



General Assembly

February Session, 2006

Raised Bill No.

570

LCO No. 2717



Referred to Committee on

Introduced by: **ENERGY & TECHNOLOGY**
(ET)

AN ACT CONCERNING ELECTRIC CONSUMER EMPOWERMENT.

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

- 1 Section 1. (NEW) (*Effective from passage*) (a) Notwithstanding the
2 provisions of title 16 of the general statutes, customer-side distributed
3 resources, as defined in section 16-1 of the 2006 supplement to the
4 general statutes, including onsite customer cogeneration systems
5 installed on or after January 1, 2006, shall be eligible for a one-time five
6 hundred dollar per kilowatt award to fund the capital costs of
7 designing, engineering, procuring, installing and commissioning
8 customer-side distributed resources from the federally mandated
9 congestion charges, which award shall be recoverable from the
10 federally mandated congestion charges. The Department of Public
11 Utility Control shall, not later than June 1, 2006, conduct a contested
12 case proceeding to develop an additional incentive program for the
13 first three hundred fifty megawatts of customer-side distributed
14 resources installed after the effective date of this section.
- 15 (b) Notwithstanding the provisions of title 16 of the general statutes,
16 customer-side distributed resources that utilize fuel cell technologies
17 installed on or after January 1, 2006, shall be eligible for an additional

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CONNECTICUT STATE LIBRARY
LEGISLATIVE REFERENCE SECTION

18 one-time one hundred dollar per kilowatt award to fund the capital
19 costs of designing, engineering, procuring, installing and
20 commissioning fuel cell-based customer-side distributed resources,
21 which award shall be recovered from the federally mandated
22 congestion charges.

23 (c) In order to qualify for the award, any customer shall submit an
24 application, in a form prescribed by the Department of Revenue
25 Services, to said department. The application shall contain a
26 certification by an independent licensed engineer that the customer-
27 side distributed resource is intended to operate for purposes of
28 reducing customer peak electric loads and that the project is financially
29 viable.

30 Sec. 2. (NEW) (*Effective from passage*) (a) Notwithstanding the
31 provisions of title 16 of the general statutes, customers who implement
32 energy conservation or customer-side distributed resources, as defined
33 in section 16-1 of the 2006 supplement to the general statutes, on or
34 after January 1, 2006, shall be eligible for Class III renewable energy
35 credits, as defined in said section 16-1. The Class III credit shall be not
36 less than one cent per kilowatt hour or fifty per cent of the value of
37 Class I renewable energy credits, whichever is greater. One hundred
38 per cent of said incentive shall be allocated to the person that
39 conserved the electricity or installed the project for customer-side
40 distributed resources to which the energy credit is attributable.

41 (b) In order to be eligible for ongoing Class III renewable energy
42 credits, the customer must submit an application, in a form prescribed
43 by the Department of Public Utility Control, annually, to said
44 department. The application shall require (1) certification by an
45 independent licensed engineer, and (2) (A) the number of kilowatt
46 hours generated from the customer-side distributed resource system
47 for the annual period, or (B) the number of kilowatt hours reduced by
48 the energy conservation investments for the annual period.

49 Sec. 3. (*Effective from passage*) (a) Notwithstanding the provisions of

50 title 22a of the general statutes, the Department of Environmental
51 Protection shall review any permit applications filed on or after
52 January 1, 2006, and not later than January 1, 2010, that are necessary
53 for the installation of customer-side distributed resources, as defined
54 in section 16-1 of the 2006 supplement to the general statutes,
55 including cogeneration systems that utilize fossil fuels as the primary
56 fuel source on an expedited basis in accordance with the following:

57 (1) The Department of Environmental Protection shall issue a final
58 decision on a permit application for a proposed customer-side
59 distributed resource with a gross electric output of ten megawatts or
60 less not later than sixty days after the application submission date.

61 (2) The Department of Environmental Protection shall issue a final
62 decision on a permit application for a proposed customer-side
63 distributed resource with a gross electric output of more than ten
64 megawatts not later than ninety days after the application submission
65 date.

66 (b) Notwithstanding the provisions of title 22a of the general
67 statutes, the Department of Environmental Protection shall review any
68 permit applications filed on or after January 1, 2006, and not later than
69 January 1, 2010, that are necessary for the installation of a non-
70 customer-side distributed resource, as defined in section 16-1 of the
71 2006 supplement to the general statutes, including cogeneration
72 systems that utilize fossil fuels as the primary fuel source and issue a
73 final decision on the applications not later than one hundred twenty
74 days after the application submission date.

