



## CONNECTICUT - 2018

Governor Malloy adjourned the 2018 Legislative Session with a speech, in which, he reiterated his energy manifesto, “I said, we would better prepare our state for the effects of climate change, and together, we did it. Continuing to make our energy cheaper, cleaner, and more efficient.”

The attached is a summary of SB9 – An Act Concerning Connecticut’s Energy Future. This bill combined with SB7 – An Act Concerning Climate Change Planning and Resiliency are the required re-write of CT’s Comprehensive Energy Strategy.

These bills comprise the Governor’s energy package, and we worked throughout the session with legislative leaders and the administration to outline and rework the numerous components to enhance the final product.

The Governor applauded the passage of the bills, and signed them into law. SB9 passed the Senate by a 29-3 vote, and the House by a 100 -45 vote. SB7 passed the Senate by a 34-2 vote, and the House by a vote of 142-8.

### **Senate Bill 7 Summary**

#### **Senate Bill 7, "AN ACT CONCERNING CLIMATE CHANGE PLANNING AND RESILIENCY"**

##### **Eversource Summary 05.10.2018**

##### **1. Greenhouse Gas (GHG) Emissions**

Existing law, unchanged by the bill, requires the state to reduce its GHG emissions to a level that is at least (i) 10% below 1990's emission level by January 1, 2020 and (ii) 80% below 2001's emissions level by January 1, 2050.

The bill also requires the state to reduce its GHG emissions to a level that is at least 45% below 2001's emissions level by January 1, 2030. Consistent with existing law, DEEP's commissioner determines this level.

It also integrates GHG reductions into various state planning documents and efforts, such as the state's Integrated Resources Plan. (See discussion below.)

## 2. Integrated Resources Plan (IRP)

By law, DEEP, in consultation with electric companies, must review the state's energy and capacity resource assessment and approve a comprehensive plan for procuring energy resources in the IRP. Among other things, the IRP must be consistent with the state's environmental goals and standards. The bill specifies that this includes the state's updated GHG reduction goals. Current law requires the IRP to seek to lower the cost of electricity. Under the bill, it must do so while meeting environmental goals and standards in the most cost-efficient manner.

## 3. Comprehensive Energy Strategy

### a. New CES Every 4 Years

Under current law, the DEEP commissioner prepares and updates the state's Comprehensive Energy Strategy (CES) to assess and plan for the state's energy needs, including electricity, heating, cooling, and transportation. The bill requires the next CES to be (i) prepared by October 1, 2020 and (ii) updated then every four years. By law, the CES is currently updated triennially.

### b. GHG Emission Reductions & Energy Efficiency

It adds text stating that the CES must provide an analysis and recommendations necessary to guide the state's energy policy to meet GHG emission reduction requirements in the most cost-effective manner. It also adds a requirement that the CES shall include a strategy for ensuring the state's energy efficiency goals are met.

### c. Treatment of Natural Gas Expansion in the CES

The bill also preserved the existing requirement in the CES statute (Conn. Gen. Stat. § 16a-3d) that the CES must include an analysis of “the benefits, costs, obstacles and solutions related to the expansion and use and availability of natural gas in Connecticut”.

However, despite substantial opposition from Eversource, the bill removed the existing text in § 16a-3d which stated that if DEEP “finds that such [natural gas] expansion is in the public interest, it shall develop a plan [in the CES] to increase the use and availability of natural gas”.

This does not delete DEEP's existing authority to conduct an RFP for natural gas capacity, which is in a separate statute (see Conn. Gen. Stat. § 16a-3j(d)).<sup>[1]</sup> Nor does it delete DEEP's and PURA's existing authority to have electric ratepayers pay for expanded gas capacity through contracts, which is in a separate statute (see Conn. Gen. Stat. § 16a-3j (g)). Instead, what it means is that – if DEEP concludes in the next CES that natural gas expansion is in the public interest – then DEEP is not required to include in the next CES a strategy by DEEP to increase the use of natural gas.

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<sup>[1]</sup> Conn. Gen. Stat. Ann. § 16a-3j(d) states “In any solicitation for natural gas resources issued pursuant to this subsection, the commissioner shall seek proposals for (1) interstate natural gas transportation capacity, (2) liquefied natural gas, (3) liquefied natural gas storage, and (4) natural gas storage, or a combination of any such resources, provided such proposals provide incremental capacity, gas, or storage that has a firm delivery capability to transport natural gas to natural gas-fired generating facilities located in the control area of the regional independent system operator. Proposals under this subsection shall not have a contract term exceeding a period of twenty years.”

#### 4. State Plan of Conservation and Development

The bill requires revisions to the state plan of conservation and development, made after October 1, 2019, to consider the GHG emission reduction requirements.

#### 5. Sea Level Change Projections

It integrates sea level change projections, determined by UConn's Marine Sciences Division as an update of existing federal projections, into various municipal and state planning documents, such as state and municipal plans of conservation and development and municipal evacuation or hazard mitigation plans. It applies these projections to the state's coastal management and flood management laws.

