

**OFFICE OF FISCAL ANALYSIS**

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<http://www.cga.ct.gov/ofa>**EMERGENCY CERTIFICATION**

SB-1243

AN ACT CONCERNING THE ESTABLISHMENT OF THE DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION AND PLANNING FOR CONNECTICUT'S ENERGY FUTURE.

**OFA Fiscal Note****State Impact:** See Below**Municipal Impact:** See Below**Explanation**

Sections 1, 3-5 consolidate the Department of Environmental Protection (DEP), the Department of Public Utility Control (DPUC), and various energy related responsibilities, powers and staff from the Office of Policy and Management (OPM) into the new Department of Energy and Environmental Protection (DEEP).

The table below illustrates the consolidation of DEEP.

| <b>Department of Energy and Environmental Protection</b> |                  |                    |                   |                      |
|--|------------------|--------------------|-------------------|----------------------|
| Agency From  | Fund             | FY 12 (\$)         | FY 13 (\$)        | FY 12 & 13 Positions |
| DEP  | General Fund     | 78,295,740         | 76,206,621        | 729                  |
| DPUC   | CC & PUC         | 21,615,788         | 21,273,613        | 115                  |
| OPM  | CC & PUC         | 1,779,319          | 1,723,998         | 10                   |
| <b>DEEP - TOTAL</b>                                      | <b>ALL FUNDS</b> | <b>101,690,847</b> | <b>99,204,232</b> | <b>854</b>           |

PA 11-6 (the biennial budget) assumes no savings in FY 12 and FY 13 related to these consolidations. Instead, three additional positions are established in DEEP with a cost of \$276,120 in FY 12 and \$272,735 in FY 13. These positions and funding are included in the above table in the OPM transfer.

The bill requires DEEP to include a procurement manager whose duties include overseeing the procurement of electricity for standard service. It is anticipated that this provision will cost approximately \$160,000 annually for salary and fringe benefits, beginning in FY 12.

**Section 30** specifies that the regulated utility assessment will cover DEEP's bureau of energy, the Office of the Consumer Counsel, the Public Utilities Regulatory Authority, and any other work regarding consumer protection and advocacy. Funding for the environmental protection divisions will be provided by the General Fund, as is current law.

**Section 37** caps the expenditures of the Connecticut Energy Advisory Board (CEAB) at \$1.5 million annually. Funding for the CEAB is provided by the systems benefit charge, which is a surcharge on all electric utility bills.

**Section 44, 46-47, 52-53** transfers the responsibilities of OPM's energy unit to DEEP. Funding of \$1,779,319 and 10 positions is transferred in FY 12 and \$1,723,998 and 10 positions in FY 13 from OPM to DEEP.

**Section 49** re-establishes the Fuel Oil Conservation Board but does not specify the funding of this Board.

**Section 89 and 90** requires DEEP to develop an integrated resources plan (IRP). All costs associated with the development of the IRP will be recovered through the assessment made on utility companies.

**Section 91-92** authorizes the Connecticut Municipal Electric Energy Cooperative (CMEEC) to submit bids to provide standard service power. Should this result in reduced customer charges, potential savings to certain municipalities and/or the state may result to the extent that they purchase electricity via the cooperative.

**Section 95** requires utilities to; 1) provide municipalities with certain information regarding any construction cuts made on public highways, and 2) share responsibility with any contractors for repairs to such road cuts for a period of one year. To the extent that the bill precludes a municipality from incurring expenses for certain road repairs, a corresponding cost avoidance would result. The magnitude of potentially averted costs would vary directly with the scope of the repairs.

It should be noted that under current law (CGS Section 16-229) a municipality may require that a public service company obtain a permit prior to opening or making any excavations in a public highway. A municipality may set forth reasonable terms and conditions that must be adhered to by the applicant when granting a permit. Additionally, CGS Section 16-230 requires the company to either file a bond, or otherwise prove financial ability to pay, to accommodate any damages resulting from negligent work.

**Section 99** renames the Renewable Energy Fund as the Clean Energy Fund (CEF) and places it in the Clean Energy Finance and Investment Authority, a newly created quasi-public agency. Funding for the CEF currently includes the 0.3 cent per kilowatt-hour charge on electric bills (approximately \$30 million annually) and, starting July 1, 2011, any funds raised through the regional greenhouse gas initiative (RGGI).