75 Sec. 4. (NEW) (*Effective from passage*) Notwithstanding the provisions
76 of title 22a of the general statutes, the Department of Environmental
77 Protection shall amend its air pollution regulations regarding
78 emergency generation dispatch to allow owners of emergency
79 generators to operate such generators on or after the effective date of
80 this section and not later than January 1, 2010, during all hours under
81 their current "Permit by Rule Authority" and up to the total hours or

82 emission limits of their existing permits. This modification shall waive
83 the current limitation that emergency generation units only operate in
84 designated OP4 conditions instituted by the regional system operator
85 and shall allow electric distribution companies and their customers to
86 call on such units outside of OP4 conditions for purposes of managing
87 electric loads during anticipated monthly or annual peak load hours.

88 Sec. 5. (NEW) (*Effective from passage*) Notwithstanding the provisions
89 of title 16a of the general statutes, on or after January 1, 2006, and not
90 later than January 1, 2010, all proposed electric generation resource
91 units, including municipal utility generation resources, with a unit size
92 less than one hundred megawatts that would specifically be
93 committed to the locational forward reserve market would be exempt
94 from the requirement of the Connecticut Energy Advisory Board's
95 request-for-proposal process. This exemption shall be limited to the
96 first five hundred megawatts of quick-start generation resources
97 proposed after January 1, 2006.

98 Sec. 6. (NEW) (*Effective from passage*) (a) Notwithstanding the
99 provisions of the general statutes, the state shall establish a financing
100 program for electric conservation and customer-side distributed
101 resources projects, which shall be administered by the Institute for
102 Sustainable Energy. The program may finance not more than one
103 hundred million dollars of electric conservation measures and not
104 more than one hundred fifty million dollars for customer-side
105 distributed resource projects. The costs borne by the institute for
106 providing the financing, including, (1) cost of funds differential
107 between zero per cent offered to participating customers and the actual
108 financing interest rate, and (2) costs associated with defaults or late
109 payments of principal shall be recovered in the rates of the electric
110 distribution companies.

111 (b) On and after September 30, 2006, the Institute for Sustainable
112 Energy shall use the account to provide low-cost financing for electric
113 conservation and customer-side distributed resources installed by

114 electricity users in the state on or after January 1, 2006. The financing
115 fund shall provide a subsidized financing rate of zero per cent for the
116 cost of installing energy conservation and customer-side distributed
117 resources. Customer financing shall be capped at the installed cost of
118 qualified projects less any incentives received from the Energy
119 Conservation Loan Fund or other state subsidy or grant. Installed costs
120 shall include the costs of engineering, equipment procurement,
121 installation costs and commissioning expenses.

122 (c) Customers shall apply to the financing program on an
123 application prescribed by the Institute for Sustainable Energy, which
124 application shall include, but not be limited to, (1) a description of the
125 project, the total project installed cost, any incentives and subsidies
126 received, (2) annual kilowatt hour savings, current dollar value of the
127 annual kilowatt hour savings, and (3) a certification by an independent
128 licensed engineer that the energy conservation or customer-side
129 distributed resource project has been accurately described in the
130 application, that the financial and energy savings information is
131 accurate to the best of their knowledge, and the project reduces electric
132 consumption and customer peak kilowatt demand.

133 (d) For purposes of determining the term of financing, each project
134 shall be eligible for a maximum term rounded to the highest whole
135 month equal to project cost, minus any incentives and subsidies
136 received divided by the annual energy savings derived by using the
137 average previous twelve months of electricity costs per kilowatt hour.
138 The maximum term shall not exceed fifteen years. The customer shall
139 pay the project monthly financing cost over the term of the loan in
140 equal monthly installments. If a customer sells or transfers ownership
141 of the energy conservation measure or the customer-side distributed
142 resource, the obligations of the financing shall be transferable to the
143 new owner.

144 (e) Electric generation companies, including investor-owned utilities
145 and municipal-owned utilities may access this account and substitute

it for current financing programs offered through their energy conservation programs up to seventy-five million dollars of the one hundred million dollars allocated for energy conservation and demand response resources. The allocation of the seventy-five million dollars between investor-owned electric utilities and municipal-owned electric utilities shall be based on a pro rata share of annual kilowatt hours sold to retail customers. Customers shall apply for financing on a first-come-first-served basis until the full amount of the fund has been depleted or upon reaching the expiration date of December 31, 2010.

(f) The Institute for Sustainable Energy shall annually evaluate the overall success of the program in determining the overall cost benefit of providing such program and submit a report to the joint standing committee of the General Assembly having cognizance of matters relating to energy, not later than January 1, 2007, January 1, 2008, and January 1, 2009. The evaluation of the cost benefit of such program shall include (1) impacts on the reduction of federally mandated congestion charges, (2) impacts on the reduction of electric commodity prices, (3) enhancements and contributions to job creation, (4) impacts on state and local tax receipts, (5) impacts on environmental emission reductions, and (6) all other economic and environmental impacts that may have value to the state.

