



General Assembly

February Session, 2026

***Raised Bill No. 5337***

LCO No. 1916



Referred to Committee on ENERGY AND TECHNOLOGY

Introduced by:  
(ET)

***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 Section 16-258d of the general statutes is repealed and the  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	<i>October 1, 2026</i>	16-258d

**ET**      *Joint Favorable*