

PA 07-242 — HB 7432 (TWO PROVISIONS VETOED)

Emergency Certification

AN ACT CONCERNING ELECTRICITY AND ENERGY EFFICIENCY

SUMMARY: This act makes many substantive changes to the state's energy laws. Among other things, it restores funding for the electric conservation and clean energy funds and establishes new energy efficiency programs and tax incentives for energy efficiency and renewable energy. There are separate efficiency measures for electricity, heating fuels, and vehicles.

The act also:

1. broadens and increases the state's "green building" requirements;
2. includes various measures to encourage the development of new power plants and other forms of power generation by electric companies and others;
3. requires electric companies, with the approval of the Department of Public Utility Control (DPUC), to engage in "integrated resources planning" in which the need for electricity is first met by conservation;
4. modifies how electric companies procure power for their large customers and requires DPUC to study procurement options for the service the companies provide to their small- and medium-sized customers;
5. modifies the membership of the Connecticut Energy Advisory Board and expands its responsibilities;
6. increases the proportion of the power sold in the state that must come from renewable resources;
7. makes various other changes regarding renewable energy;
8. includes several measures to increase electric reliability and energy security;
9. expands energy assistance programs; and
10. makes many other changes, primarily related to electricity.

EFFECTIVE DATE: Various, see below

§ 126 — RESTORATION OF CONSERVATION AND CLEAN ENERGY FUNDS

In recent years, the legislature has diverted to the General Fund part of the revenue that would have otherwise gone into the electric companies' conservation funds and the state's Clean Energy Fund. To reduce the impact of the transfer on these funds, the legislature authorized the issuance of bonds backed by future revenue from the conservation and renewable energy charges on electric bills.

The act appropriates \$95 million from the FY 07 budget to defease or buy back the bonds that mature after December 30, 2007, or a combination of these measures. Seventy-five percent of the revenue resulting from this measure (net of the state's administrative costs) must go into the conservation funds and 25% must go into the Clean Energy Fund.

The governor vetoed these provisions, but they were reinstated in the budget act (PA 07-1, June Special Session), with an \$85 million appropriation. PA 07-5, June Special Session, makes conforming changes.

EFFECTIVE DATE: Upon passage

ENERGY EFFICIENCY

§§ 1, 2 — Replacement Furnace Rebate Program

Under the act, between July 1, 2007 and July 1, 2017, the Office of Policy and Management (OPM) secretary must provide a rebate of up to \$500 for the purchase and installation of certain replacement home heating equipment. The rebate decreases with income in the same way as the property tax credit against the income tax. The rebate is available for equipment installed in residential structures containing up to four dwelling units. Replacement gas furnaces must be Energy Star-rated and oil and propane equipment must be at least 84% efficient. The act caps the total amount of rebates at \$5 million annually.

Prior law authorized the issuance of up to \$5 million in bonds for low interest energy efficiency loans. The act, instead, makes this an annual authorization and allows the proceeds to be used for the rebate program as well as the loan program.

The Energy Conservation Management Board (ECMB) must report to the Energy and Technology Committee on the cost-effectiveness of the rebate program by January 1, 2009.

EFFECTIVE DATE: July 1, 2007

§ 14 — Residential Conservation Program

The act requires ECMB, by October 1, 2007, to develop and estimate the cost of a comprehensive residential electric and gas conservation program. ECMB must do this in consultation with the electric and gas companies. The program must include:

1. an audit identifying appropriate conservation measures applicable to a customer's home or apartment;
2. a ranking of measures in terms of cost-effectiveness and peak electricity demand reductions;
3. a system that ranks customers to be assisted at least in part by their agreeing to install the measures that are the most cost-effective and reduce peak electricity demand;
4. an oversight system that helps:
 - (a) renters get their landlords' permission when this is needed to install measures and
 - (b) all customers obtain incentives, other cost savings, and financing and identify knowledgeable contractors to successfully install the measures;
5. financing for conservation measures on the utility bill over a period that does not exceed the measure's expected life, where the repayment amount plus the customer's bill after installing the measures does not exceed the anticipated utility bill without the measures;
6. an authorization from the customer to disconnect his utility service for nonpayment of any financing repayment amount; and
7. assignment of repayment obligations to subsequent owners or tenants of the dwelling unit.

The act requires ECMB to report, by February 1, 2008, to the Energy and Technology and Environment committees on the development and the estimated cost of the program. The act does not preclude development and implementation of similar conservation programs if they are approved by DPUC.

EFFECTIVE DATE: July 1, 2007

§§ 6, 70 — Sales Tax Exemptions

The act (1) makes permanent the sales tax exemption for residential energy efficiency goods such as insulation, programmable thermostats, and gas furnaces that meet Energy Star standards and (2) makes oil furnaces and boilers that are 84% or more efficient, rather than 85% efficient or more, eligible for this exemption. The act also permanently exempts compact fluorescent light bulbs from the sales tax. Finally, it exempts household

appliances that meet federal Energy Star standards until June 30, 2008. (PA 07-1, June Special Session terminates the appliance exemption on September 30, 2007).

EFFECTIVE DATE: Upon passage for the Energy Star appliance exemption; June 1, 2007 for the exemption for energy efficiency goods and compact fluorescent lamps.

§ 72 — Tax Credits Under Neighborhood Assistance Act

Prior law provided a credit against business taxes of up to 60% of a firm's investments in energy conservation projects in low-income housing developments or properties occupied by charitable organizations. The act (1) increases the maximum credit to 100% and (2) establishes a 100% credit for energy conservation investments in properties owned, but not occupied by, these organizations. (PA 07-5, June Special Session, makes conforming changes.)

EFFECTIVE DATE: July 1, 2007

§§ 13, 101 — Management of Energy Use in State Facilities

The act requires OPM, in consultation with the Department of Public Works (DPW), to develop a strategic plan to improve energy use management in state facilities. The plan must address such things as efficiency, distributed generation, and renewable energy initiatives. The plan must also include options for agencies to pursue competitive electric supply options through an integrated purchasing program. The plan must specify the potential near-term budget savings that could be realized.

By September 1, annually, OPM must submit the plan to the Connecticut Energy Advisory Board (CEAB). CEAB must approve or modify the plan by the subsequent January 1. By each March 15th, CEAB must measure the plan's success and determine the financial benefits to the state and the overall electric system. Electric ratepayers must (1) retain 75% of any savings, (2) reinvest 12.5% in energy efficiency programs in state buildings, and (3) reinvest 12.5% in energy efficiency programs and technologies on behalf of energy assistance programs administered by the Department of Social Services (DSS). DSS must use the systems benefit charge on electric bills to cover the costs of the last two allocations, although the act specifies that the funding comes from savings.

The act gives OPM several powers in connection with these provisions, including hiring a consultant. The costs of implementing these provisions must be paid from the state budget.

EFFECTIVE DATE: Upon passage

§ 73 — Bonding for Energy Efficiency Projects in State Buildings

The act authorizes up to \$30 million in state bonds for DPW to fund the net costs of energy efficiency projects in state buildings implemented under the previously described

provisions. The bonds are subject to standard statutory issuance and repayment provisions.

EFFECTIVE DATE: July 1, 2007

§ 74 — Grants For Energy Efficiency Projects In Colleges, Hospitals, and Other Facilities

The act allows the Connecticut Health and Educational Facilities Authority to provide grants or other financial assistance to colleges, health care facilities, nursing homes, day care centers, and other nonprofit organizations for energy efficiency and renewable energy construction and renovation projects.

EFFECTIVE DATE: October 1, 2007

§§ 75, 80 — Low-Interest Energy Conservation Loans

The act reinstates, until June 30, 2008, provisions of PA 05-2, October 25 Special Session that lowered the interest rate for the Department of Economic and Community Development's energy efficiency loan program. Unlike that act, this act includes siding and replacement roof projects in the interest rate reduction. It increases, from \$15,000 to \$25,000, the maximum loan that can be provided to owners of one- to four-unit residential properties under this program.

EFFECTIVE DATE: Upon passage

§§ 87, 88, 100, 111, 127 — Energy Efficiency Outreach Campaign

The act requires DPUC, in coordination with ECMB, to establish a statewide energy efficiency and outreach marketing campaign to target the following sectors:

1. commercial, including small businesses;
2. industrial;
3. governmental;
4. institutional, including schools, hospitals, and nonprofit organizations;
5. agricultural; and
6. residential.

The campaign must educate consumers on the (1) benefits of energy efficiency, including information on the partnership program; (2) real-time energy reports and the alert system

prepared in compliance with the act; and (3) option of choosing a competitive electric supplier.

By December 1, 2007, DPUC must develop and approve a plan to meet the program's goals and begin to implement it by March 1, 2008. DPUC can retain a consultant to help it develop and implement the plan, which must include customer bill inserts, media advertisements, a web site, and other marketing strategies.

As part of the campaign, DPUC, in consultation with ECMB, must develop a real-time energy report by April 1, 2008, for use on TV and other media. The report must identify the state's current real-time energy demand and give tips for reducing consumption, among other things. DPUC, in consultation with ECMB, must also develop a real-time system by this date to alert the public via e-mail and cell phone on the need to reduce consumption during peak periods.

