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THE CHAIR:

Mr. Majority Leader.

SEN. LOONEY:

Yes, thank you, Mr. President. For purposes of information, it's our intention to take up the two items, two emergency certified bills that appear on Senate Agenda No. 1. And after action on those items, it is our intention then to have a recess for an additional caucus and then to consider the bonding bills, which will be the subject of the remainder of today's session.

So, Mr. President, would move that we take up off Senate Agenda No. 1, Emergency Certified Bill, H.B. 7501, An Act Concerning Energy Independence.

THE CHAIR:

Mr. Clerk.

THE CLERK:

Calling from Senate Agenda No. 1, Emergency Certified Bill 7501, An Act Concerning Energy Independence. The bill is accompanied by Emergency Certified signed by James A. Amann, Speaker of the House of Representatives, Donald E. Williams, Jr., President Pro Tempore of the Senate.

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THE CHAIR:

Senator Fonfara.

SEN. FONFARA:

Thank you, Mr. President, and good afternoon.

Mr. President, I move for acceptance of the Emergency
Certified Bill.

THE CHAIR:

On acceptance and passage--

SEN. FONFARA:

And passage.

THE CHAIR:

Will you remark? Senator Fonfara.

SEN. FONFARA:

Thank you. Thank you, Mr. President.

THE CHAIR:

It's been a few weeks, Senator Fonfara. It's all
right.

SEN. FONFARA:

Thank you, Sir.

THE CHAIR:

Please proceed.

SEN. FONFARA:

Mr. President, in 1998, the General Assembly

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deregulated the electric industry in Connecticut. And at that time, expectations were high that what were considered to be high energy costs would be lower in the out years. Unfortunately, that hasn't happened, Mr. President. In fact, if anything, rates are significantly higher.

The expectation was that by now the private generation market would be flourishing, that customers small and large, commercial and even residential, would have several companies to choose from to buy their power. Some might be cheaper. Some would be cleaner. It would be good for our economy, our environment, and our individual pocketbooks.

To date, it hasn't been so far that any of those things have happened. In most cases, it's worse. What's gone wrong?

The first wave of new generation resulted in an overbuild of power plants, and with the central planning process gone, the free hand of market replacing it. However, there was a, and the overbuild has scared the financial institutions, the lending institutions, they're no longer willing to provide

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lending, even though we are short of power generation in Connecticut.

And the market for new generation has essentially collapsed. This is costing consumers considerably at this point. The inability of new plants to come online and increasing electric demand is forcing regulators to pay extra to inefficient and costly plants that continue to operate.

In addition, federal and regional regulators are requiring cost, the costs of generation and transmission inefficiencies to be borne to a greater degree by the states and localities where the problems lie.

Since Connecticut in general, and southwestern Connecticut specifically, are deficient in both generation capacity and transmission capability, regulators have increased our rates to force us to respond.

And in fact, in January of 2006, regulators are expected to raise our rates substantially to encourage new generation in southwestern Connecticut and throughout the rest of the state.

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This increase is projected by our Attorney General, by the DPUC Chairman, and by the Office of Consumer Counsel to be approximately \$4 billion over the next five years.

Without affirmative action on our part, the economy and individual ratepayers will be negatively impacted. H.B. 6906, An Act Concerning Energy Independence, well, now Emergency Certified Bill, is our answer to the broken deregulated generation market.

Federal regional regulators are deciding to use the stick approach to fix our energy problems. This bill uses a carrot to reduce, if not eliminate, entirely the high charges placed on us by regulators.

We use several mechanisms to do this, Mr. President. First, we provide monetary incentives to customers, primarily commercial industrial users, to install onsite generation capability. This is known as distributive generation.

This will likely be in the form of a fuel cell or a microturban. They are very efficient and can provide significant economic benefits to the business installing the unit. The incentives can only be

provided if the project reduces federal charges to a greater degree than the cost of the incentive.

Second, we provide incentives to customers who reduce demand. The most energy efficient unit of energy is the one not generated. This bill would encourage businesses to conserve at key times when the price of power is the most expensive.

Third, we authorized the DPUC to enter into long-term contracts for new generation for the construction of new plants or the renovation of existing plants. We allow the utility companies to bid for a relatively small portion of this new generation.

The time they would be allowed to own the generation would be limited to five years, and preference would be given to projects that more significantly reduce federally mandated charges.

Fourth, we'd implement new time of use rates. This change will, for the first time, provide industrial and commercial customers with price signals that more accurately reflect the cost of producing the power. This change will incent customers to begin to think about how they can eliminate inefficiencies in

their energy use or shift their use to other times of the day or night when power costs less to produce.

Shifting industrial and commercial loads to the evening or night hours will benefit the customer and help lower rates for all of us.

Fifth, we provide incentives to the utilities to assist in the installation of new customer side distributed generation and with larger generation projects.

Mr. President, utilities are paid primarily by the number of watts that they pass through their wires. The more electricity over the wires, the more money they make. This system was fine when power was cheap and few people cared.

Today, electricity is expensive and conservation is not only good for our environment, but is also critical to our economy. Unless and until the manner by which utilities earn is changed, public policy objectives pursued in this bill will not be fully realized.

Utilities can be neutral observers or they can be fully engaged as partners in the effort to reduce rising costs of energy in Connecticut. This bill

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starts down the road of changing the role of the utility in the state's effort to conserve electricity and/or produce electricity more cheaply and efficiently.

Lastly, the bill establishes a Class 3 renewable energy trading credit that for the first time values conservation initiatives in the same manner we've valued the introduction of fossil fuel free technologies, such as hydro-fuel cells, wind, solar, etc.

It requires the ECMB and the REIC to form a joint committee to work together on projects involving renewable energy and conservation. And it requires the Department of Public Utility Control to establish a framework on how a natural gas conservation program would work should one be funded down the road.

It requires the DPUC to have gas companies pursue quick payback initiatives that will provide immediate savings for customers in reducing demand of gas usage.

The bill has, revises certain utility statutes that make them work more appropriately for the time. It also has some provisions regarding financing for cable television, municipal initiatives, the sale of

or lease of utility property, and clarifies language involving pollution control tax credits.

Mr. President, at this time I'd like to read into the record some, for legislative intent, if I could, some language regarding this bill and the underlying bill and also some later provisions in Sections 37 and 38.

First, regarding Subsection 8b, it is our intent that the DPUC retain oversight and audit power over the operation of the incentive program to ensure that electric distribution companies receive the awards after they provide services to educate, assist, and promote investments in customer side distributed resources.

It is also our intent that the electric distribution companies receive the awards under this subsection, solely based on the services that they perform under this subsection.

And also that the DPUC should define educate, assist, and promote investments in customer side distributed resources. And that process is very important that they do define what that means.

Second, regarding Subsection 12a, it is our intent that the Connecticut Energy Advisory Board be allowed to participate in the proceeding called for in this subsection.

Third, regarding Subsection 12p, it is our intent that electric distribution companies will be eligible to receive an incentive award based on the improvements that they make to facilitate the incremental increase in repowered or expanded generation capacity that is developed at a particular generating location pursuant to Subsection 12c.

It is also our intent that repairs, emission controls, and other similar improvements to existing generation facilities will not be considered expanded or repowered generation for the purposes of Subsection 12p.

Fourth, again, regarding Subsection 12p, it is our intent that the DPUC retain oversight and audit power over the operation of the incentive program to ensure that electric distribution companies receive awards after they improve their transmission and distribution systems to accommodate facilities developed pursuant to bids for grid side distributed

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resources and new generation facilities approved under Subsection 12c.

It is also our intent that the electric distribution companies receive the awards under this subsection solely based on the improvements that they make under this subsection.

And finally, regarding Subsection 12p in Section 35, it is our intent that the DPUC will determine whether reductions in FMCCs will exceed the amount of the award based on the evidence that it receives in a manner that it deems most appropriate, which manner may include a contested case proceeding.

Mr. President, with respect to Sections 37 and 38 of the Emergency Certified Bill, for purposes of legislative intent, Sections 37 and 38 clarify the existing statute granting a tax exemption for water and air pollution control structures and make it clear the exemption has always been intended to follow the equipment and was not intended to be limited to the original owner.

By way of this section, this legislation clarifies the exemption always intended to benefit the original and subsequent purchaser of water or air

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pollution control structures and equipment so long as the requirements for the exemption had originally been met and the structures or equipment have not been altered.

In closing, Mr. President, I'd like to thank certain individuals who were invaluable in the creation of this document, my Co-Chair, Steven Fontana, my Vice Chairman, Bob Duff, my Ranking Members, Senator Tom Herlihy and Kevin DelGobbo.

You know, Mr. President, as Ranking Members, those individuals have a choice, as you well know in having been in this Circle for many years. They have a choice. They can sit back and observe and wait for us to make mistakes or they can join in the process to make it better.

And my friend Tom Herlihy and Kevin DelGobbo, they both chose the latter, and I'm grateful to them for it.

To Kevin McCarthy, who is often said to be the fifth leader of the Committee, he knows his stuff, and he certainly demonstrated that in this long and at times arduous process. We thank him.

To David Bicklin, who was thrown into the fire in helping us draft this legislation, and Kristin [inaudible] who came in at the end, but no less valuable.

To Don Downes and to Mike Chiwanik at the DPUC. Mr. President, I don't know if it's fully realized by this Circle or by the Legislature in general or even by the Administration how lucky we are to have these two people working on our behalf.

They are smart. They are determined and available to help us, and they were, in large part, responsible for getting this bill to where it is today.

I'll close by saying very often esoteric bills of this nature don't get the attention they deserve, at least the parts that are not controversial. I believe, if done right and done well, this bill will go a long way in addressing what has become a confusing and costly endeavor initiated back in 1998.

I hope that ultimately the deregulation of our electric industry, at least the generation component, will prove to be successful. I'm hopeful in planning for that to be the case.

But in the interim, until that happens, this bill has the ability and the potential to help us in a significant way to get ourselves out of this hole we're in, in the eyes of the federal government, in the eyes of regional regulators.

And I'm hopeful that with its passage and signage by the Governor that we will be on our way to do that over the next six months prior to the expected substantial increase in our rates being brought to us by FIRK and ISO New England.

I urge passage of the bill. Thank you, Mr. President.

THE CHAIR:

Will you remark further? Senator Herlihy.

SEN. HERLIHY:

Thank you, Mr. President. Mr. President, I'm not going to reiterate what the Circle has already heard in relation to the bill, but I do want to personally commend Senator Fonfara and Representative Fontana and Representative DelGobbo for their leadership on this bill, and especially my colleague to my left here, Senator Fonfara.