(g) The Institute of Sustainable Energy shall be allowed to contract with a third party financing entity qualified and licensed in the state to manage and administer project financing services and repetitive billing and collections services.

Sec. 7. (NEW) (*Effective from passage*) The Institute for Sustainable Energy shall perform customer credit qualification for the financing programs in section 6 of this act in accordance with industry practices and shall in the following parameters:

(1) In order to qualify for financing of energy conservation investments, residential consumers must complete and submit an application developed by the Institute for Sustainable Energy and a

178 copy of his credit report dated not later than one month after the
179 application date. In order to qualify for financing, the residential
180 consumer must have an adequate credit rating. Such credit review and
181 approval shall be performed by the institute or a third party contracted
182 by the institute. In no such circumstance shall the approval or rejection
183 of credit be later than thirty days after the date of the application.
184 Residential consumer financing shall be capped at fifteen thousand
185 dollars per household.

186 (2) In order to qualify for financing of energy conservation or
187 customer-side distributed resource investments, commercial and
188 industrial consumers must complete and submit an application
189 developed by the Institute for Sustainable Energy and a signed
190 affidavit from the company's owner or executive management
191 attesting to the financial condition of the company and its ability to
192 fulfill its payment obligations. Such credit review and approval shall
193 be performed by the institute or a third party contracted by the
194 institute. In no such circumstance shall the approval or rejection of
195 credit be later than thirty days after the date of the application.

196 (3) In order to qualify for financing of energy conservation or
197 customer-side distributed resource investments, municipal or
198 government consumers must complete and submit an application
199 developed by the Institute for Sustainable Energy and the mayor or
200 first selectperson attesting to the ability of the municipality or
201 governmental entity to fulfill its payment obligations. Such credit
202 review and approval shall be performed by the institute or a third
203 party contracted by the institute. In no such circumstance shall the
204 approval or rejection of credit be later than thirty days after the date of
205 the application.

206 Sec. 8. (NEW) (*Effective from passage*) Notwithstanding the provisions
207 of title 16 of the general statutes, the developer or owner of a new or
208 existing electric generation facility that utilizes bio-based fuels or clean
209 coal for a minimum of five per cent of its fuel requirements or that uses

210 the waste heat of the generating plant to create a minimum increase in
 211 operating efficiency of five per cent shall be eligible for the following
 212 incentives: (1) If the developer or owner is an electric generation
 213 company, fifty per cent of the plant construction or reconstruction
 214 costs shall be eligible for inclusion in the rate base pursuant to section
 215 16-19 of the general statutes, and (2) if the developer or owner is not an
 216 electric generation company, then the developer or owner shall receive
 217 a Class III renewable energy source credit equal to one-half of one cent
 218 per kilowatt hour of annual output of the facility under a long-term
 219 contract with a minimum term of fifteen years.

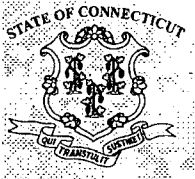
This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage</i>	New section
Sec. 4	<i>from passage</i>	New section
Sec. 5	<i>from passage</i>	New section
Sec. 6	<i>from passage</i>	New section
Sec. 7	<i>from passage</i>	New section
Sec. 8	<i>from passage</i>	New section

Statement of Purpose:

To provide incentives for distributed resources projects and energy conservation projects.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]



Senate

CONNECTICUT STATE LIBRARY
LEGISLATIVE REFERENCE SECTION

General Assembly

File No. 238

February Session, 2006

Substitute Senate Bill No. 570

Senate, March 30, 2006

The Committee on Energy and Technology reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING ELECTRIC CONSUMER EMPOWERMENT.

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

- 1 Section 1. (NEW) (*Effective from passage*) (a) Notwithstanding the
- 2 provisions of title 16 of the general statutes, customer-side distributed
- 3 resources, as defined in section 16-1 of the 2006 supplement to the
- 4 general statutes, including onsite customer cogeneration systems,
- 5 installed on or after January 1, 2006, shall be eligible for a one-time
- 6 three hundred dollar per kilowatt award to fund the capital costs of
- 7 designing, engineering, procuring, installing and commissioning
- 8 customer-side distributed resources located in the following
- 9 municipalities: Ansonia, Branford, Beacon Falls, Bethany, Bethel,
- 10 Bridgeport, Bridgewater, Brookfield, Cheshire, Danbury, Darien,
- 11 Derby, East Haven, Easton, Fairfield, Greenwich, Hamden, Meriden,
- 12 Middlebury, Milford, Monroe, Naugatuck, New Canaan, New
- 13 Fairfield, New Milford, New Haven, Newtown, North Branford, North
- 14 Haven, Norwalk, Orange, Oxford, Prospect, Redding, Ridgefield,

