OLR Bill Analysis

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.

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to administer the fund in such a way as to limit its annual expenditures to $800 million and authorizes up to $2.4 billion in new general obligation bonds for the fund

§§ 30-32 — ADVANCED METERING INFRASTRUCTURE AND TIME-OF-USE RATES

Requires EDCs to plan to deploy advanced metering systems by January 1, 2027, and makes cost recovery contingent on compliance with customer education requirements; requires PURA to implement time-of-use rates for residential and commercial customers by October 1, 2026; requires EDCs, competitive suppliers, and aggregators to offer time-of-use pricing options to all customer classes by January 1, 2028

§ 33 — ENERGY INFRASTRUCTURE TRANSITION FUND

Establishes the Energy Infrastructure Transition Fund and requires CEPA to administer it; establishes a 7 mill per kilowatt-hour charge on ratepayer bills to capitalize the fund and allows CEPA to pledge the funds as a security to obtain operating costs; requires EDCs to submit plans and requires CEPA to approve and fund projects in the plans (e.g., infrastructure for smart meters and electric vehicles and distribution system upgrades)

§§ 36-42 — SECURITIZATION OF STORM COSTS

Allows EDCs to recover storm costs, including through securitization, which is a financing method that converts a revenue stream into a marketable security

§ 43 — SALES AND USE TAX EXEMPTION

Exempts electricity used at a commercial or industrial property from state sales and use tax

SUMMARY

This bill makes wide-ranging changes in laws concerning electric utility billing, rate structures, and funding mechanisms, as described in the section-by-section analysis below.

EFFECTIVE DATE: July 1, 2025, and the sales and use tax exemption (§ 43) is applicable to sales on or after that date.

§ 1 — ENERGY AFFORDABILITY DECLARATION

Declares there is an energy affordability crisis and makes related declarations about current policies and those under the bill

The bill makes a declaration that an energy affordability crisis exists in this state, and it is in the public's interest to adopt policies designed to reduce consumers' electricity costs. It states that electricity rates are impacted by the way transmission and distribution infrastructure costs and operating costs are recovered, and by the way electricity generation services are currently procured.

The bill declares certain policies and structures to be inefficient, such as the difference between average daily use and peak demand usage on

the electric system. It also declares that individual customers' solar photovoltaic systems (solar panels) increase rates for other ratepayers.

On the other hand, the bill declares that certain electrification policies can reduce rates by increasing the amount of electricity sold in a way that responds to demand and makes efficient use of distribution and transmission infrastructure. It states that these policies include supporting or encouraging (1) high-voltage, fast-charging electric vehicle infrastructure; (2) commercial and residential customers to convert from heating and cooling systems to heat pumps; and (3) smart meters to enable dynamic electricity pricing structures.

The bill further declares that the Connecticut Electricity Procurement Authority (CEPA), which the bill establishes (see §§ 2-7 below), will serve as the state's central architect in building a more efficient, cost-effective electric system that aligns procurement, grid operations, and customer behavior with affordability, reliability, and decarbonization goals. It states that, in doing so, CEPA will fill a current systemic gap in the state and (1) operate with a market-oriented mandate, (2) use customer and system load data, (3) help develop dynamic pricing and competitive market tools, and (4) improve the use of infrastructure through smart electric load growth and lower peak electric demand.

§§ 2-8 — CONNECTICUT ELECTRICITY PROCUREMENT AUTHORITY

Establishes CEPA as an entity with a board of directors; gives CEPA certain general authorities as well as commission-specific authorities (e.g., developing dynamic procurement plans and time-of-use tariffs); requires it to establish a consumer advisory panel, have biennial forensic audits, and comply with an annual reporting requirement

CEPA Establishment and General Authority (§§ 3 & 4)

The bill establishes CEPA as a public instrumentality and political subdivision of the state. The bill specifies that CEPA is performing a public and governmental function when using powers granted under the bill. But the bill also specifies that CEPA is not a state department, institution, or agency. (Presumably, this means it is a quasi-public entity, but the bill does not amend the statute that lists those entities (CGS § 1-120) to include CEPA. So, it is unclear whether CEPA would be subject to all the same requirements as quasi-publics, such as state

compliance auditing requirements.)

CEPA's necessary and related administrative and operating expenses may be paid from the Energy Infrastructure Transition Fund, which the bill also establishes (see § 33 below). The bill subjects CEPA to the State Contracting Standards Board's oversight and state contracting standards in existing law.

Under the bill, CEPA has perpetual succession as a body politic and corporate. It may:

1. adopt, amend, and repeal bylaws, policies, and procedures to regulate its affairs and conduct its business;

2. adopt and alter a common seal;

3. sue and be sued;

4. enter contracts;

5. perform any acts the act authorizes, through its board members, officers, agents, or employees;

6. acquire, hold, use, and dispose of its money (including income, revenue, and funds);

7. acquire, own, use, lease, operate, dispose of, and improve real property and its interests in it;

8. loan property it owns or controls, including for a fee (e.g., lease it out);

9. borrow money and execute promissory notes in its name;

10. get insurance against property, operation, or asset losses;

11. contract for and receive grants, gifts, loans, property, financial aid, or other aid from any source (including the United States and its agencies or instrumentalities) and to comply with the terms of those contracts or sources of aid;

12. guarantee that any participant in any project will make punctual payments on any indebtedness (including principal and interest) or other contractual obligation associated with the project (the bill does not define "participant" or "project");

13. exercise all powers, except those inconsistent with the state or U.S. constitution, that are reasonably necessary or appropriate to (a) effect its authorized purposes and purposes incidental to them; (b) exercise any of its listed powers; or (c) exercise other powers a private corporation or person might, with respect to their affairs and property and property under their control; and

14. get any state or federal agency consent, authorization, or approval required to enable any projects within CEPA's powers.