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This bill is incredibly broad, incredibly expansive, and groundbreaking in many, many ways. And this bill could have died a number of different times during the session, but through their belief in the bill and through their fortitude they carried on, and I give them a lot of credit.

I, too, want to echo Senator Fonfara's comments relating to the DPUC and our wonderful staff here at the State of Connecticut. I won't name names, but the work you did was incredible, and I commend you and the stakeholders as well.

Obviously, for a bill as broad and as expansive and as groundbreaking as this one is, the stakeholders deserve some credit, and especially as they were assisting us during the process of getting this bill passed.

It's a good bill that ought to pass, and it provides significant new incentives to conserve energy and to provide supplemental generation, all of which will ultimately lead to reduced federally mandated congestion charges, which is essentially, in a nutshell, the entire goal of the bill.

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Mr. President, a few questions, if I may, to
Senator Fonfara for legislative intent.

THE CHAIR:

Please proceed, Senator.

SEN. HERLIHY:

Thank you, Mr. President. Senator Fonfara,
you've already made some comments in relation to
Section 37 and 38 of the bill, and those sections
clarify existing statute, Connecticut State Statute
relating property tax exemptions for water and air
pollution control structures.

For purposes of legislative intent, Senator
Fonfara, is it not true that these sections really
clarify that certification by the DEP is the main
point before a company is eligible for the credit,
through you, Mr. President?

THE CHAIR:

Senator Fonfara.

SEN. FONFARA:

Through you, Mr. President, yes.

THE CHAIR:

Senator Herlihy.

SEN. HERLIHY:

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Thank you, Mr. President. For purposes of legislative intent, again, don't these sections really clarify that once the equipment is certified by the DEP that the certification follows the equipment, even to subsequent owners, unless an owner has altered the equipment, through you, Mr. President?

THE CHAIR:

Senator Fonfara.

SEN. FONFARA:

Through you, Mr. President, yes.

THE CHAIR:

Senator Herlihy.

SEN. HERLIHY:

Thank you, Mr. President. Thank you, Senator Fonfara. And lastly, for purposes of legislative intent, what if a company does not actually receive the property tax exemption for a period of time because they have payment in lieu of taxes a pilot agreement or some other type of stipulated tax agreement in place, through you, Mr. President?

THE CHAIR:

Senator Fonfara.

SEN. FONFARA:

Through you, Mr. President, obviously the intent is not to allow them to double-dip or receive the exemption on top of a municipal agreement, but if the equipment is still certified by the DPUC, they would receive the credit in the subsequent years not covered by the special tax agreement, through you, Mr. President.

THE CHAIR;

Senator Herlihy.

SEN. HERLIHY:

Thank you, Mr. President, and I thank Senator Fonfara for his understanding of legislative intent. Thank you.

THE CHAIR:

Will you remark further? Senator Stillman.

SEN. STILLMAN:

Thank you, Mr. President. I rise to just make some comments about this bill that is before us, and my comments will revolve around Sections 37 and 38 of the bill.

First of all, I want to thank Senator Fonfara for his explanation of the bill and his hard work and his Committee Members as well. I know energy topics are

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not the easiest ones to work with or explain to folks,
so I do thank him and his leadership on the Energy
Committee.

My concerns about Sections 37 and 38 is the fact
that this, these two sections have arisen due to the
fact that there is a continuing lawsuit that is taking
place between the Town of Waterford and Dominion
Nuclear, in reference to the fact of one of the
lawsuits has to do with the tax credits for water
pollution and air pollution that are spoken about in
Sections 37 and 38.

My concerns are several. First being that we are
in the middle of a lawsuit. There is litigation
ongoing, and yet we choose to interject ourselves in
the Legislature in the middle of this lawsuit, and I
find that inappropriate.

The other thing is the fact that the language
that is stated in this, in these two sections I
believe is flawed, in the respect that it states that
an assessor can certify the approval of tax credits
for pollution abatement when assessors are not trained
to do so.

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Because it specifically says that that certification can be approved only by the assessor. It takes, it says it shall not be required to obtain or provide a certification or approval, of approval from the Commissioner of the Environmental, Department of Environmental Protection.

And I think that's very bad environmental policy and one that I will, if this bill passes, and I have every expectation that it will, that one that I believe the Environment Committee should address next year in correcting what I believe is very poor public policy that we are putting forward here in this bill.

I have been in the Legislature for several years, for many years, and I know that we try very hard not to interject ourselves when there is an ongoing lawsuit. And I believe that this does. I am very concerned about what this is stating and, for that matter, I'm not even sure that this language will truly affect that lawsuit, but it raises doubt.

And so for that reason, I will not be supporting this bill. I believe that we are moving in an area that we should not be. I understand the issue. I, too, believe that the tax credits, excuse me, are not

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explained. There isn't any legislative intent when those tax credits were passed many years ago.

And so I understand the reason why the judge made the decision that he made, which is that Dominion cannot claim those tax credits for the last few years.

And for those reasons, I will not be supporting this. I believe that we have to be clearer in the way we, the way we interpret our statutes, and I look forward to doing that in the future. And again, this is not the place to address it, and I will be bringing forward legislation next year to address it properly. Thank you.

THE CHAIR:

Will you remark further? Senator Newton.

SEN. NEWTON:

Thank you, Mr. President. I want to commend Representative Fonfara and this legislation, but I would be remiss if I didn't share some disappointment in what we're being asked to do today.

I was in the House in '95 when we passed the dereg bill. And by passing the dereg bill, it was supposed to create competition to generate more electricity. In return, it was supposed to help the

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consumer lower its rates. Maybe I missed that whole period because I don't remember anybody saying their rates were lowered.

What I am glad about, and I think that Senator Fonfara should be commended, is on the fee structure where we would pay the utility companies to get back into the business of what they wanted to get out of the business in the first place.

When we did, when we did dereg, it was my understanding that we were opening up the market, and, hopefully, we would have buyers and people would be able to shop around for electricity. That never happened.

And the funny part is that the utility companies made money off it because they were able to sell off some of those generating facilities. And I think it's an insult to the Legislature that they would even suggest that we pay them to get back into the business of what they wanted to get out of.

So here we are in 2005, giving them the authority to do what they were supposed to be doing in the first place. I was hoping that dereg really worked. I really did, because I believe in competition in the

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market. Shop around, just like you do with bank loans and car insurance and a number of other things, but it didn't work.

I would hope, Mr. President, that the Energy Committee be very careful because when I first heard about the bill, the consumer were the ones who were supposed to pick up the tab. I thought that that was an insult to this Legislature and to the residents of the State of Connecticut.

We want to get back in the business, but we want the ratepayers to foot the bill. I am so glad that that piece of language is not in this bill today because if it was, I would have voted no on this legislation because they asked, in '95, the two utility companies that we want to allow to go out of the business. And now, in 2005, they want to go back into the business.

But I do not think it should be at the taxpayer's expense if they choose to go into business. And so I'm glad that that piece is not in the language at this time, but I would hope that the Energy Committee, after this study is done, that this Legislature monitor and make sure that whatever happens it is not

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at the expense of the taxpayers of the State of
Connecticut.

We pay some high utility rates right now. And as I said in the caucus, Mr. President, and I've been here going on 18 years, I have never, and maybe I'm wrong, and the Chairman of Energy or someone who serves on Energy might can help me, ever seen whenever utility companies go to the DPUC and ask for increases, I can't remember many times when they have been denied an increase in the rates on whether it's electricity or the other services that our utilities provide.

So, Mr. President, I want to commend Senator Fonfara and the leadership for taking that piece out of the bill that would have given them a fee, and it would have been at the expense of every taxpayer here in the State of Connecticut. Thank you, Mr. President.

THE CHAIR:

Thank you, Senator. Will you remark further?
Senator Fasano.

SEN. FASANO:

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Thank you, Mr. President. Mr. President, if I may, through you, to the proponent of the bill.

THE CHAIR:

Please proceed, Senator.

SEN. FASANO:

Senator Fonfara, the sum of substance of part of what this bill does is to create more generation of electricity in the State of Connecticut. Is that a fair statement, through you, Mr. President?

THE CHAIR:

Senator Fonfara.

SEN. FONFARA:

Through you, Mr. President, yes.

THE CHAIR:

Senator Fasano.

SEN. FASANO:

And through you, Mr. President, recently, there's been this push to put new power lines in out of the State of Connecticut, or I should say in the State of Connecticut down to the Fairfield area. Would it be your belief that this bill would generate that power that these lines would not be necessary, through you, Mr. President?

THE CHAIR:

Senator Fonfara.

SEN. FONFARA:

Through you, Mr. President, I wish it were so. We explored that possibility in the initial stages of development of this bill conceptually. We were convinced that that would not be a wise path to pursue for the reason that the transmission lines are of significant value in the immediate future to be able to get the power that exists in the State of Connecticut currently, and new power that would be incentivized through this bill, and power outside of Connecticut to be brought in.

And again, that's the whole theory behind deregulation is that the cheapest power would be made available to the end user, to the customer, industrial, commercial, residential, and that by having the means to transmit that power throughout Connecticut.

And as you know, right now, Senator Fasano, through you, Mr. President, that we cannot dispatch power throughout Connecticut equally at this time. And as much as it was the hope of the leadership of

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the Committee that we could use this bill as a vehicle to minimize the expansion of the 345KV lines throughout the state, we concluded that that was not a practical approach to take.

That these two initiatives, both the construction of the power lines and this bill would work hand in hand to enhance our energy system throughout the state. Thank you, through you, Mr. President.

THE CHAIR:

Senator Fasano.

SEN. FASANO:

Thank you, Mr. President. Mr. President, if I may, I'd like to have the Clerk call LCO 8378, and I ask to move the amendment and permission to summarize.

THE CHAIR:

Mr. Clerk.

THE CLERK:

LCO 8378, which will be designated as Senate Amendment Schedule "A". It is offered by Senator Fasano of the 34th District, et al.

THE CHAIR:

Senator Fasano.

SEN. FASANO:

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Thank you, Mr. President. Mr. President, what this amendment does, essentially, is the Town of Wallingford is a municipality which generates its own electricity. It has been doing so for a period of time, and has been successful in helping the energy crunch here in Connecticut.

Then what happened is we, there was an initiative to place power lines, 345, as Senator Fonfara has indicated are still going to be necessary. Unfortunately, Wallingford became the hub for which these lines, most of these lines, are going to crisscross, yet it is one of the only municipalities that would have these lines and generate its own electricity.

