Connecticut House Bill No. 7432: An Act Concerning Electricity and Energy Efficiency

The following is a summary by Environment Northeast of Connecticut House Bill No. 7432, *An Act Concerning Electricity and Energy Efficiency*, with a focus on the environmental and energy efficiency elements. The bill passed the House 128 to 19, the Senate 32 to 3, and was signed into law by the Governor on June 4, 2007. The Governor used line item veto authority on some of the budget elements as she wanted them moved to the budget implementing bill(s). The complete act can be found on the CT Legislature's Web Site, as HB No. 7432, LCO# 8629.

Major Provisions

Energy Resource Planning and Procurement: Requires development of electric utility planning for procuring energy efficiency and other clean energy resources such as renewables. The Act specifically requires an assessment of "how best to eliminate or stabilize growth in electric demand" and incorporates "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;" declares that needs shall first be met through all available energy efficiency and demand-side resources that are cost-effective, reliable and feasible; and creates a broadened stakeholder board with consumer, environmental, business and state agency representatives, assisted by expert consultants, to review the utility procurement plan.

Utility Revenue Decoupling Mandated: Requires the Department of Public Utility Control (DPUC) to decouple distribution revenue recovery from sales for each electric and gas company in their next rate proceeding, ending the era of providing incentives for utilities to sell more energy to earn more revenue.

Home Heating Oil Efficiency Programs: Creates a first time home heating oil conservation program managed by a board of home heating oil dealers, environmental and consumer interests reporting annually to the Energy Conservation Management Board.

Appliance Efficiency Standards: Adopts appliance efficiency standards for nine additional products purchased in the state: metal halide lamp fixtures, incandescent reflector lamps, residential pool pumps, bottled water dispensers, single voltage external AC to DC power supplies, commercial hot food holding cabinets, portable electric spas, walk-in refrigerators and freezers, and pool heaters; and sets standards for residential furnaces and boilers purchased by the state.

Regional Greenhouse Gas Initiative Allowance Allocation: Requires that the state auction 100% of allowances from the RGGI program and use most of the proceeds to fund cost-effective energy efficiency, demand response, and renewables, with a small percentage of the proceeds being used to support administration of the program and climate policy and adaptation assessment and planning; and a small set aside may be available for voluntary renewables purchases and CHP.

Renewable Energy: Continues the ramp-up of the CT Renewable Portfolio Standard (RPS) to achieve 20% new renewables by 2020; provides significant new long-term contracting authority; and funds new grants through expanded bonding authority.

Summary by Section

The following is a summary of the bill by section. Those sections that involve minor clarifications are not included.

Section 1: Creates a new rebate for the purchase of furnaces and boilers that qualify for the Energy Star standard.

Section 3: Creates a new efficiency rebate for the installation of window air conditioners that qualify for the Energy Star standard.

Section 4: Creates a requirement for some electric generating units to be able to run on both natural gas and oil.

Sections 5-8: Requires the DPUC to look at issues related to the number of lineman, the restoration of service after power outages, and energy security.

Section 9: Requires the DPUC to conduct an investigation and report on issues related to dual fuel generating capabilities in the state.

Section 10: Requires most new large state funded buildings to exceed the minimum energy code requirements by 20%.

Sections 11 & 12: Adopts appliance efficiency standards for nine additional products: metal halide lamp fixtures, incandescent reflector lamps, residential pool pumps, bottled water dispensers, single voltage external AC to DC power supplies, commercial hot food holding cabinets, portable electric spas, walk-in refrigerators and freezers, pool heaters, and residential furnaces and boilers purchased in the state; moves the oversight of these standards from the DPUC to the Office of Policy and Management..

Section 14: Requires the ECMB and the electric and gas utilities to develop a comprehensive residential efficiency program and report back to the Legislature.

Section 15: Expands the technologies the Clean Energy Fund can invest in to include solar thermal, geothermal, hydro power that meets the Low Impact Hydro standards, and biofuels that are shown to provide net reductions in greenhouse gas emissions and fossil fuel consumption.

Section 16: Requires all state purchased equipment to meet Energy Star standards.

Sections 17 & 18: Clarifies how the DG incentives created in AAC Energy Independence apply to customers in municipal utility territories and qualifies facilities that undergo efficiency improvements for these incentives.

Sections 19 & 20: Creates the option of a local property tax exemption and a required state sales tax exemption for vehicles that achieve at least 40 mpg.

Sections 21-36: Gives municipalities the option of voting to create Energy Improvement Districts with a number of new powers such as operating distributed generation resources, running conservation programs, bonding authority, and appropriating funds.

Sections 37 & 38: Requires the DPUC to implement interconnection standards that meet or exceed national standards.

Section 39: Expands net metering to facilities up to 2 MW in size and makes reconciliation annual.