Board of Directors (§§ 3 & 6)

The bill establishes a CEPA board of directors and vests CEPA's powers in it. The bill specifies that seven members, as shown in the table below, comprise the board. The board also includes the Department of Energy and Environmental Protection (DEEP) commissioner, or her designee, as an ex-officio member. The governor must appoint the board chair (presumably, from its members). Under the bill, the board members must annually elect a vice chair from the appointed members.

The bill requires initial appointments to be made by January 1, 2026. As shown below, the initial term lengths vary, based on who appointed the board member. After the initial terms, the term length for all members is four years.

Table: Qualifications, Appointing Authority, and Term Length for Each Board Member

Member Qualifications	*Appointing Authority*	*Initial Term*
Owns a Connecticut-based business that is an electric distribution company (EDC) retail customer	Governor	1 year
Expertise in energy conservation and electric demand-side management	House speaker	4 years
Expertise in renewable energy economics and electricity storage	Senate president pro	3 years

Member Qualifications	*Appointing Authority*	*Initial Term*
financing	tempore	
Background in electric transmission and distribution legal matters	House majority leader	3 years
Experience in tariff design and methodologies for electricity rate-making and revenue recovery	Senate majority leader	4 years
Expertise in wholesale electricity trading	House minority leader	2 years
Experience in data analytics and electric infrastructure investment	Senate minority leader	2 years
DEEP commissioner or her designee	Ex officio member who must attend board meetings	

Before taking office, each board member must take and subscribe the oath of affirmation set out in the state Constitution. A record of each oath must be filed with the Secretary of the State's office.

Compensation. The board may vote to pay its members a reasonable, uniform stipend for their service and to reimburse members for necessary expenses they incur performing their duties.

Vacancies, Reappointments, and Removals. The appointing authorities are responsible for filling vacancies. Members are eligible for reappointment and may hold office until a successor has been appointed and qualifies.

The bill authorizes the governor or appointing authority, as applicable, to remove any member for misfeasance, malfeasance, or willful neglect of duty. However, the bill also states that an appointing authority may only remove a board member for inefficiency, neglect of duty, or misconduct in office. (So, the circumstances under which a board member may be removed are unclear.)

Before members are removed, they must be given (1) written notice, including the reason for removal, at least 10 days beforehand and (2) the opportunity to be heard, in person or by legal counsel, regarding the removal.

Meetings. The bill requires the board to meet at least quarterly. The board may hold additional meetings and public hearings as it deems desirable, at locations in the state it selects.

At least five days before a meeting or public hearing, the board must post notice of it, including where it will be held, and an agenda. Within five days after the meeting or hearing, the board must post minutes for it, including any actions taken, motions made, and resolutions adopted. The board must post all of this information to an internet website that CEPA must develop and maintain.

A majority of members is a quorum. The board may take actions, make motions, and adopt resolutions if a majority of the members present at a meeting vote to do so, unless CEPA's bylaws set a higher threshold to adopt them. The bill allows the board to adopt voting methods for all or specific matters. But the board may only adopt the method prospectively (ahead of when it will be used) and the method must be specified in the bylaws unanimously adopted by the board.

Employees (§§ 3 & 5)

Hiring and Qualifications. The bill authorizes CEPA's board of directors to hire or appoint a chief executive officer, treasurer, secretary, general counsel, other employees, and others it deems necessary, including agents, consultants, officers, and advisors. The board must determine their (1) required qualifications, (2) terms of office, (3) duties, and (4) compensation.

When selecting these individuals, the board must give preference to people who have experience with wholesale and retail electric procurement and generation services, developing dynamic time-of-use rates, electric load growth strategy development, customer behavior data analytics, electric rate design, electric transmission and distribution planning, advanced electric metering, and economics.

Disqualifying Conflicts. The bill specifies that it is not a disqualifying conflict for a CEPA board member or employee to also be an officer or employee of a municipal electric utility or municipal electric

energy cooperative. Under the bill, though, no CEPA employee, officer, or representative may have or acquire a direct or indirect personal interest in any project or property included in any contract for materials or services for CEPA. It also prohibits these individuals from having an interest in any property that is planned to be included in any project as well as any proposed contract. (The bill does not define "project.")

CEPA Authority (§ 4)

As described below, the bill authorizes CEPA to develop a dynamic procurement plan, establish certain incentives, develop and require time-of-use rates, oversee the adoption of smart meters to enable billing for these rates, do certain studies and investigations, and establish a consumer advisory panel.

It also authorizes CEPA to administer the Energy Infrastructure Transition Fund (see also § 33) as well as the Electric Rate Stabilization Fund to reduce the volatility of electric generation service costs during periods of higher and lower demand throughout the year (see § 9).

Under the bill, CEPA is additionally required to annually develop a standard service procurement plan (see §§ 10 & 11).