It seems to me, if I may, Mr. President, its rubbing salt in the wounds of the Wallingford residents to then have a town which is acting as a conduit for the betterment of the State of Connecticut, acting as a leader by producing its own electricity, to then be saddled with assessing its users an additional fee.

So I, what the amendment does is to eliminate Wallingford as a municipality for which would have to

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collect these additional fees for the issue of loads and conservation.

And I think it's only fair, as I say, Wallingford has now become both the conduit for the betterment of Connecticut and a leader in generating electricity, and now it's going to be hit with a third, for a third time by virtue of having to hit its constituents that it serves with the fee.

And therefore, Mr. President, I'd ask for a roll call on this amendment. Thank you, Mr. President.

THE CHAIR:

Vote will be taken by roll. On the amendment, will you remark further? Senator Fonfara.

SEN. FONFARA:

Thank you, Mr. President. Mr. President, I reluctantly rise in opposition to the amendment. Senator Fasano is someone who fights very hard for his constituents and the Town of Wallingford included.

However, the whole initiative behind this requirement that would have those towns that generate their electricity on a municipal cooperative basis, currently some are doing conservation initiatives to a

substantial degree. Some others, unfortunately, are not.

And the State of Connecticut as a whole, for several years now, has been, has undertaken a comprehensive conservation initiative that ratepayers pay for through their rates currently.

We believe, across the board, commercially, industrially, and residential ratepayers are benefiting by those programs and from those programs. It's helping our economy, helping our environment, and helping ratepayers to reduce usage.

And as I said earlier, we believe that the most efficient energy generation is one that is never generated in the first place. Conservation accomplishes that objective. Unfortunately, some towns who are municipal cooperatives have not, electric cooperatives, have not participated on their own.

They're not required under law currently, but they have not, unlike some other municipal electric cooperatives, participated. This bill would create that process and, over the next five years, gradually increase the amount that they must contribute towards

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conservation initiatives, starting off at a very, very small amount and growing to still a relatively small amount, under the number that the statewide program requires.

So I would hope that the Chamber would defeat this amendment. I think this will be good for Wallingford. It has the potential to lower their rates as well, as conservation initiatives throughout the state have done. Thank you, Mr. President.

THE CHAIR:

Will you remark further on the amendment? On the amendment, will you remark further? Roll call having been requested, the Clerk will please announce the pendency of a roll call vote on the amendment. The machine is open. Please vote.

THE CLERK:

An immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber.

An immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber.

THE CHAIR:

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Have all Members voted? If all Members have voted, the machine is closed. The Clerk will announce the tally.

THE CLERK:

Motion is on adoption of Senate Amendment Schedule "A".

Total number voting, 33; necessary for adoption, 17. Those voting "yea", 9; those voting "nay", 24. Those absent and not voting, 3.

THE CHAIR:

The amendment fails. Will you remark further?
Senator Meyer.

SEN. MEYER:

Thank you, Mr. President. Through you, Mr. President, and I wonder if Senator Fonfara would answer a few questions.

THE CHAIR:

Senator Fonfara, prepare yourself. Senator Meyer.

SEN. MEYER:

It won't be that arduous. Senator Fonfara, my understanding is that we had a philosophy, energy philosophy, in Connecticut that we, by which we

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separated the distribution of power from the generation of power. And that was a philosophy that was adopted in prior years.

And am I correct in understanding that this bill, in effect, revokes that prior philosophy and puts us back in a situation where the same companies that distribute power will be entitled to generate power as well?

THE CHAIR:

Senator Fonfara.

SEN. FONFARA:

Through you, Mr. President, the bill provides an opportunity, in this period of uncertainty, where the Department of Public Utility Control is looking for the tools necessary to generate more electricity as efficiently, as cost effectively, as quickly as possible, and to have all options on the table in that process.

It would be through a bid process that anyone who successfully is awarded an opportunity to generate new electricity would have to do so through a bid process and would have to win that bid.

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Number two, if a utility were successful in doing so, they'd be severely limited, substantially limited, in the amount of power they would be able to generate. And thirdly, the timeframe in which they would be able to generate would be constricted to five years, and that is to get us over this hump.

If they were to win a bid, they would only be able to own it and operate it for five years, unless the Department of Public Utility Control felt that their leaving and no longer operating that generation would be harmful to ratepayers, through you, Mr. President.

SEN. MEYER:

Through you, Mr. President--

THE CHAIR:

Senator Meyer.

SEN. MEYER:

May I further inquire?

THE CHAIR:

Senator Meyer.

SEN. MEYER:

Senator, through you, Mr. President, I want to follow up on a question put by Senator Fasano. And I

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think you know that the Senate Districts that he and I serve are affected by the 345KV lines and the report and determination of the siting council in regard to those lines.

Am I correct now that it's the position of you as Chair of the Energy Committee and the Energy Committee that we should be moving toward greater generation of power within areas and not, not transmission of powers from one region of the state to another, as we're seeing in the 345KV line situation?

THE CHAIR:

Senator Fonfara.

SEN. FONFARA:

Through you, Mr. President, as I think I at least tried to indicate in response to Senator Fasano's questions, I wish it were that simple. Unfortunately, it is not.

The need for power in Connecticut, and specifically the certain areas of Connecticut, is, will hopefully, to a degree, be remedied through this, through the components of this bill that will incent the development of distributed generation at the customer site, as well as grid side generation, which

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is generation of a larger capacity, and will be hung on, if you will, access to the utility grid, the power lines themselves.

Unfortunately, that will not be sufficient. It also would be contrary to our stated goal of creating a competitive wholesale generation market. In other words, if power were cheaper in other, generated in cheaper inside Connecticut, but other areas outside of southwestern Connecticut or in other states, that that power would be purchased first before more expensive power.

That's the theory behind our deregulation initiative of 1998. It hasn't worked as well, as you know, but the, those that operate this market, who are the regulators, ISO New England and FIRK are strongly behind the initiative to have these power lines constructed so that the market can work and the free flow of power will be accomplished.

And probably most importantly to the State of Connecticut, these excessive charges that are already being heaped on us, to the tune of \$300 million annually, and will be increasing to \$600 million come January of '06, and is projected to be over \$4 billion

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in five years, those are substantial increases in our rates that the power lines combined with the components of this bill will, hopefully, and is my expectation will substantially mitigate those costs and drop them as close to zero as possible.

SEN. MEYER:

Colleagues, I--

THE CHAIR:

Senator Meyer.

SEN. MEYER:

I believe that one of the strengths of this bill is that it creates a strong concept of generation of power and would avoid the concept of transmission of power through so many different regions of the state that is so invasive to many of our constituents.

I confess, and we shouldn't be confessing wishes here, but I confess a wish that we had had that emphasis on generation of power for a decade before, and I think we would be avoiding some of the environmental problems we're undertaking now.

Through you, Mr. President, I wonder if Senator Fonfara would yield to one other question.

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Please state your question, Senator.

SEN. MEYER:

Senator Fonfara, I direct your attention to Section 8 of the bill, which provides a series of awards to electric companies for various investments and costs performed by those companies.

And my question is, as this bill is set up, do you understand that the award system set up by Section 8 would primarily benefit just two companies in our state, namely Northeast Utilities and UI?

THE CHAIR:

Senator Fonfara.

SEN. FONFARA:

Through you, Mr. President, in fact, the primary process with respect to Section 8 is to provide subsidies to customers who will be the beneficiaries if they choose to install distributed generation technologies onsite.

They will receive several different subsidies to make the distributed generation more affordable, and they will then be able to make a decision as to whether or not using these technologies full time, part time, to reduce peak demand, that is the whole

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heart of this bill is to reduce that peak demand, which is what costs Connecticut ratepayers so much.

Days like yesterday, Saturday and Sunday, this past weekend, in fact, Mr. President, this past weekend, it is my understanding that ratepayers paid an additional \$3 million in extra charges because of the federally mandated charges, congestion charges that we are paying because of the lack of generation and transmission in our state currently, \$3 million for two days.

And it was a weekend when businesses, for the most part, are not operating. Still cost us \$3 million. Those numbers will increase dramatically come January '06 if we do not take action.

So this bill gives several subsidy opportunities to make distributed generation initiatives and demand response initiatives, reduction initiatives, more attractive, where today they are not.

The bill does also give incentives to utilities. And the gentleman is correct, the two utilities being the two incumbent utilities of our state, distribution companies in our state, to participate, to educate, to inform, to assist in the process of getting the

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information out, disseminating that information to end users about the opportunities for distributed generation, for demand response initiatives, thermal storage initiatives, and a host of other technologies that we haven't even contemplated yet, hopefully will be coming down the pike that customers will be able to use.

As I said earlier, Mr. President, the utility is a shareholder owned companies. Their bottom line is what matters. Are they interested in conserving? Are they interested in reducing rates? Yes. But they are still a bottom line, investor owned entity where earnings matter. And historically that means put more watts through the line, more watts transmitted.

That's what a dis-co company is, a distribution company is today. Under this bill, we're trying to change that. It's slow. It's difficult. But we say to those companies, you can earn more if you engage in the process.

And we've said through my language of reading through legislative intent that we want the Department to be vigilant on this to ensure that whatever they are compensated for is because they took action. It's

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measured action, it's defined action, and it has an affect on federally mandated charges.

Under those conditions, they should receive incentives and none other, through you.

SEN. MEYER:

Through you, Mr. President--

THE CHAIR:

Proceed, Senator.

SEN. MEYER:

Senator Fonfara, I understand, then, as we look at subparagraph B of Section 8, starting at Line 447 on Page 15, that there would be a direct benefit, a nonrecurring award to compensate certain costs and investments, and that those costs and investments would be those made by, primarily by Northeast Utilities and UI. Is that correct?

THE CHAIR:

Senator Fonfara.

SEN. FONFARA:

Through you, Mr. President, yes.

THE CHAIR:

Senator Meyer.

SEN. MEYER:

And through you, Mr. President, may I ask you the legislative philosophy behind benefiting just two electric companies in our state rather than having a more competitive perspective with respect to other possible providers?

THE CHAIR:

Senator Fonfara.

SEN. FONFARA:

Through you, Mr. President, in no way does the bill limit who can participate. Any number of energy service companies can participate in the process of getting end users to consider using distributed generation or other means of reducing demand, shifting demand, self-generating.

What the bill does, though, is it recognizes that the utilities are still given the franchise to distribute energy in this state. No one else can do that. Those two companies have franchises in their defined areas, and they have the ability to help facilitate the installation of these technologies or, at minimum, stand on the sidelines and observe.