15 Roxbury, Seymour, Shelton, Sherman, Southbury, Southington,
16 Stamford, Stratford, Trumbull, Wallingford, Waterbury, Watertown,
17 West Haven, Weston, Westport, Wilton, Wolcott, Woodbridge and
18 Woodbury. Each award shall be recoverable from the federally
19 mandated congestion charges. The Department of Public Utility
20 Control may reject such an award if it finds that the value of the award
21 significantly exceeds the benefit of making the award.

22 (b) In order to qualify for such an award, any customer shall submit
23 an application, in a form prescribed by the Department of Revenue
24 Services, to said department. The application shall contain a
25 certification by an independent licensed engineer that the customer-
26 side distributed resource is intended to operate for purposes of
27 reducing customer peak electric loads and that the project is financially
28 viable.

29 Sec. 2. (NEW) (*Effective from passage*) (a) Notwithstanding the
30 provisions of title 16 of the general statutes, customers who implement
31 energy conservation or customer-side distributed resources, as defined
32 in section 16-1 of the 2006 supplement to the general statutes, on or
33 after April 1, 2007, shall be eligible for Class III renewable energy
34 credits, pursuant to section 16-243q of the 2006 supplement to the
35 general statutes. The Class III credit shall be not less than one cent per
36 kilowatt hour or fifty per cent of the value of the Class I renewable
37 energy credit, whichever is greater. The credits earned pursuant to this
38 section shall be aggregated and directed to the Conservation and Load
39 Management programs pursuant to section 16-245m of the 2006
40 supplement to the general statutes. Not later than January 1, 2007, the
41 Department of Public Utility Control shall conduct a contested case
42 proceeding in accordance with the provisions of chapter 54 of the
43 general statutes, to develop a procedure for awarding and aggregating
44 credits pursuant to this section.

45 (b) In order to be eligible for ongoing Class III renewable energy
46 credits, the customer shall, annually, submit an application, in a form
47 prescribed by the Department of Public Utility Control, to said

48 department. The application shall require (1) certification by an
49 independent licensed engineer, and (2) (A) the number of kilowatt
50 hours generated from the customer-side distributed resource system
51 for the annual period, or (B) the number of kilowatt hours reduced by
52 the energy conservation investments for the annual period.

53 Sec. 3. (*Effective from passage*) (a) Notwithstanding the provisions of
54 title 22a of the general statutes, the Department of Environmental
55 Protection shall review any permit applications filed on or after
56 January 1, 2006, and not later than January 1, 2010, that are necessary
57 for the installation of customer-side distributed resources, as defined
58 in section 16-1 of the 2006 supplement to the general statutes,
59 including cogeneration systems that utilize fossil fuels as the primary
60 fuel source in accordance with the following:

61 (1) The Department of Environmental Protection shall issue a final
62 decision on a permit application for a proposed customer-side
63 distributed resource with a gross electric output of ten megawatts or
64 less not later than sixty days after the application submission date.

65 (2) The Department of Environmental Protection shall issue a final
66 decision on a permit application for a proposed customer-side
67 distributed resource with a gross electric output of more than ten
68 megawatts not later than ninety days after the application submission
69 date.

70 (b) Notwithstanding the provisions of title 22a of the general
71 statutes, the Department of Environmental Protection shall review any
72 permit applications filed on or after January 1, 2006, and not later than
73 January 1, 2010, that are necessary for the installation of a non-
74 customer-side distributed resource, as defined in section 16-1 of the
75 2006 supplement to the general statutes, including a cogeneration
76 system that utilizes fossil fuels as the primary fuel source and issue a
77 final decision on any such application not later than one hundred
78 twenty days after the application submission date.

79 Sec. 4. (NEW) (*Effective from passage*) Notwithstanding the provisions

of title 22a of the general statutes, the Department of Environmental Protection shall amend its air pollution regulations regarding emergency generation dispatch to allow owners of emergency generators to operate such generators on or after the effective date of this section and not later than January 1, 2010, during all hours under their current "Permit by Rule Authority" and up to the total hours or emission limits of their existing permits. This modification shall waive the current limitation that emergency generation units only operate in designated OP4 conditions instituted by the regional system operator and shall allow electric distribution companies and their customers to call on such units outside of OP4 conditions for purposes of managing electric loads during anticipated monthly or annual peak load hours.