Dynamic Procurement. Under the bill, CEPA is authorized to develop and implement a plan that allows "dynamic procurement" of electric generation services, and related wholesale electricity market products, in a way that reduces the average cost of standard service. Any such plan must keep cost volatility for standard service plans within reasonable levels, which CEPA determines.

Incentives. CEPA is additionally authorized to develop and implement policies and incentives to encourage:

1. behind-the-meter distributed solar photovoltaic (solar panel) systems to dispatch energy they generate, in an effort to increase the system load factor (the ratio of the average electric demand to peak electric demand over a given period);

2. alternative air conditioning technologies, including ice storage;

3. smart electric load growth by at least 1% per year; and

4. technologies and policies that will reduce the average annual greenhouse emissions by at least 1.1 million metric tons of carbon dioxide equivalent between 2022 and 2030, in order to meet greenhouse gas reduction goals set in existing law.

Time-of-Use Rates. CEPA may develop, require, and recommend to the Public Utilities Regulatory Authority (PURA) a time-of-use rate tariff structure in which electricity prices vary based on the time of day. This structure may apply for electric generation services and transmission and distribution services and be designed to optimize customers' responsiveness to electric prices by discouraging electricity use during on-peak hours (4:00 p.m. to 7:00 p.m. on weekdays) and encouraging use during off-peak hours (all other times). Under it, on-peak rates must be at least 300% higher than off-peak rates.

Smart Meters. The bill also authorizes CEPA to mandate and oversee the adoption of smart meters to implement the time-of-use rates. Under the bill, "smart meters" are electric meters that provide real-time electricity consumption data and collect customer-specific interval load data. This data can be used for billing for electric generation services and time-of-use rates, as described above.

CEPA may design a customer education and engagement program, administered by the EDCs (i.e. Eversource and United Illuminating), to inform electric customers about the benefits of smart meters and time-of-use rates. It may also participate in developing time-of-use pricing, to optimize customers' responsiveness to electric prices, and encourage them to load shift (e.g., to off-peak hours). (The bill also requires CEPA to design an EDC-administered customer education and engagement program, see § 8.)

Studies and Reports. The bill gives CEPA authority to undertake certain investigations and studies, specifically to:

1. study and report on electrics customers' usage patterns and the effectiveness of investments in electrification projects and grid-

scale electricity storage projects;

2. study and report on methods to promote business growth through policies to grow the electric load; and

3. investigate whether additional electric power sources and supplies are necessary or desirable, and determine (through studies, surveys, and estimates as necessary) the cost and feasibility of using them for an electric procurement portfolio that is sufficient to provide an alternative to standard service and includes contracts with electric generators, suppliers, wholesalers, or aggregators.

In addition to investigating these additional sources, CEPA must also cooperate with municipal and investor-owned utilities (both in and outside of the state), the regional independent system operator (ISO-New England), and any other person to develop them and other electric power supplies.

Administer the Energy Infrastructure Transition Fund. The bill authorizes CEPA to administer the Energy Infrastructure Transition fund established under the bill (see § 33 below) to:

1. support the adoption of smart meter infrastructure and electric billing system upgrades;

2. upgrade distribution systems and substations;

3. increase electrification of transportation in the state, including incentives for rapid electric vehicle charging stations and the distribution infrastructure to support them;

4. increase the electrification of residential and commercial heating and cooling systems (e.g., incentives to convert to heat pump systems); and

5. install battery storage systems for residential and commercial customers to reduce peak electricity demand.

Consumer Advisory Panel. CEPA may establish a consumer advisory panel to educate electricity consumers on (1) smart meters, including data access and functionality; (2) opportunities to reduce their electricity costs through time-of-use rates; (3) opportunities to reduce their impact on greenhouse gas emissions and the installed capacity payments that are part of the federally mandated congestions charges; and (4) other opportunities for consumers it sees fit.

Customer Education and Engagement Program (§ 8)

The bill requires CEPA to design a customer education and engagement program and consult with PURA on it. Similar to the consumer advisory panel and customer education and engagement program described above, this program must inform EDC customers of the benefits of smart meters and time-of-use rates and encourage customers to use them. This program must be administered by the EDCs, upon CEPA and PURA's approval.

The program must:

1. use approved methods of customer outreach, education, and engagement;

2. require EDCs to develop an electronic application that notifies their customers in real time of energy saving opportunities, based on electric transmission and distribution system factors;

3. have objective performance standards for its implementation;

4. require EDCs to report on their compliance with the program's requirements and submit documents or data PURA requires; and

5. include a process under which CEPA certifies EDCs are in compliance with the program.

Forensic Examination (§ 3)

At least biennially (every two years), CEPA must have a certified forensic auditor do a forensic examination. The bill requires the examination to include a review of CEPA's revenues and expenditures

for the prior two years. The auditor must submit a report that includes (1) a review of whether CEPA's operating procedures conform with the bill and CEPA's bylaws and (2) recommendations for corrective actions. CEPA must post this report on its website within seven days after receiving it from the auditor.

Under the bill, this auditor is not required to (1) do a full financial audit, (2) submit an opinion regarding financial statements, or (3) submit a management letter.

Reporting (§ 3)

CEPA must annually provide the following to the Energy and Technology Committee:

1. a list of current board members and officers;

2. the most recent audited financial statements, management letter, CEPA reports, and management letter (it is unclear who creates this management letter);

3. CEPA's conflict of interest policy, if it has adopted one;

4. CEPA's bylaws, if the board has adopted any or amended them in the prior year; and

5. a report that lists, for each employee, his or her position and the salary, wages, and fringe benefits paid to him or her.