On a three-year average, RGGI auction revenues are approximately \$16.5 million. Of the current revenue distribution schedule; (1) 7.5%, or \$1,237,000 on average, is retained by the current Department of Environmental Protection for climate-related adaptation programs and RGGI administration, (2) up to 23%, or \$3,795,000 on average is distributed to the CEF for clean energy programs, and (3) a minimum of 69.5%, or \$11,467,500 on average is distributed to CL&P, UI and CMEEC for energy efficiency.

**Section 100** allows municipalities to issue bonds or use other funding sources to finance sustainable energy improvements to qualifying real property, and to levy special assessments against the property after the improvements are made. The assessment is collected as part of the property owner's regular property tax bill and is secured by a lien on the property. There will be a cost to municipalities that choose to issue bonds for this purpose which will be partially or completely offset by the amount collected from the special assessment

levied against the property. There will also be an increase to the municipality's tax base (Grand List) to the extent that the energy improvements result in increased property values.

**Section 103** requires the Clean Energy Finance Authority to establish a pilot program to provide financial incentives for installing combined heat and power (CHP) systems and to establish an anaerobic digester pilot program. The authority must allocate \$2 million for each program annually from the CEF.

**Section 106 and 109** establish several solar programs. Funding for these programs is available from one-third of funds collected for the CEF, which receives approximately \$30 million annually. The funding level for the solar programs is estimated to be \$10 million.

**Section 107, 108, 110** requires DEEP to review and approve zero and low emission generating program procurement plans. It allows DEEP to retain an independent consultant. DEEP's administrative costs in reviewing the procurement plan and the costs associated with the consultant must be recovered through a reconciling component of electric rates as determined by DEEP. The electric companies are entitled to recover reasonable costs of complying with its approved solar procurement plan through the same type of mechanism. These provisions will result in an increased potential cost to all ratepayers.

**Section 111** allows the CT Clean Energy Fund (CCEF) to establish a program to provide grants to residential condominium associations and owners to buy renewable energy resources. The CCEF receives approximately \$30 million annually and any additional requirements will decrease the funding available for other programs.

**Section 112** requires DEEP to establish a low-income discount rate for specified customers. The funding for this program must come from funds made available through the termination or modification of other programs. However, if the funds needed exceed those available, this provision could result in an impact to all ratepayers.

**Section 115** makes DEEP the lead state agency for federal weatherization programs. Currently, the Department of Social Services administers this program. It is presumed that the federal programmatic and administrative funding for weatherization would be transferred. As this is a fully federally funded program, there is no fiscal impact to the state.

**Section 118** requires each state agency to develop a plan to reduce its energy use by at least 10%. It is anticipated that some agencies may incur costs in developing this plan.

**Section 120** results in a cost to both the state and municipalities as ratepayers. It requires that gas or electric service can not be terminated for specified customers under certain conditions.

**Section 123** permits state agencies and municipalities to enter into an energy performance contracts with private vendors. This could result in long-term savings after the contract is paid off if the energy efficiency improvements would not otherwise have been made.

Contracts to perform capital improvements are generally paid through multi-year agreements that are structured like a lease. It is expected that; (1) the state payments would be made from the agency's operating budget, and (2) the contractor would finance the cost of the improvements through a bank loan at prevailing commercial market rates. It should be noted that such contracts are a more expensive option when compared to the General Fund cost of issuing General Obligation (GO) bonds to finance the energy efficiency improvements themselves. This is because the state can issue GO bonds at a lower interest rate than the rates available to the private contractors in the commercial market.

It is anticipated that any costs incurred by DEEP for administrative support provided to state agencies or municipalities will be recouped from the fees DEEP is authorized to establish pursuant to the bill.

**Section 127** allows electric companies to build, own, and operate renewable energy electric generating facilities. The cost of these facilities is anticipated to be significant and funding for these facilities is not defined in the bill.

**Section 134** establishes a task force to study power plant safety. Agencies would incur minimal costs, estimated to be less than \$5,000, associated with mileage reimbursement of 51 cents per mile for legislators and agency staff (who seek such reimbursement) participating on the task force.

**Section 2, 6-29, 31-36, 38-43, 45, 48-88, 93, 94, 96-98, 101, 102, 104, 105, 113, 114, 116, 117, 119, 121, 124-126, 128-133, 135-140** make conforming changes or add provisions which do not result in a fiscal impact.

### ***The Out Years***

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

*The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does 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.*