Sec. 5. (*Effective from passage*) Notwithstanding the provisions of title 16a of the general statutes, on or after January 1, 2006, and not later than January 1, 2010, all proposed electric generation resource units, including municipal utility generation resources, with a unit size less than one hundred megawatts that would specifically be committed to the locational forward reserve market shall be exempt from the requirement of the Connecticut Energy Advisory Board's request-for-proposal process. This exemption shall be limited to the first five hundred megawatts of quick-start generation resources proposed after January 1, 2006.

Sec. 6. (NEW) (*Effective from passage*) (a) Notwithstanding the provisions of the general statutes, the state shall establish a financing program for electric conservation and customer-side distributed resources projects, which shall be administered by the Institute for Sustainable Energy. The program may finance not more than one hundred million dollars of electric conservation measures and not more than one hundred fifty million dollars for customer-side distributed resource projects. The costs borne by the institute for providing the financing, including, (1) cost of funds differential between zero per cent offered to participating customers and the actual financing interest rate, and (2) costs associated with defaults or late payments of principal shall be recovered in the rates of the electric

114 distribution companies.

115 (b) On and after September 30, 2006, the Institute for Sustainable
116 Energy shall use the financing program to provide low-cost financing
117 for electric conservation and customer-side distributed resources
118 installed by electricity users in the state on or after January 1, 2006. The
119 financing program shall provide a subsidized financing rate of zero
120 per cent for the cost of installing energy conservation and customer-
121 side distributed resources. Customer financing shall be capped at the
122 installed cost of qualified projects less any incentives received from the
123 Energy Conservation Loan Fund or other state subsidy or grant.
124 Installed costs shall include the costs of engineering, equipment
125 procurement, installation costs and commissioning expenses.

126 (c) Customers shall apply to the financing program on an
127 application prescribed by the Institute for Sustainable Energy, which
128 application shall include, but not be limited to, (1) a description of the
129 project, the total project installed cost, any incentives and subsidies
130 received, (2) annual kilowatt hour savings, current dollar value of the
131 annual kilowatt hour savings, and (3) a certification by an independent
132 licensed engineer that the energy conservation or customer-side
133 distributed resource project has been accurately described in the
134 application, that the financial and energy savings information is
135 accurate to the best of such engineer's knowledge, and the project
136 reduces electric consumption and customer peak kilowatt demand.

137 (d) For purposes of determining the term of financing, each project
138 shall be eligible for a maximum term rounded to the highest whole
139 month equal to project cost, minus any incentives and subsidies
140 received divided by the annual energy savings derived by using the
141 average previous twelve months of electricity costs per kilowatt hour.
142 The maximum term shall not exceed fifteen years. The customer shall
143 pay the project monthly financing cost over the term of the loan in
144 equal monthly installments. If a customer sells or transfers ownership
145 of the energy conservation measure or the customer-side distributed
146 resource, the obligations of the financing shall be transferable to the

new owner.

(e) Electric generation companies, including investor-owned utilities and municipal-owned utilities may access this account and substitute it for current financing programs offered through their energy conservation programs up to seventy-five million dollars of the one hundred million dollars allocated for energy conservation and demand response resources. The allocation of the seventy-five million dollars between investor-owned electric utilities and municipal-owned electric utilities shall be based on a pro rata share of annual kilowatt hours sold to retail customers. Customers shall apply for financing on a first-come-first-served basis until the full amount of the fund has been depleted or upon reaching the expiration date of December 31, 2010.

(f) The Institute for Sustainable Energy shall annually evaluate the overall success of the program in determining the overall cost benefit of providing such program and submit a report to the joint standing committee of the General Assembly having cognizance of matters relating to energy, not later than January 1, 2007, January 1, 2008, and January 1, 2009. The evaluation of the cost benefit of such program shall include (1) impacts on the reduction of federally mandated congestion charges, (2) impacts on the reduction of electric commodity prices, (3) enhancements and contributions to job creation, (4) impacts on state and local tax receipts, (5) impacts on environmental emission reductions, and (6) all other economic and environmental impacts that may have value to the state.

(g) The Institute for Sustainable Energy shall be allowed to contract with a third party financing entity qualified and licensed in the state to manage and administer project financing services and repetitive billing and collections services.

Sec. 7. (NEW) (*Effective from passage*) The Institute for Sustainable Energy shall perform customer credit qualification for the financing programs in section 6 of this act in accordance with industry practices and shall in the following parameters:

179 (1) In order to qualify for financing of energy conservation
180 investments, a residential consumer shall complete and submit an
181 application developed by the Institute for Sustainable Energy and a
182 copy of his or her credit report dated not later than one month after the
183 application date. In order to qualify for financing, the residential
184 consumer shall have an adequate credit rating. Such credit review and
185 approval shall be performed by the institute or a third party contracted
186 by the institute. In no such circumstance shall the approval or rejection
187 of credit be later than thirty days after the date of the application.
188 Residential consumer financing shall be capped at fifteen thousand
189 dollars per household.