§ 9 — ELECTRIC RATE STABILIZATION FUND

Establishes the Electric Rate Stabilization Fund, administered by CEPA, to reduce cost volatility for residential and commercial customers enrolled in standard service electricity plans

The bill establishes the Electric Rate Stabilization Fund. The bill requires CEPA to administer the fund to reduce volatility in electric generation service costs for state residents and businesses on standard service plans. (Standard service is the energy supply sold to eligible electric customers who do not choose to buy electricity through a third-party energy supplier.)

CEPA must develop and apply a method to collect excess electric generation service revenues during lower cost off-peak periods, on both a seasonal and hourly bases, and disburse funds to offset higher priced periods (peak summer and winter months) to help ensure electric generation prices are stable for all customer classes of ratepayers. (Presumably, excess revenues are collected into and disbursed from the fund. However, it is unclear what excessive revenues customers would be paying during lower cost off-peak periods.)

Funding

The bill specifies funding for the fund must come from:

1. assessments on power purchase agreements CEPA approves;
2. allocations from any federal funds designated for energy cost stabilization, grid resilience, or consumer relief;
3. voluntary contributions from EDCs; and
4. interest from fund investments.

Although the bill specifies investment interest as funding source, the bill does not explicitly authorize the fund to be invested.

Reporting and Fund Review

CEPA must annually submit a report to the Energy and Technology Committee by January 1. The report must detail the fund's financial status, revenue sources, disbursements made from it, and recommendations for future appropriations or modifications.

The Office of Policy and Management, coordinating with CEPA, must do a biennial review of the fund to assess its effectiveness in stabilizing electric rates and recommend any necessary adjustments to the statutes or regulations.

§§ 10 & 11 — STANDARD SERVICE PROCUREMENT PLAN

Requires CEPA, rather than PURA's procurement manager, to annually develop a standard service procurement plan; requires CEPA's costs to develop the plan be paid from the Green Bond Fund; and establishes a reporting requirement

Standard Service Plan

Under current law, PURA's procurement manager must annually develop a procurement plan, approved by PURA through an uncontested proceeding, for electric generation services and related wholesale electricity market products. The procurement plan must allow EDCs to manage a portfolio of these contracts in a way that reduces the average cost of standard service, while maintaining cost volatility within reasonable levels.

Beginning July 1, 2027, the bill instead requires CEPA to annually develop this procurement plan. CEPA's plan must similarly allow procurements to be done in a way that reduces the average cost of standard service while limiting cost volatility. Unlike current law, CEPA's process under the bill does not reference EDCs managing a portfolio of contracts. (The bill also retains certain provisions on standard service procurements that make the extent of PURA and EDC involvement in the process under the bill unclear. For example, existing law, unchanged by the bill, requires PURA to set standard service prices for customers and requires EDCs to cooperate with PURA's procurement manager to comply with the procurement plan. Existing law allows PURA to reject bids for standard service contracts and subjects suppliers who fail to fulfill contractual obligations to civil penalties assessed by PURA (CGS § 16-244c).)

As under current law, the bill requires the plan to be developed in consultation with the EDCs, and allows consultation with DEEP's commissioner, a municipal energy cooperative, and others. And, as under current law, the procurement plan must (1) provide for the competitive solicitation for load-following electric service and may allow the use of other contracts (e.g., financial contracts, contracts of varying lengths, or contracts for generation and other electricity market products) and (2) include an explanation of why full requirements contracts, if included in the plan, will benefit standard service customers.

Costs

Under the bill, CEPA's reasonable costs for developing the

procurement plan are paid from the Green Bond Fund (see § 16). Under current law, PURA's costs for developing the procurement plan are recoverable through the annual fee assessed on each PURA-regulated utility company. EDCs' costs to develop the plan are recoverable through a bypassable component of the electric rates.

Under both current law and the bill, the costs to procure standard service are paid solely by customers on the standard service plan.

Reporting Requirement

The bill requires CEPA to annually report on the plan and its implementation to the Commerce; Energy and Technology; and Finance, Revenue and Bonding committees.

Background — Related Bill

sSB 1194, favorably reported by the Energy and Technology Committee, allows EDCs to use energy or related products purchased under the zero-carbon procurement, or any other approved agreement, to provide standard service.

§ 12 — NUCLEAR AS CLASS I RENEWABLE

Classifies all nuclear generating facilities in this state, rather than new nuclear facilities, as Class I renewable energy sources

Under current law, nuclear facilities built on or after October 1, 2023, are Class I sources, regardless of whether they are located in the state. The bill instead makes all nuclear power generating facilities in this state (i.e. Millstone Power Station) Class I renewable energy sources.

By classifying these nuclear facilities as Class I, the bill generally allows EDCs and electric suppliers to use the energy and renewable energy credits (RECs) generated by these technologies to meet their Class I requirements under the state's renewable portfolio standards (RPS) law (CGS § 16- 245a). It also allows these facilities to (1) participate in certain procurements administered by DEEP (e.g., CGS §§ 16a-3f & -3i) and (2) be exempt from municipal building permit fees if the municipality adopts an ordinance to exempt them (CGS § 29-263).