The act establishes a separate, nonlapsing account in the General Fund to fund these programs, and appropriates \$5 million into the account for these programs and the compact fluorescent light program described below. (PA 07-4, June Special Session, eliminates the account and the appropriation.)

EFFECTIVE DATE: July 1, 2007

§ 97 — Connecticut Energy Excellence Plan

The act requires ECMB to develop a “Connecticut energy excellence plan,” which must:

1. describe in detail existing Connecticut higher education energy efficiency resources,
2. quantify the role that energy efficiency programs can play in creating a more efficient and competitive business climate,
3. identify measures that can be employed and investments in research that can be made to make Connecticut a national leader in energy efficiency, and
4. detail how energy efficiency efforts can be expanded to reduce the state's peak electric demand by at least 10% by 2010.

ECMB must submit its plan to the Energy and Technology Committee by February 1, 2008.

EFFECTIVE DATE: Upon passage

ENERGY EFFICIENCY — ELECTRICITY

§ 3 — Air Conditioning Replacement Program

The act requires ECMB, in consultation with the electric companies, to establish a rebate program for residential customers who replace air conditioners that do not meet the federal Energy Star efficiency standards with ones that do. ECMB must run the program from January 1, 2008 to September 1, 2008. The rebate ranges from at least \$25 to at least \$100 for room air conditioners, depending on the cost of the new air conditioner. The act provides a rebate of at least \$500 to residential customers who replace a central air conditioning unit that does not meet the Energy Star standards with one that does. ECMB, in consultation with the Low-Income Energy Advisory Board, must establish program specifications for people who live in apartments. The program must be funded from the existing electric company conservation funds. PA 07-4, June Special Session, (1) requires that the program be cost-effective and (2) allows ECMB to provide smaller rebates for room air conditioners rebates if these levels are not cost-effective.

The Department of Consumer Protection (1) must allow retailers to participate in the program only if they certify that the rebates go only to customers who turn in an air conditioner for replacement before or when buying a new one and (2) may fine retailers up to \$10,000 if they provide rebates inappropriately.

ECMB must provide for the environmentally responsible disposal of the air conditioners and report to the Energy and Technology Committee by January 1, 2009 on the program's results.

EFFECTIVE DATE: Upon passage

§§ 12, 16 — Equipment Energy Efficiency Standards

The act establishes energy efficiency standards for various products. These include certain incandescent lamps, medium voltage transformers, bottled water dispensers, commercial hot food holding cabinets, portable electric spas, walk-in refrigerators and freezers, and pool heaters. In most cases, the standards go into effect January 1, 2009.

The act establishes efficiency standards for residential furnaces and boilers purchased by the state on or after January 1, 2009. It requires the Department of Administrative Services and other purchasing agencies to buy appliances and equipment that meet federal Energy Star standards. (It appears that the furnaces and boilers must meet the Energy Star standards and the standards established by the act.)

Under prior law, DPUC, in consultation with OPM, had to take several steps to implement and revise the standards. The act instead assigns these responsibilities to OPM, in consultation with DPUC.

EFFECTIVE DATE: October 1, 2007

§ 61 — Compact Fluorescent Light Promotions

The act requires the state Department of Education (SDE), by September 1, 2007, to:

1. establish a week-long promotional event to take place in late September or early October each year, to promote renewable energy and energy conservation;
2. encourage and solicit school districts, schools, and other public educational institutions to participate in a statewide compact fluorescent light (CFL) bulbs fundraiser; and
3. provide outreach, guidance, and training to districts, parent and teacher organizations, and schools concerning the value of renewable energy.

The department must consult with DPUC, electric companies, and interested CFL manufacturers in developing this program.

SDE and ECMB must develop and implement a statewide fundraiser for all public schools in which students sell CFLs, with the participating schools keeping part of each sale. SDE must establish a sales target for the fundraiser and adopt regulations to determine the program's parameters. The act appropriates \$5 million in funding for this and several other programs, but PA 07-4, June Special Session, eliminates the funding and PA 07-3, June Special Session, eliminates the promotion program.

EFFECTIVE DATE: July 1, 2007

§§ 94, 96 — Connecticut Electric Efficiency Partnership Program

The act requires ECMB, in consultation with the Clean Energy Fund advisory committee, to evaluate and approve technologies that can be deployed by “Connecticut electric efficiency partners” (including electric company customers and energy management companies) to reduce electric demand. These technologies can include demand-side measures such as conservation and supply-side measures such as renewable generation and emergency generators that can be centrally dispatched, as well as high efficiency natural gas and oil furnaces. ECMB must file its evaluation with DPUC by October 15, 2007. DPUC must approve or modify the analysis by that date.

Also by October 15, 2007, ECMB must file with DPUC an analysis of growth in overall and peak demand. The analysis must evaluate the costs and benefits of these technologies and set funding levels for the partnership program described below.

Starting April 1, 2008, anyone can seek DPUC approval and funding as a partner by showing adequate financial resources, managerial ability, and technical competence. The application must describe the services and DPUC-approved technologies that the partner will buy or provide and the amount of funding it is seeking. In evaluating the application, DPUC must consider the applicant's potential to reduce overall and peak demand. DPUC must determine how much of the cost of an approved application the customer will bear and how much will be funded by ratepayers. DPUC must ensure that approved applications achieve a two-to-one payback ratio. At least 75% of the investment must go for the technologies themselves. Starting February 1, 2010, partners can receive funding only if chosen in a request for proposals (RFP) conducted by DPUC, subject to the same

cost-benefit test. No more than \$60 million in ratepayer funds can go to this program each year.

A person cannot receive ratepayer funding under these provisions for a project that is receiving funding from the electric company's energy conservation and load management fund.

Partners must comply with DPUC orders and are subject to civil penalties that apply to entities that are under DPUC's jurisdiction if they do not.

DPUC can retain a consultant to help it develop the partnership program. The cost of the program, including the consultant's costs, are recovered through the systems benefit charges on electric bills.

The act also requires DPUC to develop a low-interest loan program to finance the customer's share of the capital cost of the technologies. It can provide these loans through a mechanism in existing law, under an agreement with the Connecticut Development Authority, or through an entity chosen by competitive bid. The financing agreements entered into with the Connecticut Development Authority cannot exceed \$10 million dollars.

DPUC must report to the Energy and Technology Committee by February 15, 2009, and annually thereafter. The report must describe the approved technologies, payback ratios for all investments, the number of projects deployed, and a list of denied projects and the reasons for their denial. By April 1, 2011, DPUC must begin a proceeding to review the program's cost-effectiveness and perform a ratepayer cost-benefit analysis. Based on DPUC's findings, it may modify or discontinue the program.

EFFECTIVE DATE: Upon passage

§ 119 — Summer 2007 Conservation Program

The act requires electric companies, in calendar year 2007, to offer an electricity conservation incentive program to their customers. The program must compare electricity use during the period from June 1, 2007 to August 31, 2007 to use in the same period in 2006 and give customers an incentive to conserve electricity in 2007. The comparison must be adjusted for changes in weather between the two years. The program is open only to customers who lived in the same dwelling in 2006 and 2007.

Electric companies must issue credits to customers who successfully participate in the program. The credit is 10% of the summer 2007 bill for customers who use 10% less electricity than they used in summer 2006. Customers who reduce their summer consumption by 15% get a 15% credit and those who reduce their consumption by 20% get a 20% credit. If the customer is participating in other peak-reduction programs, the credit must be reduced to reflect the benefits the customer receives under the other

program. If the customer has an arrearage, the credit must be applied to his overdue balance.

The electric companies must file plans with DPUC to implement the program 15 days after the act is passed. DPUC must conduct an uncontested docket to establish the program's parameters. The program must be funded by the systems benefits charge on electric bills. DPUC must report to the Energy and Technology Committee by February 1, 2008 on the program's success and make recommendations for improving it.

EFFECTIVE DATE: Upon passage

ENERGY EFFICIENCY — HEATING FUELS

§ 115 — Natural Gas Conservation Programs

By law, natural gas companies must develop annual conservation plans, but prior law did not provide a funding mechanism. The act requires that the plans be funded by the growth in the utilities gross receipts tax in each fiscal year over the amount contained in the revenue estimate in the adopted state budget for that year, subject to a \$10 million per year cap. Under the act, the money goes into an ECMB account, which is used to reimburse gas companies for their conservation expenditures. By law, the gas conservation programs are subject to the same evaluation and approval processes as the current electric conservation programs, i. e. , programs must be cost-effective and reviewed by the ECMB. The act also implicitly allows DPUC to establish a gas conservation charge to support the programs in the plan.

EFFECTIVE DATE: July 1, 2007

§ 116 — Fuel Oil Conservation Programs

The act establishes a 13-member Fuel Oil Conservation Board, consisting of six members of the public appointed by the governor, the chairperson of the board that licenses heating and related contactors, one member representing an environmental advocacy group appointed by the Senate minority leader, and five members, representing fuel oil dealers and the heating, ventilation, and air-conditioning trades appointed by other legislative leaders. The six members appointed by the governor must include representatives of:

1. an environmental organization, who must be knowledgeable in energy efficiency programs;
2. in-state generators;
3. a consumer advocacy group;
4. the business community;

5. low-income ratepayers; and
6. state residents in general.