190 (2) In order to qualify for financing of energy conservation or
191 customer-side distributed resource investments, a commercial and
192 industrial consumer shall complete and submit an application
193 developed by the Institute for Sustainable Energy and a signed
194 affidavit from the company's owner or executive management
195 attesting to the financial condition of the company and its ability to
196 fulfill its payment obligations. Such credit review and approval shall
197 be performed by the institute or a third party contracted by the
198 institute. In no such circumstance shall the approval or rejection of
199 credit be later than thirty days after the date of the application.

200 (3) In order to qualify for financing of energy conservation or
201 customer-side distributed resource investments, a municipal or
202 government consumer shall complete and submit an application
203 developed by the Institute for Sustainable Energy and the mayor or
204 first selectperson attesting to the ability of the municipality or
205 governmental entity to fulfill its payment obligations. Such credit
206 review and approval shall be performed by the institute or a third
207 party contracted by the institute. In no such circumstance shall the
208 approval or rejection of credit be later than thirty days after the date of
209 the application.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage</i>	New section
Sec. 4	<i>from passage</i>	New section
Sec. 5	<i>from passage</i>	New section
Sec. 6	<i>from passage</i>	New section
Sec. 7	<i>from passage</i>	New section

Statement of Legislative Commissioners:

In Subsec. (b) of section 6, revisions were made for purposes of consistency.

ET *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 07 \$	FY 08 \$
All	Various - Cost	Potential	Potential
Department of Environmental Protection	EQ - Revenue Impact	See Below	See Below
Department of Environmental Protection	GF/EQ - Cost	See Below	See Below
Department of Revenue Services	GF - Cost	Indeterminate	Indeterminate
CT State Univ.	GF - None	None	None

Note: EQ=Environmental Quality Fund; GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 07 \$	FY 08 \$
All Municipalities	Cost	Potential	Potential

Explanation

The bill provides electric customers located in southwest Connecticut a one time \$300 per kilowatt award to fund capital costs related to customer side distributed resources. Under the bill, the awards are to be funded from the federally mandated congestion charge component on electric bills. As a result, the state and municipalities as rate payers could experience and increase in costs.

The bill also requires the Department of Revenue Services (DRS) to create and collect an application for customers applying for the award. It is unclear if DRS is responsible for; (1) certifying the customer as qualified for an award and (2) distribution of awards.

DRS's current responsibilities do not include evaluating grant applications but if the bill would require DRS to evaluate applications then it is likely DRS would need resources of at least \$200,000 to administer the program. Also, no funding is provided to DRS to

allocate awards.

It is anticipated that the Department of Environmental Protection will require an additional Engineer at a cost of \$60,000 plus \$14,160 for fringe benefits¹ in FY 07 to enable the DEP to expedite the permitting of electric generation facilities within the time frames established in the bill. The expedited revenue gain to the Environmental Quality Fund of the DEP attributable to the issuance of the minor source permits is estimated at \$2,000 per permit. The total revenue is uncertain at this time.

It is also anticipated that requiring the DEP to amend their air pollution regulations will result in the need for outside resources, an additional employee, or the diversion of staff away from current duties at a cost of \$75,000.

Finally it is anticipated that the Institute for Sustainable Energy located at Eastern Connecticut State University can establish a financing program for electric conservation and customer-side distributed resource measures within currently available and anticipated resources. Further the Institute can evaluate the programs costs and benefits with existing resources.

The Out Years

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

¹ The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The estimated first year fringe benefit rate as a percentage of payroll is 23.6%, effective July 1, 2005. The first year fringe benefit costs for new positions do not include pension costs. The state's pension contribution is based upon the prior year's certification by the actuary for the State Employees Retirement System (SERS). The SERS 2005-06 fringe benefit rate is 34.7%, which when combined with the non pension fringe benefit rate would total 58.3%.

OLR Bill Analysis

sSB 570

AN ACT CONCERNING ELECTRIC CONSUMER EMPOWERMENT.

SUMMARY:

This bill entitles electric customers in southwest Connecticut (generally, towns west of interstate 91 and south of interstate 84) to a \$300 per kilowatt award to fund certain costs for customer-side distributed resources. These resources are (1) generation technologies such as microturbines or fuel cells with a capacity of up to 65 megawatts on a customer's premises) and (2) savings from conservation and load management programs. The awards are funded from a charge on electric bills. The Department of Public Utility Control (DPUC) may decline to pay an award if it finds that the award's cost significantly exceeds its benefit.