§ 13 — TARIFFS FOR UNCONSUMED ENERGY

Requires credits for energy produced but not consumed to apply to energy supply costs

The bill sets certain requirements for tariffs that include a credit for the energy produced by a facility but not consumed (presumably, by the customer). In the utility context, a "tariff" is a set of rules governing how a product is purchased or sold. For these tariffs, the bill requires that the credit be allowed against energy supply costs but not against any costs associated with the delivery of electric service to the customer (e.g., distribution, transmission, and combined public benefit costs).

These requirements apply to any tariff approved or set in a PURA proceeding on or after July 1, 2025. The bill specifies that it does not require any changes to tariffs PURA approved before that date. Under current law, tariffs governing credits for excess energy include renewable energy tariffs (e.g., the Nonresidential Renewable Energy Solutions (NRES) or Residential Renewable Energy Solutions (RRES) programs) (CGS § 16-244z).

§ 14 — RESIDENTIAL ELECTRIC BILL FORMAT

Replaces the "public benefits" component on residential electric bills with a general category for other PURA-approved charges

Current law requires EDCs to use four categories as part of their standard residential electric bill: (1) generation, (2) local distribution, (3) transmission, and (4) charges related to systems benefits and PURA-approved federally mandated congestion charges (FMCC) ("public benefits"). The bill eliminates the public benefits category and instead requires a category related to any other charges PURA approves under any law. EDC residential bills must reflect this change by August 1, 2025.

§§ 15-29, 34, 35 & 44 — BONDING FOR PUBLIC BENEFITS CHARGES

Establishes the Green Bond Fund and requires it to pay expenses currently covered under the FMCC, SBC, C&LM, and CEF ("public benefits") on electric ratepayer bills; requires PURA to administer the fund in such a way as to limit its annual expenditures to $800 million and authorizes up to $2.4 billion in new general obligation bonds for the fund

Green Bond Fund (§§ 16 & 44)

The bill requires PURA to establish and administer the Green Bond Fund to pay expenses incurred in connection with programs that (1)

benefit the operation of the electric grid in the state, (2) promote energy efficiency, and (3) benefit ratepayers. PURA must develop and implement a methodology to disburse funds to pay for these expenses by October 1, 2025. The bill requires PURA to administer the fund in such a way as to limit its annual expenditures to $800 million.

The bill authorizes up to $2.4 billion in new general obligation bonds for PURA to administer the Green Bond Fund. The bonds are subject to standard issuance procedures and have a maximum term of 20 years.

Under the bill, the Green Bond Fund must be used to pay expenses that are currently covered under the "public benefits" charge on ratepayers' bills (meaning the FMCC, systems benefit charge (SBC), conservation and load management (C&LM) charge, and a charge for the Clean Energy Fund (CEF)), as described below.

Federally Mandated Congestion Charges (FMCC) (§§ 15 & 28)

Starting October 1, 2025, the bill requires costs associated with the FMCC to be removed from consumer electric bills and paid from the Green Bond Fund, regardless of other energy laws. By law, the FMCC includes the following:

1. federally approved costs (e.g., locational marginal pricing, locational installed capacity payments);

2. PURA-approved costs to reduce FMCCs; and

3. reliability must run contracts.

In practice, the FMCC also includes, among other things, costs associated with (1) generation resources authorized under PA 11-80, § 127; (2) renewable energy tariffs (NRES, RRES, and the Shared Clean Energy Facility program); (3) contracts with certain generation plants authorized under PA 05-01 and PA 07-242; and (4) power purchase agreements (PPAs) selected in various solicitations for energy sources (e.g., those authorized under PA 13-303 and PA 17-144).

The bill explicitly requires PPAs associated with PA 17-3, June Special

Session, to be paid from the Green Bond Fund. This act authorized a procurement for zero-carbon facilities that resulted in PPAs with nuclear power generators (e.g., Millstone Power Station) and other projects (e.g., offshore wind and solar projects). For this procurement, current law requires EDCs to recover the agreement's net costs on a timely basis through a nonbypassable, fully reconciling component of electric rates for all electric customers, and credit customers for the agreement's net revenues through the same rate component.

Systems Benefits Charge (SBC) (§§ 16-23)

Current law requires PURA to (1) establish, and EDCs to collect, an SBC imposed on all customers and (2) hold a hearing as a contested case under the Uniform Administrative Procedures Act (UAPA) to set the SBC amount. The bill eliminates these requirements and requires programs currently funded through the SBC to be funded instead by the Green Bond Fund, including, among other things:

1. hardship protection measures (e.g., winter shutoff moratoria, matching payment programs, and payments to legal services organizations), energy assistance, fuel bank, and weatherization programs and services (CGS § 16-262c & -262d);

2. a residential furnace and boiler replacement program;

3. low-income discount rates; and

4. $2.1 million annual payments to Operation Fuel.

The bill correspondingly removes the SBC from provisions on net metering rates for customers with larger systems (§ 20) and required disclosures for electric suppliers (§ 23).

Conservation and Load Management (C&LM) Charge (§ 34)

Existing law establishes a process for EDCs, in consultation with gas companies, to submit a C&LM plan every three years to the Energy Efficiency Board, and ultimately DEEP, for approval. Services provided under the plan (e.g., energy conservation measures) must be available to all customers.

