



# House of Representatives

General Assembly

**File No. 383**

February Session, 2026

House Bill No. 5337

*House of Representatives, April 2, 2026*

The Committee on Energy and Technology reported through REP. STEINBERG of the 136th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

## ***AN ACT CONCERNING DISTRICT HEATING SYSTEM INCENTIVES.***

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

1 Section 1. Section 16-258d of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2026*):

3 (a) As used in this section:

4 (1) "District heating system" means a thermal loop natural gas  
5 demand reduction system that is located in a designated area and is  
6 designed to capture an annual minimum of thirty million British  
7 thermal units of waste heat and transmits and distributes at least  
8 seventy-five per cent of such waste heat directly to the premises of end  
9 use customers that are located in such system's service area.

10 (2) "Gas company" has the same meaning as provided in section 16-  
11 1.

12 (b) After July 1, 2015, each gas company shall develop an incentive  
13 program for district heating systems for the purpose of reducing natural

14 gas demand in the state. As part of the conservation and load  
15 management plan, pursuant to section 16-245m, each gas company shall  
16 submit such program plan for approval to the Energy Conservation  
17 Management Board and the Department of Energy and Environmental  
18 Protection. Said board and department have discretion to jointly  
19 approve or disapprove such plan. Such program shall, on or after March  
20 1, 2016, but not after June 30, 2027, or after the implementation of the  
21 incentive program established pursuant to subsection (c) of this section,  
22 whichever is sooner, provide an incentive payment to end use  
23 customers who connect on or after March 1, 2016, to a district heating  
24 system for heating purposes. Such incentive payment shall be based on  
25 such customer's projected natural gas demand reduction for the period  
26 of time that such customer commits to utilize the services of such  
27 heating system. The projected natural gas demand reduction shall be  
28 based on such customer's weather-adjusted historical usage data from  
29 the previous three years. The amount of the incentive payment made to  
30 such end use customer shall not exceed the incentive payment made for  
31 equivalent natural gas demand reductions through the state's  
32 conservation and load management plan.

33 (c) Not later than July 1, 2027, the Commissioner of Energy and  
34 Environmental Protection shall, in consultation with the Energy  
35 Conservation Management Board, develop and implement an incentive  
36 program for end use customers who connect to a district heating system.  
37 Any incentive made available through the program shall be calculated  
38 based on the projected lifetime reduction in natural gas consumption  
39 attributable to the district heating system using cost-effectiveness  
40 methodologies that are consistent with the provisions of sections 16-  
41 245m to 16-245o, inclusive, and any regulations adopted pursuant to  
42 said sections.

43 [(c)] (d) An owner or operator of a district heating system may charge  
44 each end use customer a connection charge up to an amount equal to  
45 the incentive payment received by such end use customer.

46 [(d)] (e) The Public Utilities Regulatory Authority shall ensure that

47 the revenues required to fund such incentive payments made pursuant  
48 to this section are provided through a fully reconciling conservation  
49 adjustment mechanism, which shall not exceed more than nine million  
50 dollars in total for the program established under this section, provided  
51 (1) such revenues shall be in addition to the revenues authorized to fund  
52 the Conservation and Load Management Plan pursuant to section 16-  
53 245m, and (2) such revenues exceeding two million dollars required to  
54 fund such incentive payments shall be paid over a period of not less  
55 than two years. Such revenues shall only be collected from the gas  
56 customers of the company in whose service area such district heating  
57 system is located.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2026	16-258d

**ET**            *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

**OFA Fiscal Note**

**State Impact:**

Agency Affected	Fund-Effect	FY 27 \$	FY 28 \$
Department of Energy and Environmental Protection	CC&PUCF - Cost	177,290	127,290

Note: CC&PUCF=Consumer Counsel and Public Utility Control Fund

**Municipal Impact:** None

**Explanation**

The bill results in a cost to the Consumer Counsel and Public Utility Control Fund of \$177,290 in FY 27 and \$127,290 in FY 28, by requiring the Department of Energy and Environmental Protection (DEEP), to develop and implement an incentive program by July 1, 2027, for end use gas customers connected to a district heating system. The new incentive program would replace the existing program and update the methodology for calculating incentive payments.