Section 40: Increases the Renewable Portfolio Standard percentages beyond 2010 to achieve 20% by 2020 (the previous requirement was to achieve 7% by 2010).

Section 41: Requires the municipal utility cooperatives to report on how they are promoting renewable energy and create standards for further promotion.

Sections 42-44: Expands the Class III portfolio standard to waste heat recovery and conservation projects initiated after January 1, 2006 and sets a minimum customer payment level for credits of 1 cent per kWh .

Section 45: Allows the DEP to enter into lease agreements to allow for the generation of hydro power as long as the facilities meet the Low Impact Hydro standards.

Sections 46 & 47: Makes the property tax exemption for renewables mandatory rather than optional for municipalities.

Section 50: Requires the electric distribution companies and any other interested entity to submit a plan to build new peaking generation in the state; the generation would be built and operated on a cost of service basis; and the DPUC shall approve the development of projects that are in the best interests of ratepayers.

Sections 50-53 and 117: Energy Resource Assessment & Procurement Plan

- The CT Energy Advisory Board (CEAB) is restructured in terms of membership and responsibilities and will work with the electric distribution companies to review and approve a resource assessment and procurement plan.
- The electric distribution companies will annually develop a resource assessment that examines the state's energy and capacity needs; the resources available to achieve those needs, including energy efficiency and other demand-side opportunities; and an assessment of the impacts of various resource choices on the environment. The companies will submit the assessment to the CEAB for review.
- Based on this assessment, the distribution companies will develop a plan that includes procuring all cost-effective energy efficiency, addresses capacity needs, and examines opportunities for renewables and combined heat and power. The plan will be reviewed and approved by the CEAB and submitted to the DPUC.
- The DPUC will approve the procurement plan and oversee its implementation.
- Energy efficiency and demand-side programs and projects will be incorporated into the annual conservation and load management plan in cooperation with the Energy Conservation Management Board (ECMB).
- If the plan identifies the need to construct generating facilities, the DPUC will develop an RFP and oversee the bidding process; electric distribution companies may bid to construct the facilities, if insufficient capacity is approved, the distribution companies can be ordered to build the needed capacity under cost of service regulation.

Section 54: The CEAB's current RFP process for alternatives to generating, transmission, and distribution facilities is limited in scope and made optional with a 2/3 vote of the board.

Section 57: Adds a new requirement that at least one DPUC Commissioner have experience in utility customer advocacy.

Section 58: The CEAB shall conduct a study looking at how to integrate and coordinate the state's energy entities and also achieve the state's greenhouse gas goals.

Section 59: The CEAB will conduct a study looking at the efficacy of the state's efficiency program delivery and other options for program delivery (continued utility administration, competitive solicitation, and non-profit management).

Section 60: The DPUC will conduct a proceeding to assess the performance of last resort and standard service.

Section 61: Establishes "See the Light Week" to promote awareness and use of compact florescent light bulbs.

Section 62: Exempts fuel cells from some environmental requirements.

Section 63 & 64: Removes the ban on distribution company ownership of power plants for those plants approved through the procurement plan and peaking plan processes identified in this act.

Section 65: Extends energy assistance programs for low income ratepayers through 2008.

Section 66: Clarifies how the low income energy assistance program should procure fuel.

Section 68-70: Extends sales tax exemptions on a number of products including CFLs, programmable thermostats, insulation, efficient furnaces and boilers, Energy Star appliances, and solar, geothermal, and ice storage equipment and installation services.

Section 71: Allows the electric distribution companies to procure renewable energy certificates to satisfy the RPS through long-term contracts of up to 15 years.

Section 72: Extends the business tax credit for investments in low income or non-profit energy efficiency projects from 60% to 100%.

Section 73: Provides for up to $30 million in bonding for efficiency projects in state buildings.

Section 74: 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 projects.

Section 75 & 80: Extends the low interest rate offered by CHIF for efficiency improvements through 2008 and also expands the loan amounts and eligibility.

Section 76 & 77: Limits municipal authority to condemn energy facilities without getting approval from the DPUC and Siting Council.

Section78: Requires the building code to add a requirement that construction and renovation of large buildings meet LEED silver or the equivalent unless it is not cost-effective.

Section 79 & 126: Restores funding to the Conservation and Load Management and Renewable Energy Funds that was taken in past years to fund budget shortfalls. (Vetoed by the Governor)

Section 81, 82, & 128: Provides Operation Fuel with funding to provide one-time grants to low-income people with high utility bill arrearages; increases options and awareness for all electric, gas, and fuel oil customers to donate money to Operation Fuel. (Sec. 128 vetoed by the Governor)

Section 83: Allows the DPUC to authorize the purchase of power plants by the distribution companies that are offered for sale, if it is in the public interest.