It was the thinking of the leadership of the Committee that we'd rather have them engaged in the

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process to reduce demand, to shift load, to cut into the peak demand that is costing ratepayers every day in this state and not have them stand on the sidelines and just say, well, we're just going to make sure that as many watts flow through the wires as we can get because we're going to make more money doing that.

That's the thinking behind this, through you, Mr. President.

SEN. MEYER:

Mr. President, let me just say, in conclusion to my colleagues, that we're debating a bill today which is part of a major struggle in the State of Connecticut to provide more energy and to do it in an economical way and in an environmentally sensitive way.

This bill is a complicated bill, at least to this novice, and I see some very strong strengths in it. I also see some concerns, and as I've tried to articulate with my questions. But as part of the struggle of to find power, electric power, gas power in Connecticut, I think this may be a temporary answer. Thank you, Mr. President.

THE CHAIR:

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On the bill, will you remark further? Senator Nickerson.

SEN. NICKERSON:

Yes, thank you, Mr. President. I'm going to comment briefly and step back from the bill and look at its broad implications. There's no point in dwelling on it, but we all recognize that this bill marks a turning point in Connecticut electric generation policy.

The deregulation bill did not bring about the robust market that was hoped for. Again, no point in dwelling on that, so let's dwell on this bill. This bill says, look, we have a great shortage of electric generation, so we're going to create incentives for a different kind of policy than the deregulation bill.

We're going to ask individual office buildings, industrial buildings, individual municipalities, and, yes, even electric transmission companies who were previously precluded from owning generation facilities to come into the marketplace.

This bill, I believe, is much more market oriented in that it creates incentives and it creates a wide scope for the concepts of local generation,

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rather than saying, as did not happen, that big out-of-state generators or even in-state generators will solve our local electricity problems.

So I'm going to support this bill. I have no illusions, as I'm sure its proponents do not, that it is the answer. There are many challenges ahead, not the least of which is the Federal Energy Commission and its inappropriate rulings. But to the extent we can act, this is the right way to act, and I support the bill. Thank you, Mr. President.

THE CHAIR:

Will you remark further? Senator McKinney.

SEN. MCKINNEY:

Thank you, Mr. President. Mr. President, first let me at the outset say that, I think as other colleagues have said, this is an extremely important issue and problem in the State of Connecticut, but one that is also very difficult to understand for many of us.

Even those who have spent so much time working on this issue, as I know that the Senate Chair and Ranking Member have, are almost sort of hopeful that this bill will have the intended effects, not so much

absolutely confident. And I think that just shows the nature of the difficulty of this issue.

If I could, I would like to ask a couple of questions of the proponent, just in terms of my own understanding of the bill, through you, Mr. President.

THE CHAIR:

Please proceed, Senator.

SEN. MCKINNEY:

Thank you, Mr. President. Senator Fonfara, in Section 15, which on the OLR report talks about, the OLR bill analysis, talks about utility cost recovery. The OLR bill analysis says that electric companies are to recover the costs they prudently incur under the bill, and that recovery can be through the FMCC charges, federally mandated congestion charge, rate basing, or the energy adjustment clause.

I guess my first question, through you, Mr. President, is on that section, how is that different? How is that a change from our current policy?

THE CHAIR:

Senator Fonfara.

SEN. FONFARA:

Through you, Mr. President, to the best of recollection, and it's been a while since I worked on that particular section, it's my understanding that currently companies cannot recover to the degree that they could under this bill with respect to the potential that, of energy reductions that this bill could bring about.

We're looking at the potential for measurable reductions in energy demand, if we're successful, through distributed generation in particular, through demand reductions, through thermal storage, through other means of reducing demand, shifting load.

And by getting companies, users, to go off the grid partially or entirely in that, because the electric companies have made investments that they are made, planning on having a return for, this could affect that. Therefore, they would be able to get recovery for those investments, even though demand would be reduced because of the bill.

SEN. MCKINNEY:

And through you, Mr. President, and I'm not going to try to, I guess the only way I can do it is to simplify it, but from what my understanding then is

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basically what we're saying through Section 15 in this bill is that if an electric utility company spends money, makes an investment, for the purposes of getting energy at a reduced cost, lowering fees, having more distributed generation, then they can count that investment as a cost of doing business, and then somehow, depending on a DPUC ruling, recover that cost in a rate, in a rate-making hearing. Is that correct, through you, Mr. President?

THE CHAIR:

Senator Fonfara.

SEN. FONFARA:

Through you, Mr. President, yes.

THE CHAIR:

Senator McKinney.

SEN. MCKINNEY:

And just in terms of my own understanding, what are the differences between or why do we give them the option between the FMCC charge rate basing or an energy adjustment clause? What would be the, why would we choose one of the three versus just a rate basing, through you, Mr. President?

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Senator Fonfara.

SEN. FONFARA:

Through you, Mr. President, it's my understanding that the particular options are because certain costs are recovered through certain mechanisms. Capital costs are recovered through one mechanism, and other types of investments recovered through other mechanisms. Therefore, we've provided those options, depending on the type of investment that was made.

SEN. MCKINNEY:

Thank you, Mr. President.

THE CHAIR:

Senator McKinney.

SEN. MCKINNEY:

And my last question, through you, Mr. President, I know it's been talked about earlier, but Sections 3 and 4 deal with utility ownership of generation. And in reading the bill and the bill analysis and the summary, it's clear to me that the ability of distribution companies to own generation facilities or have generation capacity is limited to 250 megawatts, and it is very narrowly tailored.

And I think my assumption is, or perhaps it's even been said, is that this is a necessity, given where we are today.

I guess my question, though, is one of long-term. Do we expect this provision to be with us for the long-term? Do we expect to be here in the future, increasing that megawatt capacity? Do we have an idea of where we might be in the future, through you, Mr. President?

THE CHAIR:

Senator Fonfara.

SEN. FONFARA:

Thank you, Mr. President. Through you, and I thank the gentleman for the question. It's an important one, particularly for those of us who were here and voted either in favor of or in opposition to the deregulation of our electric generation system in Connecticut.

I was, as Senator McKinney may recall, an opponent of deregulation at the time. And even though I was not Chairman of the Committee, I felt very strongly that that was not the direction to move in. I don't have that feeling today.

I don't know where the market is going. And we are, we have brought this bill to its point in terms of providing opportunities to the utilities if they so choose to bid, we don't know if they will, because of the uncertainty today.

Tomorrow, the market may recover. Lenders may be willing to provide incentives without the 15-year contracts or funding without the 15-year contracts we put into the bill. And there may be no need to have utilities back into the generation business.

We felt it important to have the Department have all tools available to them to respond to what maybe is too strong of a definition to say a crisis, but certainly one where, come January of '06, everybody in this Circle will be able to point to, if this bill passes and the Governor signs it, that we took steps to address what is coming in six months from now.

But that doesn't necessarily mean that we've said we've made a mistake back in 1998 and we're reversing that. We're hopefully in a temporary situation of uncertainty and not a permanent one. Certainly, future Legislators, Legislatures, can decide that the uncertainty is significant enough that we want

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generation to be or utilities be backing it more fully beyond the 250 megawatts, beyond the 5 years, but that is not our intention.

Our intention is to give the tools, the full range of tools that we can, in this very uncertain time, and hopefully that will be it. That the market will flourish and that the anticipated results of lowered rates, competitive robust, competitive market for generation will be in place and that ratepayers, commercial, industrial, and residential, will have several options in which to choose from.

THE CHAIR:

Senator McKinney.

SEN. MCKINNEY:

Thank you, and I appreciate your responses, Senator Fonfara, and your hard work. I was not here when dereg was passed, but having someone who was not supportive of it then be responsible for how we improve this, as Chair of the Committee, I actually think has done us a good service in the Circle.

This section is, in some ways, a retrenchment from our deregulation, and I think that in many ways this legislation, which is intended to help and fix

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our current situation, is somewhat of a step backwards from complete deregulation and is an acknowledgement that deregulation, for all its good intentions, has not produced the savings that everyone hoped it would.

I have to just, my last comment, Mr. President, and I am going to support this bill, and I do so with the hope that it will help. I don't know if it will or it won't. I do have to comment, though, lastly on these federally mandated congestion charges.

Because those of us who have lived with and tried to work with the utility companies in the state on improving our electric grid and our infrastructure have heard for years about these federally mandated congestion charges and how they've ranged anywhere from, six years ago when I first heard about them, from \$100 million a year to now \$400 million a year and maybe \$600 million.

I've never gotten a handle on how they got those numbers. I've never really trusted those numbers. But I find it interesting that the federal government and ISO New England are going to mandate these charges in the hundreds of millions of dollars because we won't fix our infrastructure because we have too much

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congestion. Yet at the same time, when the same federal government lets power plants in the Midwest pollute our air, destroy our climate, hurt our public health, we have to pay for that too.

And it's just interesting that the federal government is saying you have to pay for your congestion, and you have to pay for the Midwest's bad air too. And you would think there would somehow be a little better balance on behalf of the State of Connecticut coming from the federal government on that cause.

I will also say we've talked a lot in this Circle about unfunded federal mandates, No Child Left Behind, etc. Well, these federally mandated congestion charges dwarf the unfunded mandates that we've talked about in the tunes of hundreds and hundreds of millions of dollars.

And we ought to be doing a little bit more and saying to the federal government, if you're going to make us pay because we haven't fixed our grid, you ought to make them pay for polluting our air and burning dirty power, because we're doing our job in Connecticut of burning clean fuel.

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We're doing our job in Connecticut of fixing up our electric grid, a little bit slower process than people want, but we're doing it. And we're going to do it in a technically feasible way of undergrounding, too, which will be a model for future areas as well.

So I just, I'm going to vote for this. I know it's a little bit on tangent, but I've always been extremely frustrated by the federally mandated congestion charges that have ranged somewhere between \$150 to \$600 million. Nobody has ever sat down and said, here's how we can prove these costs are real and why you, Connecticut, should pay for them when we have to pay for a lot of other things that are thrown our way too. Thank you, Mr. President.

THE CHAIR:

Thank you, Senator. Will you remark further on the bill? Will you remark further? If not, Mr. Clerk, please announce the pendency of a roll call vote. The machine is open.

THE CLERK:

An immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber.

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An immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber.

THE CHAIR:

Have all Members voted? If all Members have voted, the machine is closed. Clerk, please announce the result.

THE CLERK:

Motion is on passage of Emergency Certified Bill 7501.

Total number voting, 33; necessary for passage, 17. Those voting "yea", 26; those voting "nay", 7. Those absent and not voting, 3.

