORMANCE STANDARDS**

***Current Law***

Under CGS § 16-19e, PURA must examine and regulate the operations of all public service companies. It must do so in accordance with statutory principles, including that (1) the companies perform their responsibilities with economy, efficiency, and care for public safety and energy security and (2) the rates they charge reflect prudent and efficient management of their franchise operations. PURA can issue orders and impose civil penalties that are generally capped at \$10,000 per violation. The penalties cannot be passed on to ratepayers.

### **Scope**

The bill requires PURA to establish minimum standards of performance for specified utilities in emergency preparation and restoration of service to customers in an emergency. The standards apply to electric and gas companies and municipal electric utilities that sell power outside of their service territories (none do at this time). They also apply to water companies, but not municipal or regional water utilities.

The standards must include provisions for:

1. minimum staffing and equipment levels for each utility based on the number of customers it serves;
2. recovery and restoration of service targets in emergencies based upon their classification levels;
3. a communication and coordination plan between each utility and the state emergency operations center, regulatory agencies, and municipal officials;
4. a communication plan between each utility and its customers that covers communications outside of normal business hours among other things;
5. a plan for deploying utility crews, mutual aid crews, and private contractors in an emergency;
6. safety standards for employees of each utility, mutual aid crews, and private contractors; and
7. filing mutual aid agreements by utilities.

The mutual aid agreements are not a public record or file subject to disclosure under the Freedom of Information Act.

### ***Plan***

By August 1, 2012 and annually thereafter by April 15, each utility must provide an emergency response plan to PURA. The plan must include information and analysis concerning the utility's ability during the preceding year to meet PURA's emergency preparedness and response standards.

### ***PURA Investigation***

PURA may investigate a utility's compliance with any of the standards it establishes. The investigation is a contested case, i.e., a quasi-judicial proceeding subject to review by the courts.

The bill specifically allows PURA to make orders, including cease and desist orders, to enforce its standards if it finds that a utility failed to comply with any of them. PURA can levy civil penalties against the utility up to \$25 million under its existing procedures. The bill does not specify whether this cap is per violation or per incident.

### ***Rebate Program***

The bill requires PURA to establish a program to provide rebates to the customers of any utility from which the authority collects a civil penalty in the amount of the penalty collected, less any administrative and implementation costs of the program.

### **MICRO-GRID PROGRAM**

The bill requires DEEP to establish a micro-grid grant and loan program to support local renewable distributed energy generation for critical facilities. Under the bill, renewable distributed energy generation is that produced from a Class I renewable energy source, e.g., solar and wind power and power from fuel cells. Critical facilities are hospitals, police and fire stations, water and sewage treatment plants, and the commercial areas of a municipality. The program is open to any town, city, borough, special district, or special services district that "is authorized to produce, supply or distribute electric energy." CGS § 7-213 allows all towns, cities, and boroughs to create municipal electric utilities and CGS § 7-326 permits towns to create special districts to "light streets." It appears that the program the bill creates is open to all of these entities, whether or not they have established such utilities. It is unclear whether the program is available for special services districts, which must be established to "promote the economic and general welfare of its [i.e., the municipality's] citizens and property owners..."

The bill requires DEEP to develop and issue a request for proposals from municipalities, electric companies, municipal electric utilities that sell power outside of their service territories, energy improvement districts (see BACKGROUND), and private entities seeking to develop micro-grid renewable distributed energy generation for use by critical facilities. Any entity eligible to submit a proposal may collaborate with other eligible entities in submitting a proposal.

The bill requires DEEP to award grants or loans under the program to at least two recipients. At least one grant or loan must be awarded to a recipient developing a micro-grid project in a municipality with a population over 45,000, as of the most recent census. (According to the 2010 census, eligible municipalities are Bridgeport, Bristol, Danbury, East Hartford, Fairfield, Greenwich, Hamden, Hartford, Manchester, Meriden, Middletown, Milford, New Britain, New Haven, Norwalk, Stamford, Wallingford, Waterbury, West Hartford, and West Haven). The total amount of grants and loans awarded under the program may not exceed \$5 million.

By January first, annually, for a period of five years after receiving a grant or loan under the program, recipients must submit a report to DEEP and the Appropriations and Energy and Technology committees. The report must include information on the status and outcome of the recipient's micro-grid project.

## **BACKGROUND**

### ***Energy Improvement Districts***

CGS §§ 32-80a through 32-80c allow a municipality, by a vote of its legislative body, to establish these districts and prescribes how they can be formed. It specifies the powers of the districts, which include developing and operating small power plants and certain conservation programs. It requires the districts to develop a plan for financing and developing these resources.

The law gives the districts a variety of powers, including hiring staff, operating the power plants, and charging fees for its projects. The district boards can issue revenue bonds, which are subject to standard provisions regarding the bond issuance, revenue guarantees to back the bonds, trust indentures, and other bondholder rights. Districts are tax-exempt, but can make payments in lieu of property taxes. The district's bonds and the income they produce are subject to the estate and succession taxes and the interest on the bonds is subject to excise and franchise taxes.

The law gives municipalities a wide range of powers to aid districts, including guaranteeing each district's bonds, issuing general obligation bonds to support the district, and appropriating funds for the district's use.

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