All of these members must have expertise in energy issues.

The act requires the board to establish itself as a federally tax-exempt nonprofit organization and to issue an RFP to choose an entity to administer oil conservation programs. By November 1, 2007, it must contract with this entity for up to three years. It can renew the contract or issue a new RFP.

By March 1, 2008, the program administrator must submit a comprehensive oil conservation plan for the rest of 2008 to the ECMB for its approval. In subsequent years, the administrator must submit a plan for the next calendar year by October 1 to ECMB and the Fuel Oil Conservation Board for their approval. The Fuel Oil Conservation Board must assist the administrator with plan development and implementation. The act imposes cost-effectiveness and other requirements on programs in the plan that parallel those in existing law for electric and natural gas conservation plans.

Under the act, funding for the oil conservation programs comes from the excess in revenue from the petroleum products gross receipts tax sales above the 2006 revenue, subject to a \$10 million annual cap. (PA 07-1, June Special Session, reduced the limit to \$5 million per year starting in FY 09.) The money goes into a separate nonlapsing General Fund account. The Fuel Oil Conservation Board must authorize specific amounts from the account for grants, which must be awarded twice a year. Any money in the account at the end of the fiscal year reverts to the General Fund.

By July 1 in even-numbered years, a third party selected by the attorney general must audit the board's activities and submit its report to the Energy and Technology and Environment committees. By January 1 annually, starting in 2009, the board must report to these committees on the fund's expenditures, balances, and program cost-effectiveness.

EFFECTIVE DATE: July 1, 2007

ENERGY EFFICIENCY — VEHICLES

§§ 19, 20 — Tax Exemptions for Efficient Vehicles

The act establishes, starting January 1, 2008, a local option property tax exemption for hybrid motor vehicles and those with fuel efficiencies of at least 40 miles per gallon. (PA 07-4, June Special Session expands the exemption to apply to all motor vehicles that get this mileage.) It creates a sales tax exemption from January 1, 2008 until July 1, 2010, for vehicles with city or highway fuel efficiencies of at least 40 miles per gallon.

EFFECTIVE DATE: January 1, 2008 and applicable to sales on or after that date.

§ 122 — State Fleet Fuel Efficiency

The act modifies fuel efficiency requirements for state fleet vehicles and increases the proportion of these vehicles that must be alternatively fueled. By law, the average fuel efficiency of cars and light-duty trucks must be at least 40 miles per gallon. The act additionally requires that, starting January 1, 2008, each car or light-duty truck have an efficiency rating that is in the top third of the vehicles in its class.

By law, the state fleet must meet federal requirements for the proportion of vehicles that run on alternative fuel. Under federal law, at least 75% of vehicles bought by the state (with certain exceptions) must be alternative-fuel vehicles (these include electric vehicles and vehicles capable of operating on ethanol, among others). The act requires that, between January 1, 2008 and December 31, 2009, at least 50% of the purchased vehicles be alternative-fueled, hybrid electric, or plug-in electric vehicles. This proportion must increase to 100% starting January 1, 2010.

EFFECTIVE DATE: Upon passage

ENERGY EFFICIENCY STUDIES

§ 106 — Stabilizing Peak Demand

The act requires DPUC to study the feasibility of developing a program to provide incentives for electric companies to stabilize or reduce the state's peak demand. To implement the program, DPUC must use historic data to establish a target for each company. The program must offer an incentive to a company that does not exceed DPUC's pre-set growth projections and an additional incentive if the company reduces demand growth below this level. DPUC must develop an annual incentive payment structure for each company. It must report on the feasibility of such a system to the Energy and Technology Committee by February 1, 2008.

EFFECTIVE DATE: Upon passage

§ 84 — ECMB Conservation Study

The act requires ECMB, by July 1, 2007, to contract with an independent third party to assess Connecticut's conservation and energy efficiency potential, including conservation, demand response, and load management. The assessment is an update of a similar assessment conducted in 2004. By February 1, 2008, ECMB must present to the Energy and Technology Committee (1) the assessment results and (2) recommendations for cost-effective methods or mechanisms to fund new or expanded energy efficiency initiatives to address the energy efficiency potential determined in the assessment.

EFFECTIVE DATE: Upon passage

§ 125 — Study of ECMB's Efficacy

The act requires DPUC, by July 1, 2010, to conduct a contested case proceeding examining the effectiveness of the ECMB's programs. Based on its findings, DPUC may modify or discontinue any of ECMB's conservation or load management programs.

EFFECTIVE DATE: July 1, 2007

“GREEN BUILDING” STANDARDS

§§ 10, 11 — Green Buildings-Public Sector, Funding for School Construction

The act broadens and increases the state's “green building” requirements. Under prior law, state facilities costing \$5 million or more, funded on or after January 1, 2007 (with limited exceptions for schools and structures such as maintenance garages) had to meet specified energy and environmental standards. The standards are a silver rating under the Leadership in Energy and Environmental Design (LEED) program or its equivalent. The OPM secretary, in consultation with the public works commissioner and the Institute for Sustainable Energy, must waive the requirements if he finds that the cost of compliance significantly outweighs the benefits.

Starting January 1, 2008, the act modifies the requirements by eliminating the exceptions and limiting the green building requirements to those state facilities where at least \$2 million of the funding comes from the state. (PA 07-249 eliminates the \$2 million threshold.) The act also extends the requirements to the following types of projects with at least \$2 million or more in state funding: (1) renovations to state facilities approved and funded on or after January 1, 2008, (2) new school construction projects authorized by the legislature on or after January 1, 2009 that cost \$5 million or more, and (3) school renovation projects authorized by the legislature on or after that date costing at least \$2 million. In all cases, the act requires the institute, rather than the OPM secretary, to determine whether the cost of compliance significantly outweighs the benefits. (PA 07-249 reverses this to require OPM to make the determination.) The act also requires all of these facilities to exceed the current building code energy efficiency standards by at least 20%.

The act increases, by two percentage points, but not more than 100%, the reimbursement rate under the school construction grant program for those projects subject to the green building requirements. The school district must certify to the Education Department that the school will meet the standards. (PA 07-249 repeals both the bonus and certification requirements.)

PA 07-213 specifies that that the standards apply only to projects for which all budgeted bond funds are allocated by the State Bond Commission on or after January 1, 2007.

EFFECTIVE DATE: October 1, 2007 for the increase in school construction grants, and January 1, 2008 for the remaining provisions

§ 78 — Green Building Standards in the State Building Code

The act requires the state building inspector and the Codes and Standards Committee to amend the State Building Code to require (1) buildings costing \$5 million or more built after January 1, 2009 and (2) renovations costing \$2 million or more starting January 1, 2010 to meet the LEED silver standard or its equivalent. The requirements apply to private and public sector projects, other than residential buildings with up to four units. The act requires the inspector and the committee to waive these requirements if the Institute for Sustainable Energy finds that the cost of compliance significantly outweighs the benefits.

By law, the State Building Code requires that buildings and building elements be designed to provide optimum cost-effective energy efficiency over a building's life. The act requires the state building inspector and the committee to revise the code starting January 1, 2008, and specifically includes residential buildings in this mandate.

EFFECTIVE DATE: October 1, 2007

NEW POWER PLANTS AND OTHER FORMS OF GENERATION

§ 50 — Peaking Generation

The act requires the electric companies, singly or jointly, to submit a plan to DPUC between January 1 and February 1, 2008, to build peaking generation plants. Other entities can submit such plans during this period. An electric company's plan must (1) include the full projected costs of the plants and (2) demonstrate that the plan will not be subsidized by the companies' affiliates. DPUC must require the companies to submit additional information if it determines that this is in the public interest, and can require the companies to modify their plans to protect customers' interests.

DPUC must review each plan in a contested case and can retain a consultant to help it determine whether the plan's costs are good-faith estimates. Within 120 days of receiving the plan, DPUC must approve it unless it determines that the plan is not in customers' interests. Any approved plan must include a requirement that the applicant be compensated at the plant's cost of service plus a reasonable rate of return. The applicant must also agree to run the plant when and at the capacity needed to reduce overall rates.

Selected entities can recover only the just and reasonable costs of building the plant. The recovery of costs must be set in an annual contested case. The entities are entitled to recover their prudently incurred costs, including capital and operating expenses, fuel, taxes, and a reasonable return on equity. DPUC must review the cost recovery using existing rate-making principles. The return on equity must be updated at least once every four years. The selected entity must bid the plant into the regional wholesale electric markets, including the energy, capacity, and forward resource markets. It must do so in accordance with guidelines set by DPUC in the annual generation rate case.