By law, electric companies must meet part of their demand with class III resources (certain types of customer-side distributed resources.) They can meet this requirement by buying credits from commercial and industrial customers who use class III resources to generate power or save energy. The bill sets a floor on the value of these credits and makes related changes.

The bill requires the Department of Environmental Protection (DEP) to take specified steps to expedite permitting of electric generation facilities and ease restrictions on the use of emergency generators.

By law, the Connecticut Energy Advisory Board (CEAB) must solicit and evaluate alternative proposals when an application is made to the Connecticut Siting Council to build a new power plant or transmission line. The bill exempts certain smaller power plants from this requirement.

Finally, the bill requires the Institute for Sustainable Energy to establish a low-cost financing program for electric conservation and customer-side distributed resources measures installed by customers on or after January 1, 2006. It specifies (1) the types of projects that are eligible for financing and application process, and (2) that the institute must evaluate the program's costs and benefits in 2007, 2008, and 2009.

EFFECTIVE DATE: Upon passage

BENEFITS FOR DISTRIBUTED RESOURCES

Capital Award

This bill gives owners of customer-side distributed resources located in southwest Connecticut a one-time \$300 per kilowatt award to fund the capital costs of designing, engineering, procuring, installing, and commissioning the resources. (Although the bill does not define "commissioning," in practice, it refers to a series of steps to ensure that a system operates as designed.) The bill specifically includes on-site cogeneration systems installed on or after January 1, 2006; it appears that other systems would have to be installed on or after the bill's passage in order to be eligible for the award.

To qualify for the award, a customer must submit an application in a form the Department of Revenue Services prescribes. The application must include an independent licensed engineer's certification that the distributed resource is intended to operate to reduce the customer's peak electric load and that the project is financially viable. The cost of the awards is recovered from the federally mandated congestion charge component on electric bills.

Southwest Connecticut, for purposes of this bill, consists of the following towns: Ansonia, Branford, Beacon Falls, Bethany, Bethel, Bridgeport, Bridgewater, Brookfield, Cheshire, Danbury, Darien, Derby, East Haven, Easton, Fairfield, Greenwich, Hamden, Meriden, Middlebury, Milford, Monroe, Naugatuck, New Canaan, New Fairfield, New Milford, New Haven, Newtown, North Branford, North Haven, Norwalk, Orange, Oxford, Prospect, Redding, Ridgefield,

Roxbury, Seymour, Shelton, Sherman, Southbury, Southington, Stamford, Stratford, Trumbull, Wallingford, Waterbury, Watertown, West Haven, Weston, Westport, Wilton, Wolcott, Woodbridge, and Woodbury.

Credits for Class III Resources

The bill entitles customers who implement energy conservation measures or install customer-side distributed resources on or after April 1, 2007 to Class III credits. To qualify for the credit, the customer must apply to DPUC on a form it prescribes. The application must include a certification from an independent licensed engineer and either (1) the number of kilowatt-hours generated by the system over the year or (2) the number of kilowatt-hours saved by energy conservation investments over this period.

The credit must be at least one cent per kilowatt hour or 50% of the value of the Class I renewable energy credit, whichever is greater. (The bill does not specify the period of time that would be used to calculate this value.) The Class III credit must be aggregated and directed to the conservation and load management programs established by existing law. By January 1, 2007, DPUC must conduct a contested case proceeding to develop a procedure for awarding and aggregating these credits.

DEP PERMITTING OF ELECTRIC GENERATION

The bill requires DEP to expedite the permitting of distributed resources. In the case of applications filed between January 1, 2006 and January 1, 2010 for a permit needed for customer-side distributed resources, including cogeneration that primarily uses fossil fuels, DEP must issue a final decision within 60 days of the submission date if a customer-side resource has a gross output of up to 10 megawatts and within 90 days if it is larger. In the case of non-customer-side resource (e.g., a generation resource located at an electric substation), DEP must issue the final decision within 120 days of the submission date (see COMMENT).

The bill requires DEP to waive certain restrictions on the use of emergency generators until January 1, 2010. Currently, such generators can only be used when power is out or an outage is imminent. The bill instead requires DEP to amend its regulations to allow customers and electric companies to use the generators at any time in order to manage electricity demand during anticipated monthly or annual peak hours. The bill does not affect caps on the total number of hours emergency generators can run each year or on the amount of pollution they can produce, as specified in the generator's air permit.

CONNECTICUT ENERGY ADVISORY BOARD PROCESS

By law, CEAB must solicit and evaluate alternative proposals when an application is made to the Connecticut Siting Council to build a new power plant or transmission line. If the proponent of an alternate proposal submits its own application to the Siting Council, the council must permit the best alternative.