THE CHAIR:

The bill is passed. Any points of personal privilege at this time? Senator Finch.

SEN. FINCH:

Thank you, Mr. President. Mr. President, I rise for a point of personal privilege to tell you about a day that has brought meaning not only into the person's life, but into all of us who worked in this Circle with him.

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CLERK:

House Bill Number 7501, AN ACT CONCERNING ENERGY
INDEPENDENCE, LCO Number 8331, introduced by
Representative Amann and Senator Williams.

SPEAKER AMANN:

Representative Fontana.

REP. FONTANA: (87th)

Thank you, Mr. Speaker. I move for acceptance
and passage of the Emergency Certified Bill.

SPEAKER AMANN:

The question is on passage of the Bill.
Representative Donovan, you have the floor, Sir.

REP. FONTANA: (87th)

Thank you, Mr. Speaker. Mr. Speaker, many, or
most of the Members in the Chamber are familiar with
the underlying issues in the Bill, but I'd like to, if
I could, just briefly review what got us here and
where we are now.

Mr. Speaker, Connecticut uses much more power
than it can economically generate in the state from
its existing plants. In addition, there's a limit as
to how much power we can bring into the state on our
existing transmission system.

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As a result, our ratepayers are paying a substantial amount in excess of what it actually costs for their power to address the imbalance between supply and demand in the state.

Unfortunately, Mr. Speaker, the federal government, through FERC, the Federal Energy Regulatory Commission, has decided to implement a questionable proposal developed by ISO New England to try to address this imbalance through a blunt market-driven instrument known as LICAP, or locational installed capacity payments, which would place on top of the existing \$200 million to \$300 million that Connecticut ratepayers already pay in excess of what it actually costs for their electricity an additional \$700 million of charges, all in the hope of creating more generation in this state to address that imbalance between supply and demand.

Mr. Speaker, there's a better way. Over the past five months, I've had the good fortune to work with Senator Fonfara, Representative DelGobbo and Senator Herlihy, as well as a number of other stakeholders to develop a set of market-driven and performance-driven tools that we as a state and our Department of Public

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Utility Control can use to reduce, if not eliminate, those federally mandated congestion charges as soon as possible.

The Governor, the Attorney General, the Consumer Council, the Chairman of the DPUC all have talked about the dangers to our economy of not doing nothing, of doing nothing, excuse me, of doing nothing.

The dangers are severe, Mr. Speaker, and they could wreak irreparable harm to our economy. Mr. Speaker, the Bill does several simple things.

It aligns private interest with public policy through the use of incentives to encourage generation and conservation in terms of electricity, Mr. Speaker. It focuses on making investments in our infrastructure.

Currently we pay, as I said, a couple hundred million dollars and we get very little for it. We might have to pay more and get even less. Mr. Speaker, this takes those resources and invests in our infrastructure both for the short term and the long term.

It focuses on not only reducing federally mandated congestion charges, but serving the short-

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and long-term best interests of Connecticut ratepayers.

Mr. Speaker, this Bill did come up during the recently completed General Assembly Session. I'd just like to call the Members' attention to a couple of particular provisions that raised interest on the part of many at that time.

We do maintain the competitive generation RFP process in Section 12 of the Bill. That has not changed, except insofar as we provide an incentive for the utilities to make investments sooner rather than later to facilitate the accommodation of those facilities in our infrastructure.

Mr. Speaker, we also replace a procurement fee in Section 27 with a study. The study would be conducted by the DPUC this fall and they would report back to us this coming winter on their recommendations.

Mr. Speaker, this is simply a study. The DPUC will evaluate all alternatives, including third-party procurement, utility company procurement, state agency or state government procurement, and will include all relevant stakeholders and parties of interest.

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Mr. Speaker, finally there are a number of provisions at the end that have been added. Several of them are provisions that came up in Energy Committee bills that received overwhelming approval both at the committee level and in one or the other of our Chambers. Mr. Speaker, I urge passage.

SPEAKER AMANN:

Will you remark further on the Bill? Will you remark further on this Bill? If not, sorry.

Representative DelGobbo.

REP. DELGOBBO: (70th)

Thank you, Mr. Speaker. First I think that the Chair of the Energy Committee did an extraordinary job in characterizing what we have before us here today and why. And I would just repeat what I think is a critical issue for all of us.

And that is, actually when we first discussed this Bill at the end of the Session, what we were attempting to deal with was in some respects a theory, and that was the issue of LICAP on the horizon.

Since that time, an administrative law judge has in fact taken the next step in its, in their ruling

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that in fact LICAP would be imposed within the system, meaning imposed on Connecticut residents.

What does that mean for us? Well, as Representative Fontana mentioned, on the order of \$300 million over and above existing federally mandated charges that we already see.

That impact would be just staggering, staggering, for the economy of this state, for our residents. And throughout this process this year, as painful as it's been, this Bill is an attempt to try and have Connecticut put in place some shorter-term and long-term provisions that will help Connecticut residents.

As Representative Fontana mentioned, everything from encouraging new distributive generation to authorizing the DPUC to evaluate a whole range of responses that it could undertake. I think those are important.

I know that this topic gets lost on a lot of people. It doesn't seem so interesting. But clearly, for all of our residents, this is a critical issue, an absolutely critical issue.

You know, I can't leave this debate without making a general comment, and that is, what brings us

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here today. It is sad in some respects that legislatures over the years haven't necessarily appreciated the importance of energy policy and establishing a long-term policy.

It has attempted to in certain ways. But one of the fundamental reasons why we have the difficulties, the challenges we have here today is because, of course, nobody wants a power plant in their backyard, but yet we need power, and we want as cheap as power possible.

A lot of people don't want transmission lines, but yet we need those to transport the power, and the lack of that system upgrade is costing Connecticut residents dearly.

We want cleaner air, but yet we create the type of regulatory framework which again drives up our costs in securing power.

All of these inconsistent things mean one thing for all of us. When you wonder why our cost of power is so high in Connecticut the answer has got to be, well, legislatures have to start making the tough decisions to do what's right and not just what would be politically expedient in any year.

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For the most part, I think this Bill attempts to do what's right. It understands that the wholesale generation market needs certain mechanisms in place for new generation to happen.

It understands that there are a number of responses the Department can undertake that might get some short-term benefit for us.

I think there's been a lot of debate, and I'm not going to shy away from it, over what was known as the procurement fee. But let's take the issues head-on.

We expect what is known as our public utilities to make sure all this works. They're the ones we all go when we want to, if we flick the switch but the power doesn't go on.

They're the ones we screamed about when the rates went up last year even though those were issues outside the utilities' control. They're the ones that it is also our broad responsibility to make sure are able to do the job that we demand of them to happen.

So, Mr. Speaker, as we think about energy policy in the future, let's remember that this is an entire system, generation and transmission and distribution and all of those elements together.

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If we do it right, if we do it right, are the things that will serve our constituents properly. If, however, we sit and talk about who's getting what and what is the short-term expedient answer then I think we do our constituents a disservice.

There are enumerable sections in this Bill where, for example, businesses will get credits to install distributive generation, to make it easier for that to happen. Businesses, no Member of this Body may even know who those are at this stage. I don't.

We're giving them credits, dollars, ratepayer dollars in order to undertake something. Why do we do that? Because it's in our collective interest to do so for all ratepayers in Connecticut.

The value of the long-term capacity contracts that are going to be given to wholesale generators, ratepayers money that's going to be given to the wholesale generator market, hundreds of millions of dollars over a period of years of value.

We are in effect directing that these things will happen. We're giving this money to entities that are publicly owned entities, that are for-profit entities. Why would we do that?

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We do that, we look at it from the perspective of what's in our interests, what do we need. We need power, we need the most, we need a reliable system and we want to make sure it happens in a way that is the most cost-effective for us.

So there are a number of sections that do that. Unfortunately, I think that in the heat of certain debates, some issues can get greater attention maybe even than their objective value is to what's really the issue at hand.

Mr. Speaker, I believe that this is a step forward and hopefully over time we are putting Connecticut in a much better position than exists today.

But I also have to state that the best that this Bill does, which is the best I think we can do right now, is make a, what will be a horrible situation if we do nothing, make it a little bit better.

Remember this, folks, that this will reduce the potential cost of LICAP. It will likely not in the near term eliminate that.

Remember also we know what's going on in the world oil market, natural gas prices, and the

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component costs of what it takes to generate energy, that those costs are in fact rising every day. We have, in many ways, been insulated from that in the short term. But those issues are on the horizon for us today.

So if Connecticut will over the long term enjoy an energy policy framework that truly benefits our economy and our residents, I hope legislatures in the future will look at that long-term picture and appreciate that no single string stands on its own, that in fact we need to make the entire system work well and work rationally together. Thank you, Mr. Speaker.

SPEAKER AMANN:

Thank you, Sir. Will you remark further?
Representative Nardello.

REP. NARDELLO: (89th)

Thank you, Mr. Speaker. I want to comment first on a couple of the comments that have been made, and that being the fact that this Legislature embarked on a decision in 98-28 of the fact that we decided to deregulate the electric industry.

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And when we made that decision, I think if we had been able to look into the future and see what is before us now, we might have made a very different decision at that time.

And I'm very concerned about the fact that what we seem to have done in the process of doing that is ceded state authority to federal authority, and that's a lot of the reason why you have all of these discussions about federally mandated congestion costs, because we're ceding authority to the federal government by the process of deregulation.

And I hope that all of you will keep that in mind next year when we have to debate energy policy and make some very important decisions on how we go forward when our standard offer ends.

And it's going to be important that all of you become as energized and as involved as you were in this particular Bill and I ask that you do that.

Having said that, there's a few questions that I would like to ask the Chair of the Committee if I could, Mr. Speaker, through you.

SPEAKER AMANN:

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Please frame your question, Madam.

Representative Fontana, please prepare yourself, Sir.

REP. NARDELLO: (89th)

Representative Fontana, through you, Mr. Speaker, there are a number of sections in this Bill, approximately 15 sections, and I know when we did the original Bill what I did is I actually gave you the line cites and all of the particulars on that.

I'm not going to do that this time, but there are 15 sections that really are what I call cost-drivers or incentives that are paid to the companies in those sections. Do we have any sense of how much money that actually is in dollars that ratepayers are going to be at risk for?

SPEAKER AMANN:

Representative Fontana.

REP. FONTANA: (87th)

Through you, Mr. Speaker. I'm not aware of any combined reporting. Certainly as we were developing the Bill, we priced out certain sections. To the extent that they're all prospective, it's difficult to tell exactly how much will happen in each one of those sections and when, and that would drive it.