### **Senate Bill 9 Summary**

#### **Senate Bill 9, "AN ACT CONCERNING CONNECTICUT'S ENERGY FUTURE"**

**Eversource Summary 05.10.2018**

#### **Net Metering & DG Procurement:**

##### 1. Programs Being Phased Out:

The distributed generation provisions in Section 7 of the bill replace and/or reform the following provisions: net metering, virtual net metering, "LREC/ZREC" (REC purchase program for non-residential customers) and "SHREC" (REC purchase program for residential customers). Previously, LREC/ZREC and SHREC had been coupled with net metering so that customers would receive dual subsidies. The bill does extend LREC/ZREC for one additional year to bridge to the new tariff. This section also adds a 25 MW per-year procurement for shared clean energy under rules to be developed by DEEP.

##### 2. New Structure:

The new structure will allow customers to choose between a "buy-all, sell-all" structure and a reformed net metering structure. The reformed structure will be selected by PURA between: i) real-time net metering; ii) daily-settled net metering; or iii) net metering over an interval within a day. The utilities will purchase energy sent to the grid by the renewable projects, and the projects' RECs transfer to the utilities as part of the purchase obligation. It is not yet clear whether there will be separate payments for energy and RECs, or whether the utilities simply receive the right to RECs as part of the purchase of energy. That determination was left to PURA. PURA will also consider whether and how to incorporate time-of-use rates, dynamic pricing, and incentives for storage and projects located in areas favorable for the distribution system. The PURA process is expected to be complex and acrimonious on many fronts.

2a. Non-residential: Tariff pricing to be determined by competitive procurements conducted by the utilities. The utilities will develop a "procurement plan" that establishes the rules of procurement. It is the intent of the utilities to develop program rules that allow for all customer payments to be processed through their billing systems to avoid the manual processing associated with LREC/ZREC.

2b. Residential: Tariff pricing to be set by PURA based on either: i) the results of the competitive procurements for non-residential (presumably priced at a percentage above the

average competitive price); or, ii) the expected cost of a residential system plus a reasonable rate of return amortized over time (like a 20-year projected cost-of-service converted to a cents/kWh tariff rate).

### 3. Program and project caps:

Annual statewide procurement cap (excluding residential) of 85 MW; split 50 MW behind-the-meter zero emissions (mainly solar), 10 MW behind-the-meter low emissions (fuel cells) and 25 MW of shared clean energy. Residential is uncapped. UI's share of these numbers is about 20% with Eversource taking on the remaining 80% of obligations.

### 4. Shared clean energy:

The 25 MW/year of shared clean energy will be procured under program rules to be developed by DEEP. The subscribers under the program are limited to low and moderate income customers, small business, commercial customers, state or municipal customers and residential customers who can demonstrate that they are not eligible for the other new programs. There are minimum requirements and procurement preferences for projects contracting with low-income customers and serving environmental justice communities.

### **Renewable Portfolio Standard (RPS):**

In Section 1 of the bill, CT's Class I RPS is expanded from 20% by 2020 to 40% by 2030. This could provide a boost for Eversource Renewables' investment opportunities in the region, particularly when coupled with the procurement authority that DEEP retains for Class I renewables under existing law. The bill also reduces the alternate compliance payment (ACP) for load serving entities that fail to meet the RPS from 5.5 cents/kWh to 4 cents/kWh.

### **Other Class I Renewable Changes:**

The bill includes some changes that were made to induce support by various legislators around the state. First, the bill adds authority for DEEP to procure energy and RECs from fuel cells under long-term contracts in a quantity up to 2% of the utilities' distribution load (~65-70 MW of fuel cells projects). The utilities could be directed to enter into contracts up to 20 years. This may affect the currently active DEEP procurement for fuel cells, offshore wind and anaerobic digesters.

The bill also allows run-of-river hydro with new FERC certificates as of 1/1/18 to qualify as Class I renewables, but limits the use of such hydro RECs to 1% of load for RPS compliance. This section seems to have been added for the owners of small hydro projects in CT, and possibly for Brookfield, which owns significant hydro in NY and Maine.

### **Energy Efficiency:**

#### 1. No Competitive RFPs for EDC's Share of C&LM Funds.

Eversource Governmental Affairs was successful in their effort to remove from the original version of the bill a requirement that would have opened-up the EDC-controlled C&LM funds collected

in the C&LM charge and the conservation adjustment mechanism (CAM) to competition from the Green Bank and third parties via competitive RFPs. As a result, the competitive RFP language was removed from the final version of this bill.

## 2. The Green Bank.

Section 10 of the bill contains new text that is intended to protect the Green Bank's existing funds from legislative raids in the future. Some internal questions were raised about whether or not this new text in Section 10 provides the Green Bank with a "blank check" on future expenditures. In response to this question, Eversource received the following feedback: (i) legislative leadership at the E&T Committee informed Eversource that their intent was not to provide additional funds to the Green Bank – instead they only sought to protect the Green Bank's existing funds; (ii) the bill does not explicitly authorize the Green Bank to collect additional funds from Eversource or UI ratepayers; and (iii) the text in a prior version of this bill that had allowed the Green Bank to collect 2 mills from ratepayers (which would have been a 1 mill increase over current rates) was deleted from the bill. Although we prepared a Q&A on this topic for the legislators to include in their legislative history during debate on this bill, they did not have time to raise our Q&A.