The bill will result in a cost to DEEP associated with one additional Research Analyst position, with an annual salary of \$89,755 and associated fringe benefit costs of \$37,535. The new position will be responsible for cost-effectiveness testing and various approvals associated with the new program. Additionally, DEEP will require \$50,000 in FY 27, in consulting costs associated with the rollout of the new program.

**The Out Years**

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

**OLR Bill Analysis****HB 5337*****AN ACT CONCERNING DISTRICT HEATING SYSTEM INCENTIVES.*****SUMMARY**

This bill changes the way incentive payments are calculated for certain district heating systems. It does so by ending an existing program and replacing it with a similar program implemented by the Department of Energy and Environmental Protection (DEEP).

Current law requires gas companies to give an incentive payment to district heating system end users who connect to the system for heating on March 1, 2016, or later. The gas companies must do this as part of the Conservation and Load Management (C&LM) plan, as approved by the Energy Efficiency Board and DEEP. Current law requires incentives under this program to be calculated based on a customer's projected natural gas demand reduction for the period they commit to using heating system services. This projected reduction must be based on the customer's weather-adjusted historical usage data from the previous three years. Current law prohibits incentive payments made to any end use customer under this program from exceeding incentive payments made for other, equivalent natural gas demand reductions through the C&LM plan.

The bill requires DEEP, in consultation with the Energy Efficiency Board, to develop and implement an incentive program by July 1, 2027, for end use customers connected to a district heating system. The bill ends incentives under the current program, described above, when DEEP implements its program or June 30, 2027, whichever is sooner.

Under the bill, incentives under DEEP's program must be calculated based on the projected lifetime reduction in natural gas consumption that is due to the district heat system. To make this calculation, DEEP

must use cost-effectiveness methodologies that are consistent with laws on the C&LM plan, the Connecticut Green Bank, and electric supplier consumer protections, as well as related regulations. Of these laws, only the C&LM statutes directly address cost benefit screening (see BACKGROUND).

The bill retains certain provisions that apply to the incentive under current law and applies them to DEEP's incentive under the bill. For both incentives, a district heating system owner or operator may charge end use customers a connection charge in an amount up to the incentive amount received by the customer. Funding for both incentives is provided through a fully reconciling conservation adjustment mechanism on gas customer bills for the gas company where the district heating system is located. For both incentives, this funding is capped at \$9 million in total for the programs and is in addition to revenues authorized to fund the C&LM plan generally (see BACKGROUND). Any revenue over \$2 million needed to fund the programs must be paid over a period of at least two years.

Under current law and the bill, a district heating system is a thermal loop natural gas demand reduction system designed to (1) capture at least 30 million British thermal units (BTUs) of waste heat and (2) distribute at least 75% of the waste heat to end users located in the system's service area.

EFFECTIVE DATE: October 1, 2026

## **BACKGROUND**

### ***C&LM Plan Requirements and Funding***

By law, electric distribution companies, in coordination with gas companies, must submit a combined electric and gas C&LM plan to the Energy Efficiency Board and the DEEP commissioner for approval. The plan's purpose is to implement cost-effective energy conservation programs, demand management, and market transformation initiatives. The law requires programs included in the plan to be screened through cost-effectiveness testing that compares the value and payback period

of program benefits for all energy savings to program costs to ensure programs are designed to obtain energy savings and system benefits that exceed project costs. If a program fails the cost-benefit test, it generally must be changed or terminated.

By law, the C&LM plan is funded, in part, through a fully reconciling conservation adjustment mechanism for each gas company of up to 4.6 cents per hundred cubic feet (CGS § 16-245m).

**COMMITTEE ACTION**

Energy and Technology Committee

Joint Favorable

Yea 18    Nay 8    (03/17/2026)