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I can tell you that we went through each section and, as comprehensively and thoroughly as we could, established that the benchmark for incentives was the reduction of federally mandated congestion charges and that those FMCCs, as they're called, had to exceed the value in almost every case, if not every case, of the incentive being provided.

So the net cost I fully expect to be zero to the extent that I believe ratepayers will benefit over the long term. Clearly that will depend upon the size and timing of LICAP charges, RMRs and other existing federally mandated congestion charges, as well as how the incentives are actually implemented. Through you.

REP. NARDELLO: (89th)

Through you, Mr. Speaker, another question, please.

SPEAKER AMANN:

You may proceed, Madam.

REP. NARDELLO: (89th)

Representative Fontana, actually you raise a very good point, because in the first cost line, which it talks about the fact that no such award should be made unless there's a projected reduction of federally

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mandated congestion costs, which of course I think you and I are on the same page about that, that that is certainly what we all would want.

But my concern is, for legislative intent, do you have some sense of how that determination is going to be made?

I guess what was explained to me and why I have some concerns here is the fact that what would happen is there would be a consultant who would develop a model, who would determine from that model whether the proposed project or would be likely to reduce congestion costs, but it would be based on sort of a theoretical model as opposed to actual costs.

Do you envision that differently or is there a way that we can, for legislative intent, establish the fact that we would want to make sure that those costs were actually reduced before the awards were given out?

SPEAKER AMANN:

Representative Fontana.

REP. FONTANA: (87th)

Through you, Mr. Speaker. Certainly there are certain sections of the Bill that discuss the role of

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the DPUC vis-à-vis a third-party entity. There are other sections which do not I believe refer to a third-party entity.

To the extent that the DPUC needs additional staff to implement the provision in the Bill, the fiscal note reflects that and they will be adding certain staff.

As to the role of third-party entities, I fully expect that they will serve at the pleasure of the DPUC and under the direct supervision of the DPUC.

So I do expect that the DPUC will play an integral role in ensuring to the best ability possible that the purposes of each section are fully met and that we have done everything conceivable to ensure that the costs are prudently incurred and that in fact the incentives are only delivered if the FMCCs are reduced. Through you.

REP. NARDELLO: (89th)

Another question, Mr. Speaker?

SPEAKER AMANN:

You may proceed, Madam.

REP. NARDELLO: (89th)

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Representative Fontana, what I guess I'm trying to get at is the fact that I guess the decision was made to make this a prospective payment versus a retrospective payment.

And I know that we did stranded costs and we did other recoveries earlier on. We did have a [inaudible] mechanism that went back and looked at this to say did they or did they not have these costs and then either we gave them money or they gave us money, whichever way it worked out.

Was there a particular reason why you chose a prospective versus a retrospective mechanism? Could you help me on that?

SPEAKER AMANN:

Representative Fontana.

REP. FONTANA: (87th)

Through you, Mr. Speaker. To a certain extent, I think we wanted to prioritize and assign the resources of the DPUC which are, of course, scarce and limited to the extent that there's a restriction on the size and function of the DPUC toward doing the most to reduce the costs.

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Clearly there are procedures the DPUC can undertake to establish retrospectively whether certain things were done. I think what we tried to do was to focus the Department's resources on effecting this maximum reduction in FMCCs.

To the extent that there are certain incentive payments which will occur only after certain things become operational or certain things go into commercial operation, I think it's pretty clear that there has to be a process not only prospectively identifying projected reduction in FMCCs, but ultimately some assessment done at the time that the operation goes into effect that there has in fact been that reduction. Through you.

SPEAKER AMANN:

Representative Nardello.

REP. NARDELLO: (89th)

Through you, Mr. Speaker. And a question regarding Section 27, which is the section, of course, that had a great deal of controversy.

But I just want to establish for, first I want to say to Representative Fontana and to the Energy Committee thank you for the fact that you did, you

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know, take the wishes of the Caucus into consideration and change that language to a study which I think we all do appreciate and we're going to be looking forward to seeing what the study says.

But in the language it says to determine a reasonable amount of compensation for each electric distribution company.

I'd like to state for legislative intent, or ask you for legislative intent could reasonable theoretically be no amount of money?

In other words, what I want to know here is this doesn't necessarily ensure that there will be a procurement fee, but rather that it will be considered what a reasonable amount might be and that could be possibly no procurement fee. Is that, would I be phrasing that correctly as to your legislative intent?

SPEAKER AMANN:

Representative Fontana.

REP. FONTANA: (87th)

Through you, Mr. Speaker. You're generally correct. We fully expect the DPUC to evaluate neighboring states and their models as well as other models out there in the private sector and ultimately

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to come back with recommendations which may include zero, zero with some incentive, cost, cost plus, other sorts of mechanisms.

But through you, Mr. Speaker, the Representative is in fact correct. It could in fact be zero.

Through you.

SPEAKER AMANN:

Representative Nardello.

REP. NARDELLO: (89th)

Through you, Mr. Speaker. One more, well, a few more questions actually, and then we're going to, thank you for that explanation, first of all. I think that's extremely important for the establishment of legislative intent as we go forward in this.

One of the other things that seemed to concern me are the incentives in some cases are outside their normal rate of return. In other words, they're allowed to earn their rate of return which we guarantee them, and then after that they get these incentives on top of that.

I just wondered what, again, the rationale for that was. Through you, Mr. Speaker.

SPEAKER AMANN:

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Representative Fontana.

REP. FONTANA: (87th)

Through you, Mr. Speaker. The rationale was to do everything that we could constructively and prudently to encourage our utilities to be willing and enthusiastic collaborators and partners in our effort to reduce FMCCs.

I think from my perspective they fully appreciate the danger of FMCCs and LICAP to Connecticut consumers and ratepayers and businesses, but we wanted to ensure that they would in essence want to pursue those opportunities to their full extent, and to do so sooner rather than later.

And to the extent that we essentially allow them to earn additional resources for that, we ensure that they're not weighing efforts that we need them to pursue for public policy purposes against their existing earnings framework. Through you.

SPEAKER AMANN:

Representative Nardello.

REP. NARDELLO: (89th)

Through you, Mr. Speaker. And have you considered if the facility, the [inaudible] facility

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should for some reason fail because of poor design, construction, the problem, because, again, this is going to be new to many people as we're doing this, would the utilities still be able to keep the payments if that occurs? Through you, Mr. Speaker.

SPEAKER AMANN:

Representative Fontana.

REP. FONTANA: (87th)

Through you, Mr. Speaker. To the extent that the incentive under Section 8b is delivered at a time when a customer DG, distributive generation, unit becomes operational, yes, they would be able to keep that. Through you.

SPEAKER AMANN:

Representative Nardello.

REP. NARDELLO: (89th)

Through you, Mr. Speaker. Since this will probably be ongoing, it might be in our best interests in the future to look at a provision in case any of these facilities do fail or do have problems, so I think that we would be, we'd do well by monitoring this.

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This is a concern of mine. And I think that pretty much goes through most of the questions that I had. I think there's just one other thing. The DPUC at this point has authority, through you, Mr. Speaker.

SPEAKER AMANN:

Representative Fontana.

REP. NARDELLO: (89th)

It's my understanding that in '03 we gave the DPUC authority to cite temporary generation and to do things to reduce FMCCs. And what I wondered is how will this be different from that authority that we've already given them?

SPEAKER AMANN:

Representative Fontana.

REP. FONTANA: (87th)

Through you, Mr. Speaker. I haven't reviewed that authority in detail. I can just tell you that that authority has not been exercised to my knowledge or exercised to the extent that we would like it to be.

We have developed the tools and incentives in this Bill in consultation with the DPUC and developed

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what we believe are specific focused tools to enable them to move forward in particular ways.

The DPUC from my perspective seeks guidance and support and direction from the General Assembly. And to that end, Mr. Speaker, I think that the provisions in this Bill do provide that and provide them with the level of support and incentive to pursue efforts more vigorously.

Particularly to the extent, Mr. Speaker, we're facing LICAP, which is going to double or triple the impact of these FMCCs over and above what we've been paying the last couple of years. Through you.

SPEAKER AMANN:

Representative Nardello.

REP. NARDELLO: (89th)

Through you, Mr. Speaker. Thank you, Representative Fontana. I appreciate the answers to the questions and, again, the work that you've done on this Bill.

And I think that what happens here is that I really do believe the people that brought this Bill forward are extremely well-intentioned and really do

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believe that the provisions of this Bill will reduce FMCCs.

I guess my concerns, and I'm going to state some of them, is that the underlying Bill is premised on the use of significant monetary incentives to induce companies to build small power plants known as distributive generation.

The building of these plants, of course, is aimed at reducing federal charges, which, of course, is a very laudable goal.

The incentives include guaranteed long-term contracts. They include transfer of risk from the company to the customer for gas transportation, reimbursement for capital costs and reimbursement for backup charges. So they are significant.

To determine whether the federal charges are reduced, as I said, I believe that an RFP is going to be issued, likely to be a consultant will develop a theoretical model and that decides if the plan reduces federal charges.

As soon as the plan is up and running, the incentives are paid and the incentives are paid prospectively and I do have some concerns about that.

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I don't feel that at any time there's any requirement that the proof be made that costs to consumers are actually reduced. I would have been more comfortable if there had actually been a truer process, but I do understand that that's more work involved for everybody.

I'm concerned that these incentives are outside the company's guaranteed rate of return, raising their profit margin. And I'm concerned that these incentives are outside of the cap set by the Legislature to contain costs.

So that we did set a cap in '03, and now we're really going outside of that cap. And in '03 we passed legislation which gave the DPUC authority to issue an RFP for temporary generation for the purpose of reliability and the reduction of federally mandated costs.

That language says that the Department shall base its decision to conclude a transaction on the best interest of the public and the ratepayers, which, by the way, I think is very good language.

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I'm a little bit concerned that we didn't repeat that language in this Bill and that we might at some future point.

Rather than relying on incentives that the Department could put out an RFP and the companies could bid out this, this would be another way to do this.

In other words, what I'm saying is we do have other alternatives. We could actually direct the DPUC to put out the RFP, have people bid, bring in their prices, and that might be a process that could in the end be fairer to consumers.

The overall question for me is that the purpose of deregulation was to allow generators to assume risk in return for not being regulated. And instead, we find that generators are coming to the government for guaranteed streams of revenue and transferring the risk back to the customer.

It defeats the whole purpose of deregulation. You can't have regulation which only favors the generator of electricity.