## 3. Other C&LM Changes.

Section 9 of the bill made several changes to the C&LM plan. The significant changes are:

First, it added "demand management" to the list of goals and programs under the C&LM plan.

Second, it added text that EDCs cannot deny providing benefits and services under the C&LM plan to their customers "based on the fuel such customer uses to heat such customer's home."

Third, it added a new sentence that states, "Electric distribution companies shall collect a conservation adjustment mechanism that ensures the [C&LM] plan is fully funded by collecting an amount that is not more than the sum of six mills per kilowatt hour of electricity sold to each end use customer of an electric distribution company during the three years of any Conservation and Load Management Plan".

Fourth, it added text stating that an additional goal of the C&LM plan is to reduce energy consumption by 1.6 million MMBtu, or the equivalent megawatts of electricity, annually each year for 2020 through 2025.

Finally, it re-labeled the CL&M "budget" as the C&LM "plan", which is a naming change that was made throughout other statutes where that term is used.

### **Plainfield Biomass Renewable Project:**

Section 3 of the bill requires CL&P to file with PURA by July 1, 2018 a power purchase agreement for the remaining 7.5 MWs of the output of the Plainfield biomass project that is not currently under contract. The contract must be for 10 years, and at a price not to exceed nine cents per kilowatt hour for energy and renewable energy certificates. The cost of the PPA is recoverable in the non-bypassable FMCC charge from all customers.

### **Disposition of RECs:**

Section 2 of the bill states that PURA should establish procedures for the disposition of RECs procured under Section 7 of this bill. This procedure can include selling the RECs (our current practice) or retiring them and reducing the RPS requirement a corresponding amount.

### **Connecticut's State Budget:**

Connecticut's 2018 Legislative Session concluded on May 9<sup>th</sup> with a late push to compromise on the mid-term budget agreement negotiated by both Democrat and Republican leaders.

As in 2017, Governor Malloy was largely excluded from these budget negotiations. Following one of the quickest debates in each chamber, the General Assembly overwhelmingly passed a \$20.86 billion mid-term budget that had funding add-backs and adjustments that both parties had been seeking since the biennial budget was adopted in October 2017. What really made this budget modification possible was an obscure federal law requiring hedge funds to return money held overseas by December 31, 2017. And that law boosted Connecticut's revenues by several hundred million dollars.

Below is a summary of the 2018 budget:

- Places \$1.1 billion in the Rainy-Day Fund (an increase of \$900 million dollars);
- Increases municipal aid by approximately \$90 million, including fully funding the Education Cost Sharing Formula ("ECS");
- Fully funds the Medicare Savings Program ("MSP") that impacts 170,000 older residents (reversing a cut included in the 2017 budget);
- Restores Medicaid coverage to 13,000 low income adults;
- Funds a 1% cost-of-living adjustment for nonprofit service workers for the developmentally disabled;
- Provides increases in funding in the Judicial Department to pay salaries of new judges;
- Restores funding for magnet schools and increases funding for vocational agriculture grants;
- Increases the Municipal Property tax cap from 39 mills to 45 mills; and
- Increases funding to the Special Transportation Fund ("STF") to eliminate scheduled rail and bus fare increases and service reductions and delays in capital projects.

The 2018 session took place in the shadow of the November elections. Connecticut will have a new Governor and control of both chambers hangs in the balance. Largely for that reason, 2018 is noteworthy for the bills that did not pass rather than for any that did. Legislation to increase the minimum wage and legislation to create paid family and medical leave failed, even though they were priorities for organized labor. Legislation to reinstate tolls to fund transportation infrastructure, to permit recreational marijuana, and Tesla's direct sales of motor vehicles also did not pass. The failure of all three shows how hard it is to bring change, for better or worse, to Connecticut.

The Republicans and Democrats held their respective conventions and both will have a primary in August for Governor. While the Governor's race will be competitive, we do know that the General Assembly will look different next session. Seven of the 36-member State Senate are not seeking reelection. In the House, 15 of the 151 representatives are not seeking reelection. Both parties argue that they will pick up seats in the fall. The Democrats, who hold a nine seat lead in the House and are tied in the Senate, believe the 2018 election.

The Republicans, believe that the election will be a referendum on the eight years of the Malloy Administration. During those eight years, the number of Republicans in the House grew from 37 to a peak of 72 and the number of Republicans in the Senate went from 12 to 18. The common theme during that time was fiscal distress, a theme that remains prominent today.

Outside the Budget – Connecticut utilities were again successful in including full cost recovery language for our shareholders and some movement away from net metering enabling PURA to pursue true cost transparency regarding renewables going forward.

Our government affairs teams were also successful in defeating an attack upon existing PURA/DEEP authority to rate base gas expansion in electric rates. This short-sighted attempt to remove this rate payers cost saving apparatus was forwarded by environment advocate who oppose all gas expansion efforts and it died in the energy committee.

## **Other Issues**



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