OFFICE OF FISCAL ANALYSIS

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sSB-1560
AN ACT CONCERNING CONNECTICUT'S ECONOMY, ELECTRICITY AFFORDABILITY AND BUSINESS COMPETITIVENESS AND ESTABLISHING THE CONNECTICUT ENERGY PROCUREMENT AUTHORITY AND THE GREEN BOND FUND.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 26 $	FY 27 $
Treasurer, Debt Serv.	GF - Cost	See Below	See Below
Department of Revenue Services	Various - Revenue Loss	100 million	100 million
Public Utilities Regulatory Authority (PURA)	CC&PUCF - Cost	Potential	Potential

Note: Various=Various; GF=General Fund; CC&PUCF=Consumer Counsel and Public Utility Control Fund

Municipal Impact: None

Explanation

The bill makes several changes related to electric rate structures and funding mechanisms; the fiscal impacts are described below.

The bill establishes the Connecticut Energy Procurement Authority (CEPA) and tasks CEPA with a number of responsibilities related to creating a more efficient and cost-effective electric system. The creation of CEPA is not anticipated to result in a cost to the state as the administrative and operating expenses may be paid from the newly created Energy Infrastructure Transition Fund (see Rate Payer Impact below for more details about the new fund).

The bill establishes the Electric Rate Stabilization Fund. The bill requires CEPA to administer the fund. CEPA must develop and apply a method to collect excess electric generation service revenues during lower cost off-peak periods and disburse funds to offset higher priced periods. The bill creates various funding mechanisms for the fund but does not authorize the fund to be invested.

The bill eliminates various requirements related to the systems benefit charge (SBC) and requires programs currently funded through the SBC to be funded instead by the Green Bond Fund. The bill authorizes $2.4 billion in General Obligation bonds for the Green Bond Fund to be administered by the Public Utilities Regulatory Authority (PURA). To the extent bonds are fully allocated when available, total state debt repayment is anticipated to be approximately $3.4 billion over the 20-year duration of the bonds.

Additionally, the bill results in an estimated $100 million revenue loss to the state by exempting electricity used at a commercial or industrial property from state sales and use tax. By fund, the annualized revenue loss is anticipated to be $84.2 million to the General Fund and $7.9 million each to the Special Transportation Fund and the Municipal Revenue Sharing Fund.[1]

It is unclear how PURA's jurisdiction would overlap with the newly created CEPA. However, the bill could result in additional costs to the PURA associated with increased staffing related to additional case hearings, proceedings and reporting requirements contained within the bill.

Rate Payer Impact

There are several mechanisms within the bill that could impact rate payers. However, it is estimated that the various changes within the bill will (on average) result in a potential savings to rate payers.

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[1] By statue, 0.5 percentage points of the 6.35% rate (or 7.87% of collections) is deposited into the Special Transportation Fund and Municipal Revenue Sharing Fund each. The remaining 5.35 percentage points (or 84.25% of collections) is deposited into the General Fund.

The bill removes various charges from electric bills, including the SBC, and bonds these charges through the Green Bond Fund. This will reduce rate payer bills. However, the changes to ratepayer bills are effective July 1, 2025, but the bill does not require PURA to disburse Green Bond funds until at least October 1, 2025, the delay in bond funds could create a shortfall in the various programs. Additionally, the bill does not address how various SBCs will be funded if the cost for programs exceeds $800 million in any given year.

The creation of CEPA could result in increased procurement costs by adding new staffing and programs. Currently, the costs related to CEPA that could be bond funded versus the costs that would ultimately need to be recovered in rates is indeterminate.

The bill creates the Energy Infrastructure Transition Fund that would impose a 7 mill per kilowatt-hour charge on ratepayer bills. This is anticipated to result in a cost of approximately $5.00 per month for the average residential customer.

Grid enhancing technologies can reduce utility capital investment and reduce distribution system costs, which can be reflected as savings to rate payers. Additionally, grid enhancing technologies lower energy costs and improve the benefits of updating and investing in various capital projects by EDC.

The net impact to rate payers would be dependent upon a variety of decisions made by PURA, CEPA and EDC that are outside the immediate scope of the bill.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation, terms of bonds, and revenue loss.