We also seem to have forgotten that the utilities are public service companies, with a guaranteed

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customer base and a guaranteed rate of return. And I think this is a philosophical difference that we might have.

Their obligation is to provide electricity at just and reasonable rates for public benefit in return for their special status.

The more that we stray from the public service model to the private or entrepreneurial model, which is some of what this Bill is premised on, the more we put ratepayers at risk for higher rate. Our responsibility as a Legislature is to protect ratepayer interests.

Will this Bill reduce LICAP charges? I'm not sure. I have questions in my mind about it, and I needed to put these issues on the record so that as we go forward we would be looking at this to really say that we're not going to end it at this point but we're going to monitor this and see if it actually does what it's intended to do. I ask my colleagues to consider that in their deliberations. Thank you.

SPEAKER AMANN:

Will you remark further? Will you remark further? Representative Green of the 1st.

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REP. GREEN: (1st)

Thank you, Mr. Speaker. Mr. Speaker, just one question. I'm listening to the conversation. I've got to tell you that I'm a little cautious as to, as Representative Nardello talked about, when we did the electrical deregulation, we thought that some of these ideas would result in some lower costs for our citizens.

And I'm just worried that if the intent here is to try to make sure that we are energy efficient and some costs that will make sure that our citizens don't have exorbitant costs, I'm hoping this Bill does that.

But my question just relates to one part of this legislation, on Page 39, Lines 1265 to 1270. And through you, Mr. Speaker, I'd like to ask the proponent a question.

SPEAKER AMANN:

Please frame your question, Sir.

REP. GREEN: (1st)

I was struck by this language on this line because it talked about a fuel cell project principally manufactured in the state should be

allocated all available air-emissions credits and tax credits.

And I just was a little confused as to what that language means and whether or not that's a particular company that this language is geared towards, and why would we give all of our tax credits or available tax credits to this company or companies. If the proponent could try to clarify this particular piece of language for me.

SPEAKER AMANN:

Representative Fontana.

REP. FONTANA: (87th)

Through you, Mr. Speaker. In answer to the gentleman's question, this is not targeted at any one specific company. It's targeted at an industry which is located particularly in Connecticut and is at this point trying hard to develop its preeminence in terms of its competitive posture vis-à-vis other states.

Through you, Mr. Speaker. We have in this state have made a priority of supporting the fuel cell industry to the extent that we believe fuel cells will play an increasingly large role in our energy infrastructure and to the extent that we can focus

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some of our resources towards supporting what is at this point still a somewhat expensive technology, we can in essence foster the growth of this industry which in fact employs many of our constituents throughout the state. Through you, Mr. Speaker.

SPEAKER AMANN:

Representative Green.

REP. GREEN: (1st)

Thank you, Mr. Speaker. Mr. Speaker, through you, could the proponent of the Bill tell me is he aware of any companies in Connecticut that is manufacturing fuel cells, how many there are, if he's aware of the number of companies that produce fuel cells.

SPEAKER AMANN:

Representative Fontana.

REP. FONTANA: (87th)

Through you, Mr. Speaker. I believe there are roughly a half dozen in this state. I know there's one located in Torrington. I believe there's one in Wallingford. Danbury may be another community.

There are probably a few others, perhaps even in fact in the Hartford area, although the particular

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community at this point is escaping me. But through you, Mr. Speaker, there's at least a half dozen.

Through you.

SPEAKER AMANN:

Representative Green.

REP. GREEN: (1st)

Thank you, Mr. Speaker. Mr. Speaker, through you, if the proponent can express to me what kind of monies are we talking about. Is this an amount of money that they're available to get? Is there a maximum amount of money? What exactly is the tax credit's total amount is? Through you, Mr. Speaker.

SPEAKER AMANN:

Representative Fontana.

REP. FONTANA: (87th)

Through you, Mr. Speaker. In answer to the gentleman's question, in Line 1267, the air emissions credits and tax credits referred to there are federal tax credits.

And through you, Mr. Speaker, the information in Lines 1268 and 1269 refer to our renewable portfolio standard in the state. Through you.

SPEAKER AMANN:

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Representative Green.

REP. GREEN: (1st)

I want to thank the gentleman for his answer.

Thank you, Mr. Speaker.

SPEAKER AMANN:

Thank you, Sir. Will you remark further?

Representative Miller.

REP. MILLER: (122nd)

Thank you, Mr. Speaker. I have a question to the proponent of the Bill. The ultimate authority, through you, Mr. Speaker, the ultimate authority of the six agencies that'll be working together, who will have the final say? Will it be DPUC?

SPEAKER AMANN:

Representative Fontana.

REP. MILLER: (122nd)

If I may, Mr. Speaker.

SPEAKER AMANN:

Proceed, Sir.

REP. MILLER: (122nd)

DPUC is involved, Energy Conservation Management Board, the Renewable Energy Advisory Committee, Connecticut Innovations, Connecticut Energy Advisory

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Board. Who will have the ultimate say as to how things happen with the coordination of all these boards?

SPEAKER AMANN:

Representative Fontana.

REP. FONTANA: (87th)

Through you, Mr. Speaker. If I understand the gentleman's question correctly, there is no one board or agency that will oversee all energy policy.

Through you, Mr. Speaker. There's a variety of agencies, as the gentleman indicated, the DPUC, the ECMB, the Energy Conservation Management Board, the Connecticut Clean Energy Fund, which is operated by Connecticut Innovations, Inc., the CEAB, the Connecticut Energy Advisory Board.

Different boards have different mandates and jurisdictions, Mr. Speaker, and purposes and objectives. So it depends upon the kind of issue that we're talking about.

To the extent, Mr. Speaker, that the Bill focuses tools that we can extend to the DPUC to foster generation and conservation, the DPUC is involved in those.

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But to the extent that we're trying to foster greater collaboration between different agencies in certain sections of the Bill, we support that as well. Through you, Mr. Speaker.

REP. MILLER: (122nd)

And through you, Mr. Speaker.

SPEAKER AMANN:

Representative Miller.

REP. MILLER: (122nd)

Some of these agencies will be, have the ability to hire consultants and employees and things of that sort. Is there any way of determining what the upfront costs are going to be through this Bill before these savings are realized?

SPEAKER AMANN:

Representative Fontana.

REP. FONTANA: (87th)

Through you, Mr. Speaker. If I understand the gentleman's question correctly, the fiscal note indicates that the Department of Public Utility Control will require a charge of I believe \$180,000 in Fiscal Year '06 and \$290,000 approximately in Fiscal

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Year '07. Those are the costs that I can cite for the gentleman. Through you.

SPEAKER AMANN:

Representative Miller.

REP. MILLER: (122nd)

And through you, Mr. Speaker. Those costs will be passed on to the ratepayers?

SPEAKER AMANN:

Representative Fontana.

REP. FONTANA: (87th)

Through you, Mr. Speaker. Yes.

SPEAKER AMANN:

Representative Miller.

REP. MILLER: (122nd)

Through you, Mr. Speaker. Thank you for those answers. Awhile ago the State of Connecticut was rated number six in the nation as having the highest electrical costs in the country.

And I don't know if the congestion costs were factored in and maybe we moved up a few notches, but I'm very concerned about the ratepayers and what they're paying for electricity in the State of Connecticut.

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And at the rate we're going, I think our utility is going to have to put an index on our electric bills to find out what everything stands for.

The one thing I can tell you about New York, NYSERDA, Governor Pataki has put in a terrific program. We don't have a problem such as New York. We have a slight problem. We're about 150 megawatts short in Fairfield County, and that's based upon an ISO report that I have in my files.

But they've installed distributive generation under \$150 million program and they're doing quite well with it. They're starting to come out of their energy problems.

The fact of the matter is they, the environmentalists shut down the Shoreham plant, which is 800 megawatts, so they've had a big hole in their electric needs.

SPEAKER AMANN:

Representative Miller.

REP. MILLER: (122nd)

I'm still speaker, Mr. Speaker.

SPEAKER AMANN:

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I hear many voices in my head lately,
Representative Miller. I get them confused sometimes,
Sir. I apologize. You may proceed, Sir.

REP. MILLER: (122nd)

Thank you, Mr. Speaker. But I'm concerned that
we're not doing enough with DG, distributive
generation. I think we ought to be doing a heck of a
lot more to show FERC and others that we do intend to
reduce our electric costs.

We do want to reduce our megawatt shortage, even
though it's a small amount. So I think we ought to be
doing a heck of a lot more. But the bottom line is
I'm going to support the Bill.

It's, I guess it's okay, but I just have some
doubts about all of the organizations and all the red
tape and the DPUC and the DEP and the rest of them.
So I thank you for your answers. And, Mr. Speaker, I
thank you very much for the time.

SPEAKER AMANN:

Thank you, Sir. Will you remark further?
Representative Ritter.

REP. RITTER: (38th)

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Thank you, Mr. Speaker. Mr. Speaker, I would like to first express my thanks to the proponent of this Bill and the many people who worked with him in putting together this new version.

As you may know, I also had many problems, most particularly with the procurement fee, and I'm pleased to see today that this Bill does not contain such a fee.

Mr. Speaker, I do have a very specific concern with the Bill, specific to my community, and I would like permission to address the proponent of the Bill or his designee.

SPEAKER AMANN:

Representative Fontana.

REP. RITTER: (38th)

Mr. Speaker, Sections 38 and 39 of this Bill address specifically water and air pollution structures eligible for a property tax exemption for the owner who installed them and the extension of those exemptions to new owners.

As I understand these sections, it allows the new owner to be the beneficiary of these exemptions

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without obtaining a certificate of approval from the
DEP.

My question concerns a new owner who is in such a
position who has not been the beneficiary of these
exemptions and how this affects that owner after
October 1st of 2005.

SPEAKER AMANN:

Representative Fontana.

REP. FONTANA: (87th)

Through you, Mr. Speaker. If I could, I'd like
to refer this question to Representative Staples,
please.

SPEAKER AMANN:

Representative Staples.

REP. STAPLES: (96th)

Thank you, Mr. Speaker. Through you, Mr.
Speaker, in response to the question that was asked.
If a company changes its ownership under the
provisions of this Bill, it is permitted for the
assessment year commencing October 1, 2005, to submit
a revised application for any assessment year if that
exemption under the subdivision continued to be

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granted for each assessment year following the change in ownership.

So the provisions here would apply when a company had been continuing to receive the exemption already since the date of the change of their ownership and can document that and effectively grandfathers those companies that had been expecting and had been receiving the exemption over the past number of years since the change of ownership.

But it does not appear that it would apply in the event that a company had an ownership change and did not have continuous exemptions afforded to them from the date of that ownership change through the beginning of the assessment year of October 1, 2005.