Section 84: The ECMB shall contract with a third party to conduct an updated assessment of the potential for cost-effective energy efficiency and demand response.

Section 86: The electric distribution companies must negotiate energy contracts with the developers of plants that were recently awarded capacity contracts by the DPUC under the Phase II RFP; contracts will only be approved if the total energy and capacity cost is equivalent their cost of service plus a reasonable return.

Sections 87, 88, 100, 111, & 127: The DPUC in coordination with the ECMB must establish a state-wide, comprehensive energy and efficiency education campaign that will include real-time energy reports for the media and the public; funding is provided from the general fund.

Section 89: The distribution companies shall develop a plan to notify customers of impending capacity deficiencies and the need to conserve energy.

Sections 90 &91: Allows for up to $50 million in state bonds for the Clean Energy Fund to develop a renewables and CHP program for municipalities.

Section 92: Gives electric customers more access to information about competitive electric suppliers and their rates.

Section 93: Requires the DEP to implement the Regional Greenhouse Gas Initiative; auction 100% of the allowances and use the proceeds primarily to expand funding for cost-effective energy efficiency, demand response, and renewables; use up to 7.5% of the allowance proceeds to fund program administration and climate policy and adaptation assessment and planning; and a small set aside may be available for voluntary renewables purchases and CHP.

Sections 94 & 96: A new Energy Efficiency Partners program is created that is separate from the utility run efficiency programs; the ECMB and CEEF will evaluate and approve eligible technologies: the DPUC will develop an RFP process for specific projects; projects can include efficiency, demand response, as well as some supply technologies but must achieve a benefit-cost ration of 2.0, provide monitoring and verification, and illustrate enough experience and financial backing to complete the projects.

Section 95: Exempts from municipal debt limits bonds issued for efficiency, demand response, distributed resources, and renewable energy projects.

Section 97: Requires the ECMB to develop an Energy Excellence Plan that looks at efficiency education, job growth, opportunities for efficiency R&D, and achieving a 10% reduction in load growth by 2010.

Sections 98 & 99: The electric distribution companies must develop a plan to support advanced metering; make advanced meters available to customers on their request; and provide time of use rates, including hourly, to all customer classes.

Section 101: Requires OPM to develop a state energy plan for all state buildings and have it approved by the CEAB.

Sections 102 & 103: Requires DEP and DPUC to develop a pilot program that allows emergency generators to run more frequently if they install emissions controls and are shown to lead to a net reduction in emissions due to reduced utilization of other generators.

Section 104: Requires the DPUC, in consultation with the electric companies, to study the feasibility of different standard service options and their potential risks and benefits, including what entity should be procuring energy on behalf of these customers and the kinds of contracts they should be entering into.

Section 106: Requires the DPUC to assess the development of an incentive program for the electric distribution companies to stabilize or reduce peak energy demand.

Section 107: Requires the DPUC to decouple distribution revenue recovery from sales for each electric and gas company in their next rate proceeding.

Sections 108 & 109: Provides for grants of up to $50 million dollars to fund renewables, including fuel cells, with funding from new state bonds.

Section 115: Establishes additional funding for natural gas conservation programs through the surplus of receipts from the utilities growth receipts tax over budget estimates up to $10 million per year; and also removes the prohibition on establishing a charge for natural gas conservation.

Section 116: A fuel oil conservation program is created with oversight from a stakeholder board comprised of oil industry, business, consumer, and environmental representatives that will submit a plan to the ECMB; comprehensive, cost-effective energy efficiency programs are to be created; the programs shall be administered by a third party vendor; and shall be funded through the increase in the gross receipts tax on petroleum products over 2006 levels with a cap of $10 million per year.

Section 118: Waives some demand charges for fuel cell operators.

Section 119: Creates a summer 2007 incentive program to encourage consumers to reduce their demand by providing rebates for various levels of reduction in demand.

Section 122: Strengthens the requirement that the state vehicle fleet increase its efficiency by requiring that all vehicles be in the top third of their class and with some exceptions 100% of state vehicles must be alternative fueled, hybrid, or plug in by 2010.

Section 123: Requires the utilities to maintain electric heating tariffs through 2012.

Section 124: Extends the existing Project 100 long-term contracts for renewables to 150 MWs.

Section 125: Requires the DPUC to review the ECMB efficiency programs in 2010 for cost-effectiveness and make adjustments at that point.

Environment Northeast

Derek Murrow, Director Policy Analysis, 203-285-1946, dmurrow@env-ne.org
Roger Koontz, Senior Attorney, 860-526-4852, rkoontz@env-ne.org
101 Whitney Avenue, New Haven, CT 06510, 203-495-8224
Rockport, ME / Portland, ME / Boston, MA / Providence, RI / Hartford, CT
www.env-ne.org