



House of Representatives

General Assembly

File No. 325

February Session, 2022

Substitute House Bill No. 5203

House of Representatives, April 6, 2022

The Committee on Energy and Technology reported through REP. ARCONTI of the 109th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING THE PUBLIC UTILITIES REGULATORY AUTHORITY'S POWERS, UTILITY ADVERTISING DISCLOSURES, AND ELECTRIC BILL COMPONENTS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (b) of section 16-19tt of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective October*
3 *1, 2022*):

4 (b) [In any rate case initiated on or after July 8, 2013, or in a pending
5 rate case for which a final decision has not been issued prior to July 8,
6 2013, the Public Utilities Regulatory Authority shall order the state's gas
7 and electric distribution companies to decouple distribution revenues
8 from the volume of natural gas and electricity sales. For electric
9 distribution companies, the decoupling mechanism shall be the
10 adjustment of actual distribution revenues to allowed distribution
11 revenues. For gas distribution companies, the decoupling mechanism
12 shall be a mechanism that does not remove the incentive to support the

13 expansion of natural gas use pursuant to the 2013 Comprehensive
14 Energy Strategy, such as a mechanism that decouples distribution
15 revenue based on a use-per-customer basis. In making its determination
16 on this matter, the authority shall consider the impact of decoupling on
17 the gas or electric distribution company's return on equity and make any
18 necessary adjustments thereto.] In any rate case initiated on or after
19 October 1, 2022, or in a pending rate case for which a final decision has
20 not been issued prior to October 1, 2022, the Public Utilities Regulatory
21 Authority may order the state's gas and electric distribution companies
22 to decouple distribution revenues from the volume of natural gas and
23 electricity sales. The authority shall have the discretion to determine the
24 decoupling mechanism and methodology used in decoupling orders
25 made pursuant to this subsection.

26 Sec. 2. Section 16-19jj of the general statutes is repealed and the
27 following is substituted in lieu thereof (*Effective October 1, 2022*):

28 The Public Utilities Regulatory Authority shall, whenever it deems
29 appropriate, [encourage] permit the use of proposed settlements
30 produced by alternative dispute resolution mechanisms to resolve
31 contested cases and proceedings. In order to approve a settlement of a
32 proceeding to amend rates under section 16-19, the authority shall
33 determine that the resulting rates and other terms of such settlement
34 conform to the principles and guidelines set forth in section 16-19e. The
35 term of any provision in a settlement of a proceeding to amend rates
36 under section 16-19 shall not extend more than three years from its
37 approval by the authority. Any settlement of a proceeding to amend
38 rates under section 16-19 subsequent to an approved settlement of a
39 proceeding to amend rates shall not constitute a general rate hearing for
40 purposes of section 16-19a.

41 Sec. 3. Section 16-19bb of the general statutes is repealed and the
42 following is substituted in lieu thereof (*Effective October 1, 2022*):

43 The Public Utilities Regulatory Authority shall require that any funds
44 held by an electric distribution company in excess of the company's
45 authorized return on equity, which funds are intended by the authority

46 to offset future rate increases in lieu of a present rate decrease, shall be
47 applied to such rate increases or shall be refunded to the company's
48 customers, [within one year of receipt] in a manner determined by the
49 authority, not later than the conclusion of the company's next
50 proceeding conducted pursuant to section 16-19a.

51 Sec. 4. Subsection (c) of section 16-19d of the general statutes is
52 repealed and the following is substituted in lieu thereof (*Effective October*
53 *1, 2022*):

54 (c) [A public service company shall make application to the authority
55 for determination that equipment meets the requirements of
56 subdivision (4) of subsection (b) of this section. The authority shall, to
57 the extent practicable, make such determination within one hundred
58 twenty days of such filing. All reasonable and proper expenses, required
59 by the authority and the Office of Consumer Counsel, including, but not
60 limited to, the costs associated with analysis, testing, evaluation and
61 testimony at a public hearing or other proceeding, shall be borne by the
62 company and shall be paid by the company at such times and in such
63 manner as the authority directs.] On or before February first each year,
64 any gas company or electric distribution company that recovered
65 advertising costs against ratepayers during the previous year shall file a
66 public disclosure report with the authority. For each advertisement, the
67 report shall delineate the dollar amount, source of funding, primary
68 purpose of the advertisement, communications medium or platform
69 and approximate dates during which the advertisement was displayed
70 or transmitted to the public, broken down by type of advertising, by
71 month and by year, and by advertising campaign. Failure to provide
72 complete and accurate data in the report shall constitute a violation for
73 which the authority may levy civil penalties against such company
74 pursuant to section 16-41.

75 Sec. 5. (*Effective July 1, 2022*) The chairperson of the Public Utilities
76 Regulatory Authority shall prepare a report that outlines and analyzes
77 the public policy components of the delivery side of the electric bill for
78 customers of each electric distribution company. The chairperson shall

79 submit such report, in accordance with the provisions of section 11-4a
80 of the general statutes, to the joint standing committee of the General
81 Assembly having cognizance of matters related to energy on or before
82 January 15, 2023.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2022</i>	16-19tt(b)
Sec. 2	<i>October 1, 2022</i>	16-19jj
Sec. 3	<i>October 1, 2022</i>	16-19bb
Sec. 4	<i>October 1, 2022</i>	16-19d(c)
Sec. 5	<i>July 1, 2022</i>	New section

Statement of Legislative Commissioners:

The title was changed for accuracy.