Current law requires PURA to ensure the plan is funded through fully reconciling conservation adjustment mechanisms (CAM) of (1) up to 6 mills per kilowatt-hour for electricity sold to each EDC customer and (2) up to 4.6 cents per hundred cubic feet for each gas company. The bill eliminates these CAM requirements and instead requires the Green Bond Fund to pay for C&LM plan costs.

Clean Energy Fund (CEF) (§ 35)

Current law requires PURA to assess a charge of at least one mill per kilowatt-hour for each end user of electric services in the state to be deposited in the CEF. The Green Bank administers the fund to support clean energy projects. The bill instead requires PURA, starting July 1, 2025, to deposit funds from the Green Bond Fund into the CEF in amounts PURA determines necessary for the CEF's operation.

Gross Earnings Tax (§ 29)

By law, EDCs pay a quarterly gross earnings tax of 6.8% for earnings from providing services to residential customers and 8.5% for earnings from providing services to all other customers.

As described above, the bill moves costs under the SBC, the C&LM charge, and the CEF charge to the Green Bond Fund. The bill correspondingly removes amounts collected for these charges from gross earnings for purposes of calculating the tax.

Municipal Utilities and Electric Cooperatives (§§ 22 & 27)

Under current law, any municipal utility that is created or expands its service territory after July 1, 1998, must collect the SBC, a three mills per kilowatt-hour CAM for the C&LM charge, and the CEF charge as PURA prescribes. Current law also establishes similar requirements for electric cooperatives formed after that date. The bill eliminates these requirements.

Exit Fees (§ 24)

Current law requires PURA to design a process to determine exit fees for customers who install self-generation facilities to offset any loss in revenues towards various electric rate components. The bill removes the

SBC, C&LM charge, and CEF charge from the revenue these fees must offset.

Comment

Sections removing the SBC (§ 16), C&LM charge (§ 34), and CEF charge (§ 35) from 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. Furthermore, authorizing the bond and funding the Green Bond fund may take longer than is contemplated in the bill, creating a gap or shortfall in funding for these programs.

§§ 30-32 — ADVANCED METERING INFRASTRUCTURE AND TIME-OF-USE RATES

Requires EDCs to plan to deploy advanced metering systems by January 1, 2027, and makes cost recovery contingent on compliance with customer education requirements; requires PURA to implement time-of-use rates for residential and commercial customers by October 1, 2026; requires EDCs, competitive suppliers, and aggregators to offer time-of-use pricing options to all customer classes by January 1, 2028

Advanced Metering Infrastructure

The bill requires each EDC to submit a plan to PURA to deploy an advanced metering system by January 1, 2026. The plan must outline an implementation schedule to fully deploy meters by January 1, 2027, and allow any customer to get a meter upon request after that date.

The bill requires EDCs to use their existing metering systems if these systems support net metering and can track hourly consumption to support proactive customer pricing signals through time-of-use (TOU) rates described below.

The bill requires EDCs pay for the advanced metering system and recover the cost in rates. An EDC may only recover these costs, though, if CEPA has certified the EDC has complied with customer education and engagement program requirements (see § 8), while current metering system costs must continue to be reflected in rates. Advanced metering system costs include costs for meters, support networks, software, and vendors, as well as administrative, installation, and operation and maintenance costs.

TOU Rate Application and Hearing

The bill requires EDCs to apply to PURA by July 1, 2026, to implement TOU rates for residential, commercial, and industrial customers. Under the bill, a TOU rate is an electric utility rate for a class of customer that is designed to reflect the utility's cost to provide electricity to the consumer at different times of day and create enough price elasticity to incentivize targeted electric load growth and system efficiency. The bill requires transmission and distribution TOU rates submitted by EDCs to:

1. provide for fixed rates across 24-hour cycles based on projected seasonal demand,

2. include on-peak rates that are at least 300% higher than off-peak rates for the period between 4:00 p.m. and 7:00 p.m. on weekdays,

3. based on revenue recovery for hourly kilowatt sales, and

4. not include any demand charge for any rate tariff.

The bill requires the EDCs' applications to propose establishing (1) TOU rates through an approved revenue recovery mechanism and (2) a monthly revenue reconciliation mechanism to recover or refund TOU revenue, as appropriate, through a subsequent billing reconciliation adjustment. The adjustment must adhere to an approved recovery mechanism that adds or deducts from the hourly TOU base rates.

The bill requires PURA to hold a hearing, conducted as a contested case under the UAPA, to approve, reject, or modify the EDCs' applications to implement TOU rates. The bill prohibits PURA from approving TOU rates unless:

1. the rates reasonably reflect the cost of service during their respective TOU periods;

2. CEPA has made an assessment or recommendations on the TOU rates (see § 4);

3. the associated costs, customer impact, and benefits to the utility system justify TOU rate implementation; and

4. the TOU rates change patterns of customer electricity consumption without undue adverse effects on the customer.

The bill requires PURA to consider standards (presumably, for TOU rates) after public notice and hearing and allows PURA to hold the hearing concurrently with other rate structure investigations. PURA must determine whether implementing these standards is appropriate (i.e. whether it would encourage energy conservation, optimal and efficient facility and resource use by EDCs, and equitable rates for consumers), taking into consideration evidence presented at the hearing.