EFFECTIVE DATE: January 1, 2008

§ 83 — *Utility Purchase of Generating Plants*

Under the act, if any existing power plant in the state is offered for sale, DPUC must authorize any electric company to buy and operate the plant if, through a contested case proceeding, it determines that the purchase and operation is in the public interest. An acquisition plan must provide for (1) payment of property taxes on the value of the purchased plant and (2) employee protections consistent with the requirements that applied when the electric restructuring law required the companies to put their plants up for auction. An electric company purchasing such a plant is entitled to recover the costs of the purchase in an annual retail generation rate determined in a case, consistent with rate regulatory principles. The return on equity associated with the plant's purchase and operation must be established in this contested case and updated at least every four years. DPUC must review and approve the cost recovery provisions in the proceeding to determine that the purchase and operation are in the public interest.

EFFECTIVE DATE: Upon passage

§§ 17, 18 — *Funding for Distributed Resources*

PA 05-1, June Special Session, established incentives for new distributed generation (e. g. , small power plants using technology such as microturbines and fuel cells). One of the incentives is a one-time capital award of between \$200 and \$500 per kilowatt of capacity. The act extends the incentives to distributed generation developed in the state before January 1, 2007 if the generation:

1. underwent upgrades that (a) increased its thermal efficiency operating level by at least 10 percentage points or (b) for resources that have thermal efficiency of at least 70%, increased the heat rate by at least five percentage points;
2. increased its electrical output by at least ten percentage points;
3. operates at a thermal efficiency level of at least 50%; and
4. added electric capacity in the state on or after January 1, 2007.

The awards are funded by a charge on electric company customers' bills. The act requires municipal electric utilities to contribute a share of the awards in order for their customers to be eligible for them. DPUC must conduct a contested case, by July 1, 2007, to determine the utilities' share, which must reflect an equitable allocation of costs that reflect the benefits to electric company customers as a result of these payments. To qualify, the customer must submit an application to DPUC in which an independent licensed engineer certifies that the resource is designed to reduce the customer's peak load and is financially viable.

The act entitles municipal utilities in southwest Connecticut to awards of at least \$200 per kilowatt by January 1, 2008. It appears that the Norwalk and Wallingford municipal

utilities would be eligible for this award, since they are located in the southwest Connecticut region as defined by the entity that administers the New England wholesale market.

The act requires DPUC, in consultation with the Office of Consumer Counsel, to report to the Energy and Technology Committee by January 1, 2009 on the incentive program's cost-effectiveness.

EFFECTIVE DATE: Upon passage, except for the provision on the incentive program, which is effective July 1, 2007.

§§ 108, 109 — Distributed Generation Grant Program

The act requires DPUC, in consultation with OPM and the Clean Energy Fund advisory committee, to establish, by October 1, 2007, a grant program for distributed generation projects in business and state buildings that are powered by class I resources such as solar energy and fuel cells. It requires DPUC to award grants of up to \$25 million each for fuel cell and other projects. The act apparently authorizes \$50 million in bonding for this program. The bonds are subject to standard statutory bond issuance procedures and repayment requirements.

EFFECTIVE DATE: July 1, 2007

§§ 102, 103 — DEP Permitting of Distributed Generation/Pilot Program for Expanded Use of Emergency Generators

The act requires DPUC to implement a pilot program that will (1) allow certain electric generation resources to run more frequently for reliability and economic reasons, (2) identify strategies that couple conservation and technologies that shift when power is used into an aggregate resource plan that reduces aggregate emissions, and (3) still meets established reliability standards. The program must be limited to resources that can operate by December 1, 2007. DPUC must determine (1) the minimum ratio by which the benefits of each project in the program must exceed its implementation costs and (2) the maximum level of aggregate investment that would be cost-effective.

The act allows anyone owning or controlling emergency generators to apply to DPUC for approval to install emissions control equipment on emergency generators that meet the requirements of the Department of Environmental Protection (DEP) general permit described below to meet the goals of the pilot program. DPUC must act on these applications on a first-come, first-served basis. It must establish a financing mechanism to help people defray the cost of installing the equipment on their emergency generators. The mechanism must include measures established by DPUC, such as collateral requirements, to protect the public interest. Funding for the program must come from the federally mandated congestion charges on electric bills, up to a total of \$10 million. DPUC can retain a consultant to help implement these provisions. DPUC can only approve applications to participate in the pilot program that at least meet the requirements

of the general permit, are cost-effective, and can be funded by using no more than \$10 million of the revenues from the federally mandated congestion charges on electric bills.

The act requires DEP to develop a general permit for the construction and operation of certain emergency engines and other distributed generation resources by August 3, 2007. The eligible generators are those that (1) have a generating capacity of two megawatts or less and (2) are approved by DPUC to participate in the pilot program. The applicants must provide the DEP commissioner with the information she needs to issue the permit. The general permit must allow generation that will maximize savings to electric ratepayers but ensure that emissions from these resources are offset by emission decreases from other generating facilities consistent with the state's air quality plan. The permits must limit the generator's hours of operation and establish requirements for a minimum reduction of at least 90% in the generator's nitrogen oxides emissions, and offsets of the remaining emissions, among other things.

The permit expires by December 31, 2010 or 90 days after the Middletown-Norwalk transmission line (which is under construction) goes into service, whichever is later. However, DEP, in consultation with DPUC, can renew a permit if DEP determines that it is consistent with the provision's energy and environmental goals. DEP, in consultation with DPUC, must report to the Environment and Energy and Technology committees by February 1, 2008 on the energy and environmental benefits of the general permits and the actions they have taken with regard to the pilot program.

EFFECTIVE DATE: Upon passage

§ 118 — Charges for Fuel Cell Owners

The act requires an electric company or competitive supplier to waive its demand charge for a fuel cell operator during (1) a loss of power caused by problems with the company's distribution infrastructure or (2) a scheduled or unscheduled shutdown of the fuel cell that occurs during off-peak hours. The amount waived is limited to the charge incurred during the shutdown or as a result of the problem.

EFFECTIVE DATE: October 1, 2007

§ 62 — Siting Council Review of Fuel Cells

By law, a Siting Council certificate is not required for (1) any fuel cell with a capacity of up to 10 kilowatts or (2) a larger fuel cell, unless the council finds that it causes substantial environmental harm. The act increases the 10-kilowatt-limit to 250 kilowatts for fuel cells manufactured in the state.

Under prior law, a certificate was not needed for distributed generation resources below 65 megawatts that complied with DEP air quality standards. The act also requires the facility to meet DEP water quality standards in order to be eligible for the exemption.

EFFECTIVE DATE: October 1, 2007

§ 37, 38 — Power Plant Interconnection Standards

By law, electric utilities (including municipal electric utilities) must interconnect with non-utility generators. By January 1, 2008, the act requires DPUC to issue a final decision on interconnection standards that meet or exceed national standards. (Interconnection standards deal with such things as the transformers that connect generating facilities with transmission lines.) If DPUC does not do this by October 1, 2008, each of the utilities and the municipal electric energy cooperative must meet New Jersey's interconnection standards.

EFFECTIVE DATE: October 1, 2007

§§ 51-53 — INTEGRATED RESOURCES PLANNING AND RESOURCE PROCUREMENT

Assessment and Plan Development

The act requires the electric companies to annually assess:

1. the energy and capacity requirements of their customers for the next three, five, and 10 years;
2. how best to eliminate or stabilize growth in electric demand;
3. the impact of current and projected environmental standards, including those related to greenhouse gas emissions and the Clean Air Act goals, and how different resources could help achieve those standards and goals;
4. energy security and economic risks associated with potential energy resources; and
5. the estimated lifetime cost and availability of potential energy resources.

The companies must submit this assessment annually to CEAB by January 1.

The act requires the electric companies, in consultation with CEAB, to (1) review the assessment and (2) develop a comprehensive plan for procuring energy resources. The plan must include a wide range of resources, including energy efficiency, conventional and renewable generating resources, combined heat and power (cogeneration), and emerging energy technologies. The plan's goal is to minimize the cost of these resources and maximize customer benefit consistent with the state's environmental policies. The electric companies' costs in developing the assessment and plan are recoverable from the systems benefits charge on electric rates.

Under the act, resource needs must first be met through all available energy efficiency and demand reduction resources that are cost-effective, reliable, and feasible. The procurement plan must specify:

1. the total amount of energy and capacity resources needed to meet all customers' needs;
2. to what extent demand-side measures such as conservation, demand response, and load management can cost-effectively meet these needs;
3. needs for generating capacity and transmission and distribution improvements;
4. how developing these resources will reduce and stabilize customers' electric costs; and
5. how each of the proposed resources should be procured, including the optimal contract periods.

The plan must consider:

1. approaches to maximizing the impact of demand-side measures;
2. the extent to which generation needs can be met by renewable and cogeneration facilities;
3. the types and locations of generation that would optimize the state's generation portfolio;
4. fuel types, diversity, availability, and firmness of supply and security;
5. the various fuels' environmental impacts, including how they affect the state's ability to meet its greenhouse gas emission goals;
6. reliability, peak load and energy forecasts, system contingencies, and existing resource availability;
7. import limits and the appropriate reliance on imports; and
8. its impact on electric costs.