SPEAKER AMANN:

Representative Ritter.

REP. RITTER: (38th)

Thank you, Mr. Speaker. Mr. Speaker, if you would indulge me quickly to perhaps put this into more common language, I would like to ask Representative Staples, through you, if this does in fact mean that a company in the position I described cannot to his

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knowledge reach back to prior assessment years to obtain these exemptions. Thank you, Mr. Speaker.

SPEAKER AMANN:

Representative Staples.

REP. STAPLES: (96th)

Thank you, Mr. Speaker. If you don't mind, Representative Ritter, I might just explain a little bit about what this section is intended to do so that I can fully answer that question.

What these sections do is they provide for exemptions for air pollution and water pollution control equipment for companies that undergo an ownership change during the course of continually using that equipment.

It was the, I believe the intention of these statutes when they were drafted almost 40 years ago that they would provide exemptions on an annual basis as long as that equipment that was certified by the DEP continued to be used for those purposes.

What we're doing today is ensuring that in the case of an ownership change, as long as the equipment is not altered, and that's the present law but we're

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restating it for new owners as well, that they can continue to qualify for the exemption.

And the primary thrust of this is for assessment years going forward. There is a section that relates to any assessment year, and that would include prior assessment years, but it is only limited to a situation where they have been receiving that exemption for each assessment year following the name change or the ownership change.

So in the circumstance that I believe you described or alluded to, if there were not continuous exemptions granted following the change of ownership, then they would not be able to reach back to prior assessment years under the way that I read the section of the statute that pertains to that reach-back provision.

SPEAKER AMANN:

Representative Ritter.

REP. RITTER: (38th)

Thank you, Mr. Speaker. My concerns on this are driven, as I said, from a specific case including my community, and they have also involved litigation. And I'm still not completely clear in my mind as to

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the ability or definition under such a circumstance
for that to happen in my community.

And I would say that based on that I cannot
support the Bill. I would like to make it very clear,
however, that this does not extend to my support of
most of the Bill, but particularly to these sections.

And that would be the basis for my decision. I
want to thank you for your indulgence and that of the
Chamber, Mr. Speaker.

SPEAKER AMANN:

Thank you, Madam. Will you remark further? Will
you remark further? Representative Ferrari.

REP. FERRARI: (62nd)

Thank you, Mr. Speaker. If I might, a question
to Representative Fontana.

SPEAKER AMANN:

Please frame your question, Sir.

REP. FERRARI: (62nd)

Thank you, Representative. Thank you, Mr.
Speaker. Representative Fonfara, in Section, Fontana,
sorry. Senator Fonfara has more hair than
Representative Fontana.

SPEAKER AMANN:

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That's what you think. We've been checking. You may proceed, Sir.

REP. FERRARI: (62nd)

Okay. Thanks a lot. Now I'm completely flustered. No. In Section 6, Representative Fontana, the section that is pertaining to renewable energy, in Lines, on Line 257 and 256, we added some verbiage.

Could you tell me what a thermal storage system is and why it's included in as a renewable energy source, Sir?

SPEAKER AMANN:

Representative Fontana.

REP. FONTANA: (87th)

Thank you, Mr. Speaker. My understanding is that a thermal storage system is what's known in the vernacular as a chiller, which is to say it's a unit that's often placed on the roof of a commercial-industrial building which uses electricity in the evening during the warm spring and summer months to freeze ice.

And then during the day, when electricity demand is great and heat high, the unit blows air through the ice and uses that to cool the facility rather than

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using conventional air-conditioning systems, using electricity at the peak of the day.

So thermal storage involves a manner in which you use electricity when it's cheap and available in order to create ice that allows you to cool the facility more cheaply when it's hot. Through you.

SPEAKER AMANN:

Representative Ferrari.

REP. FERRARI: (62nd)

Thank you, Representative Fontana. That was very helpful. I appreciate that. Thank you, Mr. Speaker.

SPEAKER AMANN:

Will you remark further? Will you remark further? Representative Mushinsky.

REP. MUSHINSKY: (85th)

Thank you, Mr. Speaker. I wanted to first thank Chairman Fontana for listening over a period of several months to the, and responding to the concerns of the municipal electric utilities.

All along they were trying to have their conservation investments counted. They wanted to be fairly represented in decisions were made that involved them.

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And as a person who comes from one of those districts, I appreciate that the Chairman did listen and did include those concerns in the legislation. So thank you.

There is some unfinished business in this energy conservation field. And in Section 8, there are grants authorized for capital costs to ease the demands on the system, grants to obtain customer-sided distributive resources.

But one thing we didn't do here and should have done and could still do next year is to support energy efficient building construction.

Representative Caron and myself, Representative Roy, we're attempting to get Senate Bill Number 923 passed, which died at midnight on June 8th and did not get OPM approval for inclusion today in this Bill, but it really does fit.

And it would be great if Connecticut could join California, Maine, New Jersey, New York and Washington State in adopting high-performance, efficient green building standards for any buildings that's funded by the taxpayer.

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And the reason we ought to do this, well, there are many reasons, but in energy conservation alone with a slight change in the construction costs, no more than 1%, and sometimes it's zero, we can create an energy savings of 30%.

There are also water savings and higher worker productivity cost reductions. So if you can save 30% in a high-performance building, that's just as important as generating new power and it's wholly independent of foreign sources.

It's Connecticut-generated 30% savings. So Representative Caron, Representative Roy have been great supporters of this concept, and I hope my colleagues will join us next Session in pursuit of energy efficiency and energy independence for any taxpayer-funded buildings. Thank you, Mr. Speaker. Madam Speaker. Sorry. Thank you, Madam Speaker.

DEPUTY SPEAKER FRITZ:

Thank you, Representative Mushinsky. Will you remark further on the Bill before us? Representative Diana Urban.

REP. URBAN: (43rd)

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Thank you, Madam Speaker. I think we all know that energy policy is extremely complex and that we have tried our best to do deregulation and we probably are not where we want to be.

But what we're trying to do here, and I think what the Energy Committee has done very well, is try to untie the Gordian knot and get us to where we need to be.

And I think one of the underlying issues here is, you know, what does constitute regulated utility and what does constitute competition, and at what point is entrepreneurial incentive appropriate and at what point isn't it.

And I think that's going to be a continuing question in front of this Body and I look forward to that debate.

But I would like to, first of all, thank the Energy Committee for all the work they have done on this Bill. And I think that it is going to get us in the direction that we need to go.

And I also want to thank Representative Nardello for her tireless efforts on energy policy. And thank you, Madam Chairman.

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DEPUTY SPEAKER FRITZ:

Thank you, Representative Urban. Representative Michael Cardin.

REP. CARDIN: (53rd)

Thank you, Madam Speaker. If I could, through you, ask the proponent of the Bill just one question.

DEPUTY SPEAKER FRITZ:

Please proceed, Sir.

REP. CARDIN: (53rd)

Thank you, Madam Speaker. Through you to my good friend, the Chair of the Energy Committee, in regards to Section 15, under the LCO analysis of the Bill, it talks about utility costs recovery.

My question, through you, Madam Speaker, to companies get rate relief if their revenues drop as a result of new distributive generation?

DEPUTY SPEAKER FRITZ:

Representative Fontana.

REP. FONTANA: (87th)

Through you, Mr. Speaker, Madam Speaker. They can.

DEPUTY SPEAKER FRITZ:

Representative Cardin.

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REP. CARDIN: (53rd)

If I could follow up, through you, Madam Speaker.
Is that something that's occurring now prior to us
adopting this legislation?

DEPUTY SPEAKER FRITZ:

Representative Fontana.

REP. FONTANA: (87th)

Through you, Madam Speaker. It is currently
allowed under law. Through you.

DEPUTY SPEAKER FRITZ:

Representative Cardin.

REP. CARDIN: (53rd)

Through you, Madam Speaker. Do we know if the
utilities are essentially recovering costs now? I
know it's permitted.

DEPUTY SPEAKER FRITZ:

Representative Fontana.

REP. FONTANA: (87th)

Through you, Madam Speaker. My understanding is
that they are recovering through conservation
programs. Through you.

DEPUTY SPEAKER FRITZ:

Representative Cardin.

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REP. CARDIN: (53rd)

Through you, Madam Speaker. Do we have any dollar amounts about what they're recovering through conservation?

DEPUTY SPEAKER FRITZ:

Representative Fontana.

REP. FONTANA: (87th)

Through you, Madam Speaker. I do not.

DEPUTY SPEAKER FRITZ:

Representative Cardin.

REP. CARDIN: (53rd)

And then finally though you, Madam Speaker. Do we know what the potential cost recovery might be under Section 15?

DEPUTY SPEAKER FRITZ:

Representative Fontana.

REP. FONTANA: (87th)

Through you, Madam Speaker. I do not.

DEPUTY SPEAKER FRITZ:

Representative Cardin.

REP. CARDIN: (53rd)

Thank you very much, Madam Speaker. And I thank my colleague on the Energy Committee.

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DEPUTY SPEAKER FRITZ:

Thank you, Representative Cardin. Will you remark further on the Bill before us? Will you remark further on the Bill before us? If not, will staff and guests please come to the Well of the House and the machine will be open.

CLERK:

The House of Representatives is voting by Roll Call. Members to the Chamber. The House is taking a Roll Call Vote. Members to the Chamber, please.

SPEAKER AMANN:

Have all the Members voted? Have all the Members voted?

Please check the board to make sure your vote has been properly cast. If all the Members have voted, the machine will be locked and the Clerk will take a tally. The Clerk please announce the tally.

CLERK:

Emergency Certified House Bill Number 7501.

Total Number Voting	136
Necessary for Passage	69
Those voting Yea	129

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Those voting Nay 7

Those absent and not voting 15

SPEAKER AMANN:

The Bill passes. Representative Donovan.

REP. DONOVAN: (84th)

Mr. Speaker.

SPEAKER AMANN:

Representative Donovan.

REP. DONOVAN: (84th)

Mr. Speaker, I move for the immediate transmittal of the last item to the Senate for consideration.

SPEAKER AMANN:

Is there objection? Hearing none, so ordered.

Representative Donovan.

REP. DONOVAN: (84th)

Yes, Mr. Speaker. Members of the Chamber, at this point we'll be taking a break as we prepare legislation for later in the evening. So I expect that we'd be back around 7:00 o'clock p.m.

So with that, Mr. Speaker, as I was saying, Mr. Speaker, people should plan. They can take a break, visit our lovely grounds here and plan to be back