

Connecticut Begins Implementing Comprehensive Energy Strategy

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With the signing of Public Act 13-298 (an Act Concerning Implementation of Connecticut's Comprehensive Energy Strategy) and Public Act 13-303 (an Act Concerning Connecticut's Clean Energy Goals) last week, Governor Malloy kick-started the implementation of Connecticut's Comprehensive Energy Strategy which he had announced less than a year before. Immediately after the Governor signed these bills into law, the Connecticut Department of Energy and Environmental Protection ("DEEP") launched bold new initiatives to begin to implement this strategy.

Key Elements of the Acts

Taken together, the two acts form a broad sweeping program that impacts nearly every facet of Connecticut's energy policy. First and foremost, the Acts clarify the respective roles of DEEP and the Public Utilities Regulatory Authority ("PURA"). PURA was created two years ago pursuant to Public Act 11-80, and was the successor agency to the Connecticut Department of Public Utility Control ("DPUC"). In changing from DPUC to PURA, the roles and responsibilities of both DEEP and PURA were never clearly defined. The Acts correct this oversight to a degree by more clearly making PURA an independent agency responsible for making decisions that may affect Connecticut's ratepayers. DEEP can be a participant in PURA proceedings, however DEEP does not necessarily control those proceedings. The Acts also make clear, however, that as PURA reaches its decisions, it must be guided by the Comprehensive Energy Strategy, the Integrated Resource Plan, and the Conservation and Load Management Plan. These three documents, which are developed largely by DEEP, are the guideposts for PURA's ratemaking decisions.

One of the other key components of the recent legislation is that it allows for the development of a formal mechanism so that electric and gas companies can "decouple" conservation efforts from their ordinary ratemaking processes. Currently electric and gas companies are responsible for promoting and implementing conservation measures, however the implementation of such measures necessarily hurts the companies' bottom line, since the more companies foster conservation, they less of their products they sell. Decoupling has been used in other jurisdictions to recognize that electric and gas companies are entitled to a reasonable rate of return if they are called upon to implement conservation measures. The companies are expected to present their decoupling measures to PURA for subsequent approval.

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The Acts also respond to recent calls for infrastructure hardening in the wake of Hurricane Irene and Storm Sandy. One way that the Act seeks to accomplish this is by establishing a microgrid grant and loan pilot program and allowing for municipalities to develop microgrids that will cross public rights of way. These microgrids will be separate from the regular electric grid and will be dispatched in times when storms disrupt ordinary power circuits. These separate grids will have a power source, such as a small turbine and will be capable of powering a few key municipal buildings, plus a gas station and/or supermarket. In addition, the utilities' ability to trim trees within certain radiuses of power and telephone wires is expanded under recent legislation.

A key component of the Comprehensive Energy Strategy is to increase the availability of natural gas to customers who want it. The recent legislation seeks to expand natural gas systems throughout the state by increasing the amount of time gas companies can use to recoup the costs associated with such expansions. It also provides potential users of natural gas with incentives to switch from other forms of fuel to natural gas and allows for on-bill financing for the costs associated with such switching, such as the conversion of furnaces.

Promotion of Renewable Energy

The recent legislation places a heavy emphasis on the promotion of renewable energy by providing several incentives to the development of renewable energy. The Acts expand virtual net metering for Class I renewable resources, so that a source of renewable energy can be geographically separate from the load that that renewable energy will service. In addition, facilities that are powered by Class I renewable resources or combined heat and power systems will be eligible for submetering. By allowing for such submetering, building owners will be able to directly charge their tenants for the amount of energy used, without having to seek prior approval from PURA to do so. In addition, residential energy efficiency projects and renewable energy projects will now be able to be financed directly through a rate payer's utility bill, thus allowing for greater expansion for both of those programs.

During the legislative session, one of the biggest debates with respect to renewable power was the recognition of larger-scale hydropower as a Class I renewable resource in Connecticut. Existing dams will now be allowed to count as Class I resources provided they are no larger than 30 megawatts of capacity. In addition, large scale commercial hydro power, such as the power being generated in Canada, will be permitted as a Class I resource in Connecticut if the electric companies have a shortage of other Class I renewables and are unable to meet the state's renewable portfolio standards. Given the fact that the recent legislation also limits the use of biomass facilities towards achieving those standards, this scenario may be a likely one going forward.

Solicitation for Proposals for New Class I Resources

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The Acts also allow the DEEP Commissioner to procure additional Class I renewable resources of up to 4 percent of the total power needs of the electric utilities. Wasting no time after the signing of the Acts, DEEP announced on July 8 that it would solicit up to 174 megawatts of Class I renewable energy in the state this year. The request for proposal will involve power purchase agreements that will last up to 20 years and be subject to PURA approval.

Projects wishing to participate in this process must be registered with the DEEP prior to the deadline and project developers will have the opportunity to submit questions on the bid process until July 22. DEEP will answer all bidder questions by July 29, and will accept proposals up until August 5, 2013. DEEP will select those proposals based largely on the cost of the electricity being generated, however, other considerations to be taken into account. More information can be obtained at www.ct.gov/deep.

The close of the recent legislative session shows that Connecticut is moving forward with a 21st century energy strategy, and is doing so at a rapid pace. Developers of energy and renewable energy projects as well as significant consumers of energy would do well to continue to look to DEEP for updates on energy policies.

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