Review by the CEAB and DPUC

The companies must submit the plan to a reformulated CEAB (see below). The act requires CEAB, in consultation with the entity that administers the regional wholesale market, to review and approve the plan within 120 days of receiving it (although another provision allows CEAB to consult with this entity in creating the plan). Starting in 2009, CEAB must review and approve the plan within 60 days after receiving it. (The act prohibits the transportation and agriculture commissioners and DPUC chairperson, who

are CEAB members, from participating in this review.) To help with the review, the board may retain a consultant with experience in energy procurement and may consult with the regional independent system operator. CEAB must hold a hearing on the plan and approve or modify it. CEAB must submit the reviewed plan, together with a statement of any unresolved issues, to DPUC.

DPUC must consider the plan in an uncontested docket and give interested parties an opportunity to submit comments on it. Within 120 days after CEAB submits the plan, DPUC must approve, or modify and approve it. Starting in 2009, DPUC must approve or modify the plan within 60 days.

By September 30, 2009, and every two years thereafter, DPUC must report on the plan to the Energy and Technology and Environment committees.

Plan Implementation

The electric companies must implement the plan under DPUC oversight. The companies must implement the demand-side and certain supply-side measures in the procurement plan as part of their conservation plans developed under existing law. The companies must submit proposals to the appropriate regulatory agencies for distribution and transmission upgrades included in the procurement plan. The companies must issue RFPs to acquire any other resources specified in the plan, subject to DPUC approval of the RFP.

If the plan specifies that a generating plant should be built, DPUC must issue an RFP. DPUC must make the confidential information it receives available to the Office of Consumer Counsel and the attorney general. The bids and DPUC's analyses of them are not subject to disclosure under the Freedom of Information Act until three months after DPUC issues its final decision, and information regarding losing proposals must conceal the bidders' identities.

Starting July 1, 2008, an electric company may submit proposals to individual electric supply components in response to the RFP on the same basis as other respondents. An electric company proposal must include its full projected costs and demonstrate that it is not being subsidized from the company's affiliates. Affiliates can submit bids, subject to the existing code of conduct that regulates interactions between electric companies and their affiliates and other requirements DPUC imposes.

If DPUC approves an electric company proposal, the company cannot recover more than the costs identified in its proposal. Its costs and revenues do not count in determining whether the company is exceeding its authorized rate of return or whether its rates are just and reasonable. The act makes a conforming change, exempting the plants built under this provision from the law that generally bars electric companies from owning or operating power plants and other generation assets.

If DPUC selects a proposal from a non-electric company, the affected electric company must negotiate in good faith with the RFP winner and submit a contract to DPUC for its approval within 30 days of DPUC's selection. DPUC must determine how the costs of selected proposals will be recovered.

DPUC can retain consultants to help develop the RFP and assist DPUC in approving proposals. The costs of the consultants must be recovered in the generation services charges on electric bills.

EFFECTIVE DATE: Upon passage

§ 117 — DPUC Proceedings if New RFP Does Not Meet Demands Identified in the Integrated Resources Plan

The act requires DPUC, by January 1, 2008, to begin a contested case to determine the costs and benefits of the state serving as the “builder of last resort” for the shortfall of generating capacity from the RFP described above.

On or after July 1, 2009, if DPUC does not receive and approve proposals that cover the needs identified in the integrated resources plan, it may order the electric companies to submit proposals to build and operate an electric generation facility in the state. DPUC must review these proposals in a contested case. If approved, the companies would be compensated for these projects on a cost-of-service basis.

EFFECTIVE DATE: July 1, 2007

§ 104 — Procuring Resources for Standard Service

By law, electric companies must provide “standard service” for small- and medium-size customers who do not choose a competitive supplier. The act requires DPUC, in consultation with the electric companies, to study the feasibility of different standard service procurement options and their potential risks and benefits. The study must at least examine the options of (1) selecting a standard service portfolio manager, which may include the electric companies; (2) procuring individual electric supply components directly from a wholesale electricity supplier or an electric generating facility; (3) creating a nonprofit entity to procure standard service power; and (4) procuring physical and financial hedges to manage prices. The latter approach can include tolling arrangements and financial transmission rights. (Under the former, an electric company could pay a third party to build a power plant in exchange for being entitled to the power coming from it; the latter refers to market incentives to build new generation or transmission facilities in congested areas.) DPUC must report its findings and legislative recommendations to the Energy and Technology Committee by February 1, 2008.

EFFECTIVE DATE: Upon passage

§ 49 — Procuring Resources for Last-Resort Service

By law, electric companies must act as a supplier of last resort for large customers that do not choose a competitive supplier. The act requires the electric companies to procure power for this service at least every quarter. It eliminates a provision that bars a customer from returning to last-resort service unless it agrees to stay on this service for at least one year.

EFFECTIVE DATE: July 1, 2007

CONNECTICUT ENERGY ADVISORY BOARD

§ 53 — CEAB Membership

Under prior law, CEAB consisted of nine members: six agency heads and one member each appointed by the governor, House speaker, and Senate president pro tempore. The act increases the number of appointed members by six, with each appointing authority selecting three members. It requires the governor to appoint a representative of an environmental organization with knowledge of energy efficiency programs, a consumer advocacy organization, and a statewide business association. It requires the Senate president pro tempore to appoint a representative of a chamber of commerce and a statewide manufacturing association, and a member of the public with expertise in energy programs. It requires the House speaker to appoint a representative of low-income ratepayers, a member of the public who is expert in energy programs, and a representative of the public with expertise in energy issues.

The act eliminates a requirement for CEAB to prepare an annual report and makes conforming changes. It also allows ECMB to retain consultants to meet the board's goals.

EFFECTIVE DATE: Upon passage

§ 54, 55 — CEAB Review Process/"Net Energy" Evaluation of Proposed Power Plants

By law, CEAB must conduct an alternatives analysis when an application is made to the Siting Council to build certain energy facilities. The act exempts from this requirement (1) generating facilities with a capacity of up to five megawatts and (2) any power plant, transmission line, or substation if the Siting Council determines, as part of the security study required under the act, that the facility is required for reliable electric supply to defense and homeland security infrastructure. The Siting Council must make this determination by December 31, 2007. Both types of facilities are also exempt from a fee used to reimburse municipalities for their costs in participating in Siting Council proceedings.

The act also exempts other substations from the alternatives analysis requirement. It allows CEAB, by a two-thirds vote of the members present and voting, to waive the alternatives analysis requirement for a specific application because the process is not likely to result in a reasonable alternative to the proposed facility. By December 1, 2007, the board must develop (after soliciting public comment) and approve additional criteria

to apply when determining whether the process can be waived. CEAB must include its reasons in its determination.

The act makes a conforming change with regard to the CEAB comprehensive energy plan.

The act also requires CEAB to conduct a “net energy analysis” of each plant larger than 65 megawatts. This analysis must determine the ratio between (1) the amount of energy the plant will produce over its lifetime to (2) the amount of energy used in plant construction and maintenance and the total fuel cycle, both over the plant's lifetime.

EFFECTIVE DATE: July 1, 2007

§ 58 — CEAB Studies

The act requires CEAB to study and then develop recommendations, by January 1, 2008, on how to (1) integrate the state's energy entities, (2) meet state and regional greenhouse gas emission goals, and (3) promote indigenous alternative fuel resources. CEAB must submit its recommendations to the Energy and Technology Committee by January 1, 2009.

EFFECTIVE DATE: July 1, 2007

§§ 59, 60 — DPUC and CEAB Studies

The act requires CEAB to study the efficacy, innovativeness, and customer focus of electric conservation programs. It must hold hearings and investigate the options of (1) retaining the current system in which each electric company administers its own programs; (2) selecting a statewide conservation program provider from among the electric companies, the Connecticut Municipal Electric Energy Cooperative (CMEEC), and other entities; or (3) having a nonprofit organization serve as the administrator. CEAB must report its findings to the Energy and Technology Committee by February 1, 2008.

The act requires DPUC to study, in an uncontested proceeding, by January 1, 2009, the efficacy and rate impact of last-resort service and standard service.

EFFECTIVE DATE: Upon passage for the CEAB study and October 1, 2007 for the DPUC study.

RENEWABLE ENERGY

§ 40 — Renewable Portfolio Standard

Under prior law, electric companies and suppliers had to obtain at least 3.5% of their power from class I renewable resources such as solar and wind power in 2007, 5% in

2008, 6% in 2009, and 7% in 2010 and subsequent years under the state's renewable portfolio standard (RPS).

The act increases the RPS for class I resources to 8% starting in 2011. It increases the class I RPS to 9% in 2012, 10% in 2013, 11% in 2014, 12.5% in 2015, 14% in 2016, 15.5% in 2017, 17% in 2018, 19.5% in 2019, and 20% in 2020 and thereafter. The act continues to require the company or supplier to get an additional 3% of its power from class I or class II resources each year. The act also allows companies and suppliers to meet the standard by buying power and associated “attributes” from residential net-metering customers (customers who generate power from class I resources, as described above) as an alternative to the existing options. This option refers to the fact that renewable energy credits (which reflect the “attribute” of the power having been produced from renewable resources) can be sold separately from the power itself.