The bill exempts certain smaller power plants from these requirements. The exemption applies to the first 500 megawatts of quick-start generation resources, in units of up to 100 megawatts, that are specifically committed to the "locational forward reserve market." The latter is an initiative of the New England wholesale electric market administrator that is designed to promote the construction of new power plants, particularly in Southwest Connecticut and other areas subject to transmission congestion. The bill applies to resources proposed between January 1, 2006 and January 1, 2010, including those proposed by municipal utilities.

FINANCING PROGRAM

Eligible Programs

The bill establishes a financing program for electric conservation and customer-side distributed resources projects, to be administered by the Institute for Sustainable Energy. The program may finance up to \$100 million of conservation measures and up to \$150 million for customer-side distributed resource projects. The bill does not specify the funding source for these funds. The institute's costs in operating

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the program are recovered in electric rates. These costs include (1) the spread between the 0% financing offered to participating customers and the actual financing interest rate and (2) costs associated with defaults or late payments of principal.

Starting September 30, 2006, the institute must use the funding to provide low-cost financing for electric conservation and customer-side distributed resources installed by electricity users in the state on or after January 1, 2006. (The bill thus contemplates financing existing as well as new projects.) The financing fund must provide a 0% loan for the cost of installing conservation and customer-side distributed resources. Financing must be capped at the installed cost of qualified projects less any incentives received from the Energy Conservation Loan Fund or other state subsidy or grant. Installed costs include the costs of engineering, equipment procurement, installation costs, and commissioning expenses.

The institute can contract with a third-party financing entity qualified and licensed in the state to manage and administer project financing services and billing and collections services.

Electric generation companies, electric companies, and municipal electric utilities may access this account and substitute it for current financing programs offered through their energy conservation programs for up to \$75 million dollars of the combined amount allocated for energy conservation and demand-response resources. The allocation between electric companies and municipal utilities must be based on their shares of retail sales of annual kilowatt hours sold to retail customers. (The bill does not specify how the shares of electric generators is determined.)

Application Procedures

All customers must apply for financing on an application prescribed by the institute. The application must at least include (1) the project's description, its total installed cost, and any incentives and subsidies received; (2) annual kilowatt hour savings and the current dollar value

of these savings; and (3) a certification by an independent licensed engineer that the project has been accurately described in the application, that the financial and energy savings information is accurate to the best of the engineer's knowledge, and the project reduces electric consumption and customer peak kilowatt demand. Customers are eligible for financing on a first-come-first-served basis until the full amount of the fund is depleted or December 31, 2010, whichever comes first.

Residential customers seeking funding for a conservation project must also submit a copy of their credit report dated not later than one month after the application date. The customer must have an adequate credit rating. Residential consumer financing is capped at \$15,000 per household. Commercial and industrial customers seeking funding for an energy conservation or customer-side distributed resource project must submit an affidavit signed by the company's owner or executive management attesting to the company's financial condition and its ability to fulfill its payment obligations. The mayor or first selectman of a government entity seeking funding for a conservation or distributed resource project must attest to its ability to fulfill its payment obligations. In each case, the institute or a third party it contracts with must conduct the credit review and approve or reject the application within 30 days of the date of application.

The maximum financing term is the project's payback period. This period is the project's cost, minus any incentives and subsidies received, divided by the annual energy savings based on the average previous 12 months of electricity costs per kilowatt-hour. Thus, if a project's net cost is \$10,000 and it saves the customer \$1,000 per year, the maximum term of financing for the project is 10 years. The maximum term in any case is 15 years. The customer must pay the project monthly financing cost over the term of the loan in equal monthly installments. If a customer sells or transfers ownership of the energy conservation measure or the customer-side distributed resource, the financing obligations can be transferred to the new owner.

Program Evaluation

The institute must evaluate the overall success of the program annually by determining its overall cost/benefit ratio. The institute must submit a report to the Energy and Technology Committee by January 1 in 2007, 2008, and 2009. The evaluation of the program's costs and benefits must include (1) impact on the reduction of federally mandated congestion charges, (2) the reduction of electric commodity prices, (3) enhancements and contributions to job creation, (4) impact on state and local tax receipts, (5) environmental emission reductions, and (6) any other economic and environmental impact that may have value to the state.

COMMENT

Deadline for DEP to Issue Permits

The bill requires DEP to review permit applications submitted on or after January 1, 2006 within certain periods of time. In some cases, this period has already passed and it is unclear what DEP is required to do in these cases. For example, under the bill, DEP would have been required to review an application for customer-side resource having up to 10 megawatts of capacity that was filed on January 1, 2006 by March 1, 2006.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute

Yea 17 Nay 1 (03/14/2006)