TOU Rate Implementation

The bill requires PURA to implement TOU rates for residential and commercial customers by October 1, 2026. Under the bill, if PURA does not approve TOU rates by this date, the TOU rates CEPA submitted to PURA are deemed approved. (While the bill authorizes CEPA to mandate, develop, and recommend TOU rate tariff structures to PURA, it does not require or set any deadline for CEPA to do so. Existing law, unchanged by the bill, gives PURA authority over EDC rate setting (CGS § 16-19) and sets a process for appeals under the UAPA).

The bill requires EDCs, competitive suppliers, and aggregators to offer TOU pricing options, including hourly and real-time pricing options, to all customer classes by January 1, 2028.

§ 33 — ENERGY INFRASTRUCTURE TRANSITION FUND

Establishes the Energy Infrastructure Transition Fund and requires CEPA to administer it; establishes a 7 mill per kilowatt-hour charge on ratepayer bills to capitalize the fund and allows CEPA to pledge the funds as a security to obtain operating costs; requires EDCs to submit plans and requires CEPA to approve and fund projects in the plans (e.g., infrastructure for smart meters and electric vehicles and distribution system upgrades)

Fund Establishment and Purpose

The bill establishes the Energy Infrastructure Transition Fund and requires CEPA to administer it to support the following:

1. adoption of smart meter infrastructure and electric system billing upgrades,

2. electric vehicle infrastructure adoption,

3. distribution system and substation upgrades,

4. efforts to increase heating and cooling system electrification, and

5. behind-the-meter battery storage technology deployment.

The bill also allows CEPA to use the fund to pay its administrative and operational expenses.

Adjustment Mechanism and Financial Agreements

The bill requires EDCs to collect from its customers a seven mill per kilowatt-hour energy infrastructure transition adjustment mechanism to capitalize the fund. EDCs must remit the funds they collect monthly to CEPA for deposit in the fund.

The bill authorizes CEPA to enter into agreements for up to 20 years with financial institutions in which CEPA pledges the funds collected through the adjustment mechanism as a security to obtain operating capital through a financial instrument.

The bill requires CEPA to administer the funds in a way that offsets (1) designated infrastructure investments EDCs make and (2) the allowable investments they make under the fund that are approved for recovery through rates.

EDC Energy Infrastructure Transition Plan

The bill requires EDCs to submit an energy infrastructure transition plan to CEPA by December 1, 2025, and every three years after that, to implement smart metering programs and infrastructure upgrades, load settlement and billing system upgrades, distribution system updates, and load factor optimization investments. The bill requires the authorities (presumably, CEPA and PURA) to advise and help the EDCs develop the plan. The bill requires the plan to include a detailed budget sufficient to fund the programs in the plan, in whole, in part, or in increments.

Programs included in the plan may include, among other things:

1. advanced metering infrastructure to collect, store, and use hourly interval usage data on customer electricity consumption to procure, settle, and bill for TOU rates;

2. billing system upgrades that allow an EDC to incorporate TOU rates and accurately bill end-use customers on a monthly basis, if the EDC also publishes each customer's hourly usage and prices on an Internet application customers can access;

3. distribution system and substation infrastructure upgrades to improve or replace existing infrastructure to accommodate additional electric loads (from heat pump conversions, battery storage installations, and electric vehicle charging infrastructure), including performance metrics related to investments and load-growth metrics;

4. residential demand response solutions (e.g., smart inverter controls that allow the EDC to modulate solar facility output based on demand or smart thermostats, water heaters, or electric vehicle chargers that can shift or pause electricity usage to benefit customers based on TOU rates or to reduce electric system demand); and

5. electric vehicle fleet battery dispatch technologies that allow fleets to dispatch stored energy back into the electric grid during peak demand times.

Plan Approval and Payments

The bill requires the plan to be evaluated and selected within an integrated supply and demand planning framework developed by CEPA. The bill requires CEPA to approve, modify, or reject the plan in an uncontested proceeding that includes a public meeting.

Once CEPA approves an EDC's plan, CEPA must (1) help the EDC implement the plan and (2) disburse payments to the EDC in keeping with the plan within 60 days after approving it.

§§ 36-42 — SECURITIZATION OF STORM COSTS

Allows EDCs to recover storm costs, including through securitization, which is a financing method that converts a revenue stream into a marketable security

The bill authorizes the issuance of bonds backed by EDC revenues, using a process called securitization, to pay for EDC storm costs. The bonds are issued through the state but are not state bond obligations. The law initially authorized securitization under the 1998 restructuring law that required electric utilities to divest their generation. Under that law, securitization allowed electric companies to recover their stranded costs associated with restructuring. It allowed for the issuance of rate reduction bonds, backed by a charge on ratepayer bills (the competitive transition assessment (CTA)).

Under the bill, the issuance of rate reduction bonds for storm costs must follow procedures similar to those that applied to the issuance of bonds to pay off the utilities' stranded costs, as further explained below. Under current law, storm costs are typically recovered from ratepayers as part of a utility's distribution rates, determined in a rate case. The bill also makes minor, conforming, and technical changes.

Storm Costs Determination

The bill allows EDCs to apply to PURA for a financing order (authorizing the issuance of rate reduction bonds) with respect to incurred storm costs. Under the bill, storm costs are (1) an EDC's prudently incurred costs to prepare, restore and respond to storm damage that disrupts the electric system's normal operation, as determined by PURA through a contested case proceeding under the UAPA, and (2) all related fees, expenses, and transaction costs incurred to issue, service, retire, or refinance rate reduction bonds used to pay off storm costs.