ET *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The procedural changes in the bill have no direct fiscal or ratepayer impact.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**sHB 5203*****AN ACT CONCERNING THE PUBLIC UTILITIES REGULATORY AUTHORITY'S POWERS, UTILITY ADVERTISING DISCLOSURES, AND ELECTRIC BILL COMPONENTS.*****SUMMARY**

This bill makes various changes in laws related to how the Public Utilities Regulatory Authority (PURA) sets rates for utility companies. Among other things, it:

1. allows, rather than requires, PURA to decouple the distribution revenues of the state's gas companies and electric distribution companies (EDCs, i.e., Eversource and United Illuminating) from their volumetric sales, meaning their revenue is not strictly tied to the amount of gas or electricity they sell, and gives PURA greater discretion in how to do so;
2. limits the extent to which utility companies can use settlement agreements to resolve PURA rate cases by (a) requiring that an agreement's terms and resulting rates meet certain principles and guidelines and (b) limiting the extent to which an agreement can be used to avoid future rate cases or general rate hearings for gas companies and EDCs;
3. changes the deadline by which PURA must decide whether to refund an EDC's overearnings to ratepayers or apply them to offset future rate increases; and
4. requires gas companies and EDCs to file public disclosure reports with PURA that detail advertisement costs and funding sources, among other information.

Lastly, the bill requires the PURA chairperson to prepare a report that

outlines and analyzes the delivery-side public policy components on each EDC's customer electric bills. She must submit the report to the Energy and Technology Committee by January 15, 2023.

EFFECTIVE DATE: October 1, 2022, except the requirement for PURA to prepare a report on electric bills is effective July 1, 2022.

§ 1 — GAS AND EDC RATE DECOUPLING

Current law requires that PURA's rate case decisions order the state's gas and electric distribution companies to decouple their distribution revenues from their volumetric sales. For the EDCs, the decoupling mechanism must be an adjustment of actual distribution revenues to allowed distribution revenues. For the gas companies, the decoupling mechanism must not remove the incentive to support the expansion of natural gas use recommended in the 2013 Comprehensive Energy Strategy. Current law also requires that PURA, when making these determinations, consider decoupling's impact on the EDC's or gas company's return on equity and make any needed adjustments to it.

The bill removes these provisions and instead allows, but does not require, PURA to order the EDCs and gas companies to decouple their distribution revenues from their volumetric sales in any rate case begun on or after October 1, 2022, or in any rate that has a final decision pending on that date. The bill gives PURA discretion to determine the coupling mechanism and methodology used in the decoupling orders.

§ 2 — SETTLEMENTS

Current law requires PURA, when it finds it appropriate, to encourage using proposed settlements produced by alternative dispute resolution mechanisms to resolve contested cases and proceedings. The bill requires PURA to permit, rather than encourage, these settlements.

It also requires PURA, before approving a settlement for a rate case, to determine that the resulting rates and other settlement terms conform to certain existing statutory principles and guidelines for internal utility management and rate structures. Among other things, these include that the level and structure of rates:

1. is sufficient, but no more than sufficient, to (a) allow the company to cover its operating costs, (b) attract needed capital and to maintain its financial integrity, and (c) provide appropriate protection to the relevant public interests; and
2. reflects prudent and efficient management of the company.

The bill limits the term of any provision in a rate case settlement to no more than three years after its approval by PURA. It also specifies that a rate case settlement that follows a PURA-approved rate case settlement is not a general rate hearing that the law requires for gas companies and EDCs. In effect, this prevents these companies from using multiple rate case settlements to satisfy the requirement for a general rate case hearing before PURA at least once every four years (CGS § 16-19a).

§ 3 — DEADLINE FOR APPLYING UTILITY COMPANY OVEREARNINGS

Under current law, when an EDC exceeds its authorized return on equity (i.e., earns more than what PURA authorized in a rate case), if PURA intends to use the excess funds to offset a future rate increase instead of decreasing present rates, it must either do so or refund the funds to the company's ratepayers within one year. The bill removes the one-year deadline and instead requires that the offset or refund be done, in a manner determined by PURA, by the end of the company's next general rate hearing.

§ 4 — UTILITY COMPANY ADVERTISING

The law generally prohibits the gas companies and EDCs from recovering their political, institutional, or promotional advertising costs as operating expenses in a rate case. However, it makes exceptions for promoting or marketing efficient gas and electric equipment that PURA determines meets certain criteria. The bill removes provisions in current law that require (1) the companies to apply to PURA for a determination about the equipment; (2) PURA to make the determination within 120 days, if practicable; and (3) the companies to pay the reasonable and proper expenses required by PURA and the Office of Consumer

Counsel.

The bill instead requires each gas company or EDC that recovered advertising costs from ratepayers during the previous year to file a public disclosure report with PURA by each February 1. For each advertisement, the report must delineate the cost, funding source, primary purpose, communications medium or platform, and approximate dates of display transmittal to the public. The information must also be broken down by type of advertising, month and year, and advertising campaign.

Under the bill, a company's failure to provide complete and accurate data in the report is a violation for which PURA may levy civil penalties of up \$10,000 for each offense.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute

Yea 26 Nay 0 (03/22/2022)