EFFECTIVE DATE: October 1, 2007

§ 41 — Municipal Electric Utilities and Renewable Energy

The act requires CMEEC to develop standards for promoting renewable resources that apply to each municipal electric utility in the state. By January 1 annually, CMEEC must submit the standards to the group that advises Connecticut Innovations, Inc., which administers the Clean Energy Fund. The act also requires CMEEC to submit an annual report to this group on the activities of municipal utilities to promote renewable resources.

EFFECTIVE DATE: July 1, 2007

§§ 42, 43, 44 — Class III Renewable Resources

By law, electric companies and suppliers must get part of their supply from class III resources as part of the RPS. The act makes several changes regarding these resources, which under prior law were (1) electricity produced by systems that produce heat and power developed at commercial and industrial facilities and (2) electricity savings from conservation and load management programs at these facilities that began on or after January 1, 2006. The act expands class III resources to include (1) systems that recover waste heat or pressure from commercial and industrial processes installed on or after April 1, 2007 and (2) electricity savings from all conservation programs that started on or after January 1, 2006.

Prior law excluded projects that violate DEP's air quality standards from the class III RPS. The act additionally excludes projects that violate DEP's water quality standards.

The act entitles a customer who implements energy conservation or customer-side distributed resources on or after January 1, 2008 to class III credits equal to at least one cent per kilowatt-hour. For nonresidential projects receiving conservation and load management funding, 25% of the credit goes to the customer and the remainder to

conservation and load management funds. For such projects not receiving such funding that are submitted on or after March 9, 2007, 75% of the credit goes to the customer and the rest to the conservation and load management funds. For projects serving residential customers, 75% of the credits must go to the conservation and load management funds. (The act does not specify where the rest goes.)

By July 1, 2007, DPUC must conduct a contested case to develop a procedure for awarding and aggregating the credits. These provisions appear to supersede prior law, which (1) entitles the customer to at least 25% of the credit with the remainder going to the conservation fund and (2) requires DPUC to conduct an annual proceeding in which it can give the customer a larger proportion of the credit for good cause shown.

In all cases, to be eligible for class III credits, the customer's application must (1) certify that applicable installation and metering requirements have been met, (2) provide a detailed energy savings or output calculation for the period specified by DPUC, and (3) include other information requested by DPUC.

The act delays, from February 1, 2006 to February 1, 2008, the deadline for DPUC to issue a decision in a proceeding to develop administrative processes for a class III credit trading program and makes minor related changes.

EFFECTIVE DATE: Upon passage, except for the requirement that class III resources meet DEP water standards and the delay in the DPUC decision deadline, which are effective October 1, 2007.

§ 39 — Net Metering

By law, electric utilities and competitive suppliers must give a credit to their customers in one- to four-dwelling unit properties who generate electricity using class I resources or hydropower. The act expands these provisions to cover all customers with generation capacity up to two megawatts. It provides for credits to customers who generate more power than they use in a given billing period, with annual reconciliation in which the customer is paid for any excess production at the avoided wholesale cost, and makes related changes.

EFFECTIVE DATE: October 1, 2007

§§ 46, 47 — Property Tax Exemptions for Renewable Energy

The act requires, rather than allows, municipalities to exempt certain renewable energy systems from the property tax and expands the scope of the systems subject to the exemption. Under prior law, municipalities could exempt class I renewable resources (e. g. , solar electric, wind, and fuel cell systems) and hydropower facilities in one- to four-unit residential buildings. The act requires rather than allows them to exempt these resources, but limits the exemption to resources installed on or after October 1, 2007. It

also requires municipalities to exempt any passive or active solar water or space heating system or geothermal energy resource, in any type of building.

EFFECTIVE DATE: October 1, 2007 and applicable to assessment years beginning on or after that date.

§ 68 — Sales Tax Exemptions

The act exempts from the sales tax (1) solar electric and space and water heating systems and related equipment and installation services, (2) geothermal systems and related equipment and installation services, and (3) ice storage systems used for cooling and related equipment and installation services for utility customers billed on time-of-use rates.

EFFECTIVE DATE: July 1, 2007

§ 121 — Bonding for Renewable Energy Projects in State Buildings

The act authorizes \$30 million in bonds for Connecticut Innovations, Inc. (CII), to fund the net project costs of renewable energy and combined heat and power (cogeneration) projects in state buildings through the Clean Energy Fund. To be eligible, the building must be certified in the LEED program or in the process of being certified. PA 07-4, June Special Session expands eligibility for this program to include buildings that (1) are becoming LEED silver rated (a more stringent standard than certified), (2) have a two-globe rating in the Green Globes USA design program (another rating system), or (3) are in the process of receiving this latter rating.

EFFECTIVE DATE: July 1, 2007

§§ 90, 91 — Municipal Grant Program

The act requires CII, in consultation with DPUC and the departments of Education and Emergency Management and Homeland Security, to establish a municipal renewable energy and efficient energy generation grant program. CII must make grants under the program to municipalities to purchase and operate (1) renewable energy sources, including solar energy, geothermal energy, and fuel cells or other energy-efficient hydrogen-fueled energy or (2) energy-efficient generation sources, including cogeneration units that are at least 65% efficient, for municipal buildings. CII must give priority to applications for grants for disaster relief centers and high schools. Each grant must make the cost of purchasing and operating the generation source competitive with the municipality's current electricity expenses.

By October 1, 2007, CII must develop an application for these grants. It can receive grant applications starting on this date. Applications must include a complete description of the proposed generation source. By January 1, annually, starting in 2009, CII must report on the program's effectiveness to the Energy and Technology Committee.

The act authorizes up to \$50 million in bonding for the program, with the proceeds going into a separate account within the Clean Energy Fund. For FY 08 and each of the next five fiscal years, at least \$10 million must go into the account (although the act specifies that the program ends in FY 12, which would be FY 08 and the next four fiscal years). Any balance not used for the grants during a fiscal year must be carried forward to the next fiscal year. The bonds are subject to standard statutory issuance and repayment requirements.

EFFECTIVE DATE: Upon passage, except for the bond authorization, which is effective July 1, 2007.

§ 41 — Municipal Electric Utilities and Renewable Energy

The act requires CMEEC to develop standards for promoting renewable resources that apply to each municipal electric utility in the state. By January 1 annually, CMEEC must submit the standards to the group that advises CII. The act also requires CMEEC to submit an annual report to this group on the activities of municipal utilities to promote renewable resources within 90 days of the end of the year.

EFFECTIVE DATE: July 1, 2007

§§ 15, 120 — Clean Energy Fund Investments

The act allows the fund to invest in (1) alternative fuel for electric generation, including ethanol, biodiesel, or other fuel, produced in Connecticut and derived from agricultural produce, food waste, or waste vegetable oil, if DEP determines that these fuels reduce greenhouse gas emissions and fossil fuel consumption; (2) geothermal energy; and (3) hydropower that will meet the low-impact standards of the Low-Impact Hydropower Institute. It also specifically allows the fund to invest in solar thermal and solar photovoltaic energy to be used for demonstration projects for advanced technologies that reduce energy use from traditional sources.

The act eliminates the requirement that the funding plans of the Clean Energy Fund be consistent with the comprehensive energy plan developed by CEAB, which the act also eliminates.

EFFECTIVE DATE: Upon passage

§ 124 — Project 100

The law requires the electric companies to enter into long-term contracts with generators of class I renewable resources. Prior law required the companies to enter for 100 megawatts. The act requires them to contract for 125 megawatts for the period October 1, 2007 to October 1, 2008 and increases this amount to 150 megawatts starting October 1, 2008. By law, the resources must have received funding from the Clean Energy Fund, and individual projects must be at least one megawatt in size.

By September 1, 2007, DPUC in consultation with the Office of Consumer Counsel and the Clean Energy Fund Advisory Council, must study the operation of these contracts, and report its findings to the Energy and Technology Committee.

EFFECTIVE DATE: Upon passage

§ 71 — Long-Term Contracts for Renewable Energy

The act allows electric companies, starting January 1, 2008, to meet the RPS by procuring renewable energy certificates under long-term contracts. (These credits are bought and sold on the New England market as one way of complying with RPS in Connecticut and other states. The credits can be sold separately from the power produced by renewable resources.) The act allows the electric company to enter into a contract for up to 15 years to buy the certificates. The credits count towards the company's RPS compliance for standard service and last resort service.

The act requires DPUC, by July 1, 2007, to begin a contested case to examine whether long-term contracts should be used to procure certificates. DPUC must determine:

1. the method and timing of counting the procurement of the certificates against the RPS;
2. the terms and conditions to be imposed on entities seeking to supply the credits;
3. compensation to the companies for administering procurement under these provisions, not to exceed a one-time payment of 0.1 cent per kilowatt-hour;
4. the impact of the contract on price stability, fuel diversity, and costs;
5. how the costs of the contracts will be recovered from ratepayers; and
6. other issues DPUC considers appropriate.

The one-time compensation does not count towards the company's earnings for determining whether the company's rates are just and reasonable and does not have to be shared with ratepayers.