The bill requires storm costs to be paid off with the proceeds of rate reduction bonds if PURA determines it serves customers' interests (e.g., if customers would experience lower overall costs compared to traditional recovery calculated over the same time period, or if this form of financing would mitigate impacts to their bills when compared to alternative financing methods or direct rate recovery for storm costs). PURA must issue a decision on the EDC's financing order application

within 60 days after receiving it.

Under the bill, PURA must hold a hearing, conducted as contested case under the UAPA, for each EDC to determine the portion of storm costs that may be funded through bond proceeds.

The bill requires PURA to calculate storm costs that may be collected through the CTA. The bill also requires EDC storm costs to be paid off with rate reduction bond proceeds and EDCs to recover rate reduction bond costs through the CTA without reduction, delay, or impairment. Costs include principle, interest, premium, and arrearages on the bonds.

The bill requires the amount of bonds that would otherwise be issued to be reduced to account for the net benefits of accumulated deferred income taxes related to amounts that will be recovered through issuing the bonds. Specifically, rate reduction bond amounts must be reduced by the net present value of the related tax cash flows using a discount rate equal to the expected interest rate on the rate reduction bonds.

CTA Determination and Use as Transition Property

The bill requires PURA to hold a contested case hearing under the UAPA to determine the CTA amount and impose the CTA on all EDC customers at a date PURA determines in a financing order.

The CTA must cover (1) the costs of issuing the new bonds as well as the costs of paying the bonds' principal and interest and any premium or credit enhancement and (2) storm costs that are not funded with rate reduction bond proceeds.

The CTA must be charged to customers until (1) the rate reduction bonds are paid in full by the financing entity (see below), including all principal, interest, premium, costs, and arrearages on the bonds, and (2) storm costs (and stranded costs, to the extent any remain) not funded with bond proceeds are fully recovered by the EDC.

By law, the right to receive the CTA used to cover the costs eligible for securitization is called "transition property," which belongs to the EDC. Under the bill, transition property for storm costs vests solely in

the applicable EDC immediately upon its creation (generally, when the financing order becomes effective). The EDC can sell this interest to a financing entity to be used as the basis of securitization bonds. Under current law, the financing entity is the state treasurer or an entity he designates to issue rate reduction bonds or acquire transition property. For storm costs, the bill allows PURA to designate a financing entity in a financing order.

Financing Orders and CTA Adjustments

The bill allows PURA to issue financing orders to facilitate the provision, recovery, financing, or refinancing of storm costs, as existing law allows for stranded costs. PURA can only adopt a financing order upon an EDC's application for one, and only after the EDC consents to all its terms.

Under current law, PURA's authority to issue financing orders for rate reduction bonds expired December 31, 2008. The bill eliminates the expiration date on PURA's authority. The bill also makes clear that previously expired authorizations have no effect on any other financing orders PURA issues.

By law, the financing order and the CTA are irrevocable. The bill specifies that transition property is also irrevocable as a property right. The law prohibits PURA from (1) revising the financing order, (2) revaluing the storm costs for ratemaking purposes, (3) determining that the CTA is unjust or unreasonable, or (4) doing anything to reduce the value of the transition property.

PURA must (1) adjust the CTA to allow timely recovery of all the storm costs it covers and (2) provide a timely process for doing so.

Rate Reduction Bonds and State Pledge

Rate reduction bonds are bonds, notes, or other financial instruments secured by transition property. The bill expands the type of costs rate reduction bond proceeds may cover to include storm costs. (But, existing law, unchanged by the bill, requires rate reduction bonds to have matured by December 31, 2011.) By law, bond proceeds must be

used for the purposes PURA approves in the financing order, including retiring or refinancing debt. Proceeds may not be used to buy generation assets, buy back stock, or pay operating costs (other than taxes on the proceeds). Current law also prohibits using proceeds to pay dividends to shareholders. Under the bill, this prohibition applies specifically to parent company shareholders.

By law, the bonds and the financing order are not state debt, and the bonds must say this on their face. They do not count towards the state's debt limits. They do not make the state or municipalities contingently liable.

By law, the state pledges with the bondholders and the owners of transition property that it will not alter the CTA, transition property, and financing orders, until its obligations have been met. The bill extends this pledge to rate reduction bond trustees. The parties involved in the securitization process are exempt from taxes on the relevant property or revenue. The bonds are treated for state income tax purposes as though a public body had issued them.

Existing law and the bill prohibit PURA from including the existing or newly authorized bonds as debt (1) in determining a utility's capital structure for ratemaking purposes, (2) in calculating its return on equity, or (3) in any way that would harm the utility for ratemaking purposes.

Comment

The bill authorizes securitization of storm costs through rate reduction bonds, but existing law, unchanged by the bill, requires these bonds to have matured by December 31, 2011. Without a conforming change to adjust the maturity date, it is unclear how storm costs could be securitized through this method.

§ 43 — SALES AND USE TAX EXEMPTION

Exempts electricity used at a commercial or industrial property from state sales and use tax

The bill exempts electricity used at a commercial or industrial property from state sales and use tax. By law, "commercial and industrial property" is generally real property used to:

1. sell goods or services (e.g., warehouses, distribution facilities, and retail services) or

2. produce or fabricate man-made goods from raw materials or compound parts.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable
Yea 45 Nay 6 (04/24/2025)