EFFECTIVE DATE: Upon passage

§ 45 — DEP Hydropower Agreements

The act allows the DEP commissioner to enter lease agreements with private entities, in consultation with affected towns and watershed organizations, to allow the private entities to generate hydroelectricity. The projects must meet the certification standards of the Low Impact Hydropower Institute.

EFFECTIVE DATE: October 1, 2007

§ 48 — Solar Contractor Licensing

The act exempts from Department of Consumer Protection licensure requirements employees of, and contractors employed by, licensed solar contractors engaged in solar technology installations, if they are (1) working under the direction of a licensed solar contractor and (2) performing only specified tasks such as hoisting solar collectors.

EFFECTIVE DATE: Upon passage

ELECTRIC RELIABILITY AND ENERGY SECURITY

§ 4 — Dual Fuel Capacity at Power Plants

Starting January 1, 2008, the act requires DPUC to order that each intermediate or baseload electric generating facility with a rating of 65 megawatts or more have the capacity to burn either oil or gas on 48 hours' notice if it is (1) currently fueled by one of these fuels and (2) owned by, or under contract to, an electric company. The act allows DPUC to waive the dual fuel capability requirement if it determines that it is in consumers' interest.

EFFECTIVE DATE: Upon passage

§ 8 — Energy Security

The act requires the Siting Council, in conjunction with DPUC and the Coordinating Council of the Department of Emergency Management and Homeland Security, to conduct a contested case to investigate energy security with regard to siting of power plants and transmission facilities. The investigation must address planning, preparedness, and response and recovery capabilities. The Siting Council must begin the proceeding by September 1, 2007, and may conduct proceedings in executive session to protect sensitive information covered by a protective order.

EFFECTIVE DATE: Upon passage

§ 9 — DPUC Study on Electric Reliability

The act requires DPUC, in consultation with the Siting Council, to begin an uncontested case proceeding by July 1, 2007 to assess ways the state can ensure and enhance the reliability of generating facilities in the state during peak electric demand periods. The proceeding must, at a minimum, examine the:

1. current compliance of generation facilities with existing on-site dual fuel storage and operational requirements,
2. existing inventory of fuel storage and fuel delivery resources available to supply generating facilities in the state,

3. amount of fuel delivery and storage infrastructure needed to ensure the reliable operation of these facilities during peak demand periods,
4. value of firm delivery contracts and the appropriate level of such contracts, and
5. types of incentives that can be offered to the electric and gas industry to enhance the reliability of electric service during peak periods.

DPUC and the Siting Counsel must seek input from interested parties, including the electric and gas industries, the Office of Consumer Counsel, the attorney general, and the entity that operates the New England power grid. DPUC must submit its findings and recommendations to the Energy and Technology Committee by February 1, 2008.

EFFECTIVE DATE: Upon passage

§ 89 — Notifying Customers of Impending Blackouts

The act requires electric companies, municipal utilities, and CMEEC, by October 1, 2007, to submit a proposal to DPUC for its consideration, on how they can notify customers of a capacity deficiency (which could cause a blackout) and the steps that customers can voluntarily take to address the deficiency. Each utility's related costs are recoverable in the part of electric bills used to pay for costs related to transmission line congestion.

EFFECTIVE DATE: Upon passage

ENERGY ASSISTANCE

§ 65 — Energy Assistance Benefits

The act requires DSS to maintain the energy assistance benefit increases that were adopted in 2005 when it proposes its low-income energy assistance block grant allocation plan for 2007-2008. Among other things, the 2005 legislation (1) increased, by \$200, the basic benefit provided to low-income households under the Connecticut Energy Assistance Program (CEAP) and (2) required the program to provide a \$300 basic benefit and \$200 crisis benefit for moderate-income households.

EFFECTIVE DATE: July 1, 2007

§ 66 — Discounted Fuel Purchasing Program

The act broadens requirements for DSS to buy fuel at discounted prices for CEAP participants. It expands the requirement to include all deliverable fuels, rather than just heating oil. It also requires that DSS ensure that all fuel assistance recipients are treated the same as other similarly situated customers and that fuel dealers do not discriminate against them in their standard payment, delivery, service, or other similar plans.

DSS must take advantage of programs offered by dealers that reduce the cost of the fuel, such as fixed-price, capped-price, pre-purchase, or summer-fill options, thereby reducing CEAP's program cost and making the maximum use of its revenues. DSS must ensure that all agencies administering CEAP make payments to participating dealers in advance of the delivery of energy where the dealer provides price-management strategies that require advance payments.

The act requires the community action agencies that administer CEAP to provide DSS with pricing information from participating dealers. The information must include (1) the statewide or regional retail price per unit of fuel, (2) the reduced price per unit paid by the state, (3) the number of units delivered to the state under the program, and (4) the total savings under the program due to the purchase of deliverable fuel using the dealers' price-management strategies.

The act also requires the community action agencies that administer fuel assistance programs to begin accepting applications by September 1 annually.

PA 07-4, June Special Session makes several changes in these provisions. It eliminates the requirement for the commissioner to ensure that all fuel assistance recipients are treated the same way as any other similarly situated customer. It allows, rather than requires, the commissioner to take advantage of programs offered by fuel vendors that reduce the cost of fuel purchased. That act only requires that the commissioner ensure that all agencies administering the program pay fuel vendors in advance of the delivery if funding allows. Similarly, it limits the requirement that community action agencies administering fuel assistance programs begin accepting applications by September 1 each year to those years in which funding is available.

EFFECTIVE DATE: July 1, 2007

§§ 81, 82, 128 — Operation Fuel

The act requires Operation Fuel, Inc. to establish a one-time grant program in 2007 for low-income people with high utility bill arrearages. The program must provide one-time grants of up to \$1,000 based on the customer's arrearage and income level. The grants can be used only for arrearages that are up to 24 months old. The program must also provide case management services such as budget counseling and help with utility payment programs.

Under prior law, electric and gas companies had to allow their customers to donate \$1 per billing cycle to Operation Fuel, which helps people ineligible for state energy assistance. The act extends this requirement to municipal electric and gas utilities. It requires all utilities to (1) offer \$1, \$2, \$3, or other donation options and (2) allow customers who are billed or pay electronically to participate. It also requires Operation Fuel, Inc. (the group that administers the program) to provide fundraising inserts to fuel oil dealers who choose to participate in the program. It requires the companies and utilities to place requests for donations in customers' monthly bills. It requires the utilities and the

participating fuel oil dealers to coordinate their program promotions. It also explicitly requires the companies to transmit the contributions they voluntarily make to the program to Operation Fuel, Inc. when they transmit their customers' contributions.

The act appropriates the following to OPM from the FY 07 General Fund surplus: (1) \$2.5 million for the arrearage forgiveness program, (2) \$1.75 million for an expansion of Operation Fuel, and (3) \$750,000 for Operation Fuel's infrastructure. The governor vetoed these appropriations, but they were re-adopted in PA 07-5, June Special Session.

EFFECTIVE DATE: Upon passage

§ 67 — Winter Shut-Off Moratorium Extension

The act extends, from April 15 to May 1, the end date of the annual winter moratorium, during which electric and gas utilities cannot terminate service to hardship customers who cannot pay their utility bills. By law, the start date is November 1. Hardship customers include households (1) whose only income is Social Security, veterans', or unemployment benefits; (2) that have a seriously ill household member; and (3) with incomes up to 125% of the federal poverty level, among others. The act also makes related changes.

EFFECTIVE DATE: October 1, 2007

OTHER ELECTRIC PROVISIONS

§ 86 — Long-Term Energy Contracts

Pursuant to law, DPUC recently conducted an RFP in which generators submitted proposals to sell the capacity of their plants to electric companies under long-term contracts, as a means of reducing federally mandated congestion charges. The contracts between the generators and the electric companies are subject to DPUC approval.

Under the act, 60 days after approving the contracts, DPUC must direct electric companies to negotiate, in good faith, long-term contracts for the power produced by each of the generation projects selected and approved by DPUC to provide capacity under the RFP. The companies must apply to DPUC for approval of the contracts. To be approved, the rates paid for power, when added to the payments made for capacity, must equal the project's cost of service plus a reasonable rate of return. DPUC can approve only those contracts it finds would reduce and stabilize the cost of electricity to Connecticut ratepayers. The term of the power contract cannot exceed the term of the capacity contract for the project.

EFFECTIVE DATE: Upon passage

§ 92 — Retail Supplier Choice

The act requires electric companies to provide information to their residential and small commercial customers, upon request, about introductory offers from competitive suppliers. The offers must be for a fixed price and run for at least one year. The companies must make information about these offers available when the customer (1) begins service or reinstates service after moving, (2) inquires about utility rates, or (3) seeks information about energy efficiency. The information must include at least the suppliers' prices and terms. The customer must be immediately transferred to a call center operated by the supplier. A customer can switch to a participating supplier, switch to another participating supplier, or return to electric company service at any time without charge

DPUC must establish, by September 1, 2007, the terms and conditions under which a supplier can participate in this program. The terms must include requiring the supplier to offer time-of-use and real time rates for residential customers.

The act also allows participating suppliers to provide information about their introductory offers in electric company bills once per quarter.

The act requires each electric company to offer to bill customers on behalf of participating suppliers. The companies must make transfers of the customers' payments for generation services, less a percentage deduction of uncollectible bills and overdue payments as approved by DPUC. The act requires DPUC, by July 1, 2007, to begin a proceeding to determine whether electric supplier bills provide enough information to allow customers to compare pricing policies and charges among suppliers.

The act specifies that these provisions do not preclude an electric company from entering into standards service supply contracts or standard service supply components with generating facilities.

EFFECTIVE DATE: July 1, 2007

§ 98 — Advanced Metering

The act requires each electric company to submit a plan to DPUC by July 1, 2007, to deploy a system to support advanced metering. The system must support net metering, under which electric companies pay residential customers for the power the customers produce from renewable resources. The system must also be capable of tracking hourly changes in a customer's power use to support innovative rates such as real-time pricing.

The plan must allow for deployment of these meters, together with the systems needed to support them, by January 1, 2009. Instead of this plan, an electric company can seek a determination from DPUC that its existing system already meets these requirements. Starting January 1, 2009, the act allows any customer to obtain a meter on demand. The companies must pay for the cost of the system, including the meters and supporting network, and recover the costs through their rates. They can continue to recover the costs of the existing meters through rates.

The act also requires electric companies, competitive suppliers, and aggregators (entities that gather customers together for suppliers) to provide time-of-use rate options, including hourly and real-time options, to all customer classes. These options must be available within six months of the act's passage (June 2, 2007).

EFFECTIVE DATE: Upon passage

§ 123 — Electric Heating Tariffs

The act requires any electric company that has a tariff for residential heating customers to maintain it until at least July 1, 2012. The tariff must be available for requests for electric service at locations that previously were served under this tariff. The tariff can only be available for customers who use electricity as their primary heating source and who enter into agreements with the company for at least 12 months.

EFFECTIVE DATE: July 1, 2007

§ 85 — Time-of-Use Rates

Under prior law, electric companies had to submit a plan to DPUC to implement peak, shoulder, and off-peak rates for customers whose demand is 350 kilowatts or more, with implementation starting January 1, 2007. The act instead requires the plan to provide for one or more time-of-use rates, including the three specified.

EFFECTIVE DATE: Upon passage

§ 99 — Real-Time Pricing

The act requires electric companies, by July 1, 2007, to submit a proposal to DPUC to implement voluntary critical peak or real-time pricing rates for all customer classes. DPUC must approve the rates to be effective by January 1, 2008.

EFFECTIVE DATE: Upon passage

§§ 105 110, 112-114, 129 — Comprehensive Energy Plan Eliminated

The act repeals a requirement that CEAB develop an annual comprehensive energy plan. Unlike the plans established or modified by the act, which focus on electric supply and demand, the comprehensive plan also addresses natural gas and oil issues and the use of energy for transportation. The act also repeals related provisions requiring consistency with CEAB's plan, including those that require electric company conservation plans to be consistent with the comprehensive energy plan.

By law, conservation programs proposed under electric company conservation plans must be tested for cost-effectiveness. The act requires the testing to analyze the effects of the programs on increasing the state's load factor (making demand more even during the

year). The act also allows the programs to include demand side technology programs recommended under the electric company procurement plan.

EFFECTIVE DATE: July 1, 2007

§ 107 — Decoupling

The act requires DPUC, in rate cases that begin after the act's passage, to order electric and gas companies to decouple their distribution revenues from the volume of sales. It can do this by a sales adjustment clause, rate changes that increase the amount of revenues recovered through fixed distribution charges, a mechanism that adjusts actual distribution revenues to reflect allowed revenues, or a combination of these measures. In making its choice, DPUC must consider the impact of such “decoupling” and the rate of return the company earns on its equity and make necessary adjustments.

EFFECTIVE DATE: Upon passage

MISCELLANEOUS PROVISIONS

§ 5 — Electric Company Linemen Staffing Levels

The act requires DPUC, by July 1, 2007, to begin an uncontested case proceeding to study (1) the appropriate number of linemen needed for an electric company to maintain, repair, and extend its distribution lines under normal circumstances and extraordinary circumstances, including storms; (2) whether the consolidation of repair facilities and personnel results in longer access times; (3) whether greater use of newer technology would reduce outages; and (4) the most effective ways of notifying the public of an outage and the status of the company's efforts to restore power. DPUC must report the proceeding's results to the Energy and Technology Committee by February 1, 2008.

EFFECTIVE DATE: Upon passage

§ 6 — Wire Maintenance Plans

The act requires each electric company to submit a plan to DPUC each January 1 for maintaining transmission and distribution systems along highways, in a format DPUC prescribes. The plan must include a summary of appropriate staffing levels.

EFFECTIVE DATE: October 1, 2007

§ 7 — Staffing Levels and Rate Setting

By law, utility rates must be just sufficient to allow the utility to cover its operating and capital costs and attract needed capital. The act specifies that operating costs include appropriate staffing levels. It also includes energy security as one of the utilities' responsibilities.

EFFECTIVE DATE: October 1, 2007

§§ 21-36 — Energy Improvement Districts

The act allows a municipality, by a vote of its legislative body, to establish “energy improvement districts” and prescribes how they can be formed. It specifies the powers of such districts, which include developing and operating small power plants and certain conservation programs. It requires the district to develop a plan, in consultation with the Connecticut Center for Advanced Technology, for financing and developing these resources. This plan must be consistent with the integrated resources plan the act requires electric companies to develop and the Siting Council's determinations.

The act gives the districts a variety of powers, including hiring staff, operating distributed resources, 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 act 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.

PA 07-5 subjects the bond and the income they produce to the estate and succession taxes and subjects the interest on the bonds to excise and franchise taxes.

EFFECTIVE DATE: Upon passage

§ 56 — Cost-Sharing for Relocating Electric Utility Facilities

PA 05-210 relieved the Department of Transportation of having to pay part of the cost when electric transmission and trunkline facilities had to be relocated in highway rights-of-way. This act limits these changes to facilities owned by an electric company.

EFFECTIVE DATE: Upon passage

§ 57 — DPUC Commissioners

Under prior law, at least three of the five DPUC commissioners had to have experience and education in specified fields, such as economics, engineering, or law. The act requires any newly appointed commissioner to have a background in one of these fields. It also requires that whenever a new DPUC commissioner is appointed, at least one of the commissioners have experience in utility customer advocacy.

EFFECTIVE DATE: October 1, 2007

§§ 76, 77 — Restrictions on Eminent Domain for Energy Facilities

The act bars municipalities, other than those with municipal electric utilities, from condemning or restricting the operation of any existing energy facility (e. g. , power plants, transmission lines, and fuel storage facilities) that DPUC determines is a critical, unique, and immovable part of the state's infrastructure, without getting the written approval of DPUC, OPM, CEAB, and the Siting Council stating that the taking would not harm the state's or region's ability to provide a particular energy resource to its citizens.

EFFECTIVE DATE: Upon passage

§ 93 — Climate Change

The act requires DEP to adopt regulations to implement the Regional Greenhouse Gas Initiative (RGGI), an interstate program to reduce emissions of gasses that contribute to global warming. It requires DEP, in consultation with DPUC, to auction all of the emission allowances and invest the proceeds in electric conservation and load management and class I renewable energy programs for the benefit of electric ratepayers. In making the investments, the commissioner must consider strategies that maximize cost-effective reductions in emissions.

The regulations can allow part of the proceeds to be used for administrative costs and to fund assessment and planning of measures to reduce emissions and mitigate the impacts of climate change. No more than 7. 5% of the value of the allowances can be used for these purposes. It allows part of the allowances to be set aside for voluntary renewable energy provisions of the RGGI model rule and cogeneration systems. Any allowances allocated to electric companies' conservation programs must be factored into the companies' planning and procurement process established in the act (§§ 51, 52).

EFFECTIVE DATE: July 1, 2007

§ 95 — Municipal Debt Limits

The act exempts from municipal debt limits bonds issued for electric demand responses, conservation and load management, distributed resources, and renewable energy projects.

EFFECTIVE DATE: July 1, 2007

BACKGROUND

Related Act

Municipalities by ordinance, may exempt active, passive, and hybrid solar energy heating and cooling systems from property taxes for 15 years after they are installed. Such exemptions were formerly allowed only for (1) active systems installed on or after October 1, 1976 and before October 1, 2006 and (2) passive and hybrid systems installed on or after April 20, 1977 and before October 1, 2006. PA 07-225 eliminates the October 1, 2006 expiration dates, thus allowing more recently installed systems to be eligible for

exemptions. The exemption applies to the difference between what the assessed valuation of the property would be with a conventional heating and cooling system and what it is when equipped with a solar system.

OLR TRACKING: KM: JF/RC/SNE: JL: ro

Source:http://search.cga.state.ct.us/dtsearch_lpa.asp?cmd=getdoc&DocId=11767&Index=I%3a%5czindex%5c2007&HitCount=1&hits=b+&hc=116&req=7432&Item=36